



City of Kalamazoo,
Michigan

Comprehensive
Annual
Financial
Report
2017

For the year ended December 31, 2017

CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report
Year Ended December 31, 2017

Prepared by:
Management Services Department, Budget & Accounting Division

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2017

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INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

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June 27, 2018

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, 2017.

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.

Stevens, Kirinovic & Tucker, P.C., Certified Public Accounts, have issued an unmodified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the financial sections of this report (page ix).

The independent audit of the financial statements of the City was part of a broader, federally-mandated "Single Audit" in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the separately issued City's Single Audit Report.

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

Profile of the Government

The City of Kalamazoo, incorporated in 1884, is located between Chicago and Detroit in the southwest corner of Michigan and encompasses an area of approximately 26 square miles. The current population of the City is approximately 76,000. The City, also the county seat, is home to Western Michigan University, a state-designated Research I university, as well as Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College. As a municipality of the State of Michigan, the City of Kalamazoo is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Kalamazoo has operated under the commission-manager form of government since 1918. As required by the City Charter, municipal elections are held in November of odd-numbered years. The Mayor is elected on a separate non-partisan ticket to serve a two-year term in office. The six City Commissioners are elected on a non-partisan ticket to four-year terms. The terms of the commissioners are staggered, with three commissioners elected every two years. The City Commission candidate who receives the most votes at each municipal election will serve as the Vice Mayor for the first two years of their term and as a City Commissioner the second two years. Policymaking and legislative authority are vested in the elected commission consisting of the seven members, all serving part-time. The City Manager is the Chief Administrative Officer of the City and is appointed to serve by the Commission. With the exception of the City's Assessor, Attorney, Clerk and Internal Auditor who are also appointed by the Commission, the City Manager is responsible for administering the policies and ordinances of the City Commission, for appointing the department heads of the City's various departments and overseeing the day-to-day operations of the City.

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

City Services

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

A tax-increment financing (TIF) district captures incremental increases in property tax revenues and reinvests them within that district. The City has three TIF districts within its boundaries that are discretely presented component units of the City: a Downtown Development Authority for its downtown area, a Brownfield Redevelopment Authority to redevelop blighted properties within its boundaries, and a Local Development Financing Authority (LDFA) for a business and technology research park. In 2017, the LDFA concluded its final tax capture. With the goals of the LDFA achieved, the district was dissolved and final assets were disbursed to participating taxing units.

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 2017 unemployment rate for the city was 4.5%, which was lower than the state unemployment rate of 4.7% and higher than the national average of 4.7%. At the same time, enrollment in local universities and colleges exceeds 37,000 full and part-time students, creating a base of potential employees that is highly attractive to business and industry.

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

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

The City of Kalamazoo operates a productive Brownfield Redevelopment program. The Brownfield Redevelopment Authority has been involved in the transformation of over 128 acres of brownfield property, with leverages private investment exceeding \$280 million across 50 projects. 250 new residential units and the creation or retention of more than 2,000 jobs has resulted from these projects.

The Kalamazoo Promise established in 2005 is a trust funded by anonymous public and private donors. All Kalamazoo Public School (KPS) graduates are eligible to receive four years funding for college tuition and mandatory fees at Michigan community colleges and universities. This program has resulted in over 2500 new students enrolled at KPS, an increase in state financial support for the district, and a substantial increase in the number of firms asking about possible business locations to enhance their capacity to attract and retain a well-educated workforce. Approximately 74% of promise eligible students have started college since its inception, as compared to 59% 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 2017, in order to address ongoing structural imbalances in the General Fund, caused by the broken Michigan municipal financing model, the Administration and the Mayor formulated a Memorandum of Understanding (MOU) with major local donors to form the Foundation for Excellence (FFE). The FFE includes two major phases, each of which are designed to resolve the City's structural financing needs.

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

The \$10.9 million received in support the General Fund operations in 2017 and received \$7.1 million in the FFE Aspirational Projects fund in 2017.

As noted in the subsequent events footnote of the financial statements, the City has received \$15 million in donations to support the 2018 General Fund operations at the time of this report.

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

Foundation for Excellence allocations occur alongside the City's annual budget each year under the authority of City Commission. For 2018, these programs are: lead water service replacements; park improvements; streetscape improvements; neighborhood engagement and activation; downtown improvements; the All Things Possible, SuperRec, and Summer Youth Employment Program; economic development and affordable housing work in partnership with the Local Initiatives Support Corporation (LISC); allocations for four (4) City of Kalamazoo personnel as well as communications and evaluation.

Long-term financial planning

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

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

The City finished Fiscal Year 2017 with fewer General Fund expenditures and more General Fund revenues than expected, increasing the fund balance by \$3.2 million more than anticipated in the 2017 amended budget.

The City's Fiscal Year 2018 budget and 5-year Fiscal Plan for the years 2019-2022 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 1% and 3% annually. Expenditures are generally anticipated to rise 2%, with the exception of health insurance which anticipates a 6% increase.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kalamazoo for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the twentieth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized comprehensive annual finance report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



James K. Ritsema
City Manager



Government Finance Officers Association

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

Presented to

**City of Kalamazoo
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

City of Kalamazoo
Comprehensive Annual Financial Report
Year Ended December 31, 2017

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor

Erin Knott, Vice Mayor

Donald Cooney Jack Urban

Shannon Sykes Eric Cunningham

David Anderson

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore, Operations Jeff Chamberlain, Strategic Planning

ASSISTANT CITY MANAGERS

Jerome Kisscorni, Economic Development Laura Lam, Chief Innovation Officer

MANAGEMENT SERVICES DEPARTMENT

Thomas C. Skrobola, Management Services Director/CFO

Melissa Fuller, Management Services Deputy Director/Purchasing Agent

Kelli Steinman, City Treasurer Aaron Powers, City Assessor

Jennifer Clark, Accounting Manager Stephanie McGowan, Budget Manager

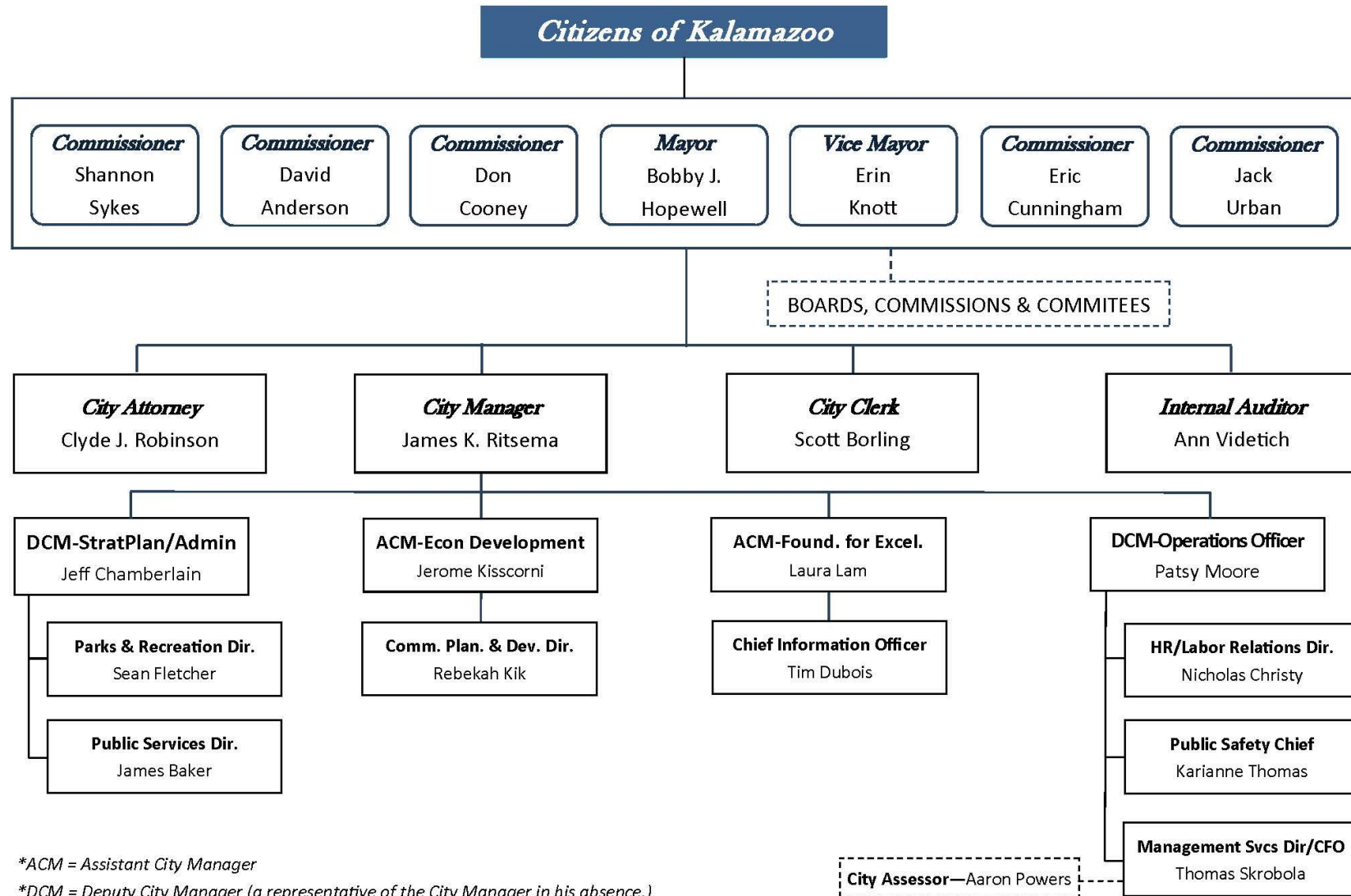
CITY COMMISSION APPOINTEES

Scott Borling, City Clerk Aaron Powers, City Assessor

Ann Videtich, Internal Auditor Clyde Robinson, City Attorney

City of Kalamazoo

2017 Organizational Chart



*ACM = Assistant City Manager

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, which represents 44 percent, 46 percent, and 79 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Downtown Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note O to the financial statements, the City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during the year. The statement improves the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, 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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

June 27, 2018

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, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have furnished in our letter of transmittal (pages i-v).

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$428,823,711 (*net position*);
- The government's total net position increased by \$13.5 million or 3.2%. This net increase was a combination of a \$13.8 million increase in governmental activities net position and a \$265.6 thousand decrease in business-type activities net position.
- The City's balance of bonded debt increased by \$3.975 million during the current fiscal year. The City issued \$11.765 million in General Obligation Bonds and \$7.860 million in Revenue Bonds. The City refunded \$6.335 million of existing debt and made scheduled bond principal payments totaling \$9.315 million.
- As of the close of the 2017 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$37,063,551, an increase of \$8,115,869 in comparison of the prior year. Approximately 29.2% of the combined fund balances, or \$10,812,051 was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund fund balance was \$12,386,037, or 21.2% of the total General Fund budgetary revenues and other financing sources. Of the total \$12.39 million fund balance, \$1,166,644 was nonspendable, leaving \$11.22 million, or 19.2% of budgetary revenues and other financing sources. The General Fund unassigned fund balance for the general fund was \$10,812,051, or 18.5% of total general fund revenues and other financing sources.
- Combined enterprise funds net position decreased \$265,635. This included a decrease of \$5,131,370 of net position in the Wastewater Fund, due primarily to a true-up of utility charges to outside city customers for the years 2013 through 2016, and reduction in surcharges to industrial and municipal customers. The net position of the Water Fund increased \$4,811,784 as a result of favorable operating income and increased capital contributions.
- The City received \$18 million under the Foundation for Excellence memorandum of understanding in 2017. Of the total donations, \$10.9 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 \$7.1 million is in the Special Revenue Aspirational Project Funds, and is restricted for aspirational projects targeted to reduce poverty, enhance youth development, and support other community and economic development within the City.

Management's Discussion and Analysis

Overview and Analysis of the Financial Statements

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

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

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

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

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements

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

Management's Discussion and Analysis

Governmental funds

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

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

The City maintains approximately twenty (20) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's General Fund and OPEB Bond Debt Service Fund, which are considered to be major funds of the City. Data from the other eighteen (18) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Proprietary funds

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

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

Management's Discussion and Analysis

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

The basic proprietary fund financial statements can be found on pages 10-13 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 14-15 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-63 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 64-71 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 72-117 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$428,323,711 at the close of the most recent fiscal year.

A significant portion of the City's net position, \$264,946,308, reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

An additional portion of the City's net position, \$24,701,543, represents resources that are subject to external restrictions on how they may be used. Restricted net position includes amounts set aside for endowments, debt service, debt-financed projects, long-term advances, and externally mandated commitments. The remaining balance of *unrestricted net position*, the amount that may be used to meet the government's ongoing obligations to citizens and creditors, is \$138,675,860, representing the amount of money that the City has to instantaneously satisfy all accrued future liabilities.

Generally accepted accounting principles (GAAP) require that the City show our liability for pension benefits promised in the future as an asset on our entity-wide financial statements. An actuarial valuation as of December 31, 2017, provided a total pension obligation of \$461,005,777. The City had plan fiduciary net position of \$670,927,960 as of year end, exceeding the total pension obligation by \$209,922,183. The resulting net pension asset of \$210 million was allocated to the Governmental Activities and Business-type Activities.

GAAP also require that the City show our liability for a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. An actuarial valuation as of January 1, 2017 provided the total Actuarially Accrued Liability (AAL) of \$71 million and estimated the Annual Required Contribution (ARC) of \$7.6 million for 2017. After crediting current payments for retiree health care and contributions to the OPEB Trust fund of \$3.5 million, a net OPEB loss of \$4.2 million was allocated to the Governmental Activities and Business-type Activities based on actuarial allocations of annual required contributions to the activities based on participant data.

City of Kalamazoo's Net Position December 31, 2016 and December 31, 2017

	Governmental activities		Business-type activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 189,811,851	\$ 236,419,322	\$ 73,272,426	\$ 80,143,573	\$ 263,084,277	\$ 316,562,895
Capital assets, net	171,472,043	172,346,844	167,645,156	174,099,628	339,117,199	346,446,472
Total assets	361,283,894	408,766,166	240,917,582	254,243,201	602,201,476	663,009,367
Deferred outflows of resources	11,441,375	4,643,380	3,027,409	1,841,649	14,468,784	6,485,029
Current liabilities	22,981,417	17,957,613	7,015,081	7,456,970	29,996,498	25,414,583
Noncurrent liabilities	121,153,249	123,998,930	44,081,646	49,752,268	165,234,895	173,751,198
Total liabilities	144,134,666	141,956,543	51,096,727	57,209,238	195,231,393	199,165,781
Deferred inflows of resources	6,151,653	35,244,192	467,729	6,760,712	6,619,382	42,004,904
Net position:						
Investment in capital assets	122,361,164	120,389,124	140,434,583	144,557,184	262,795,747	264,946,308
Restricted	14,937,512	22,611,812	2,094,054	2,089,731	17,031,566	24,701,543
Unrestricted	85,140,274	93,207,875	49,851,898	45,467,985	134,992,172	138,675,860
Total net position	<u>\$ 222,438,950</u>	<u>\$ 236,208,811</u>	<u>\$ 192,380,535</u>	<u>\$ 192,114,900</u>	<u>\$ 414,819,485</u>	<u>\$ 428,323,711</u>

The government's total net position increased by \$13.5 million or 3.25%. This net increase was a combination of a \$13.8 million increase in governmental activities net position and a \$265 thousand decrease in business-type activity net position.

Current and other assets increased \$46.6 million or 24.55% in governmental activities and \$6.9 million or 9.38% in business-type activities. Current liabilities decreased in governmental activities by \$5.0 million or 21.86% and increased in business type activities by \$441 thousand or 6.3%.

Management's Discussion and Analysis

City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2016 and December 31, 2017

	Governmental activities		Business-type activities		Total	
	2016	2017	2016	2017	2016	2017
Revenue:						
Program revenue:						
Charges for services	\$ 11,811,304	\$ 12,138,997	\$ 36,725,512	\$ 34,169,410	\$ 48,536,816	\$ 46,308,407
Operating grants and contributions	14,323,779	33,765,675	131,334	36,855	14,455,113	33,802,530
Capital grants and contributions	10,944	18,008	2,130,600	3,186,467	2,141,544	3,204,475
General revenue:						
Property taxes	34,350,331	24,802,341	-	-	34,350,331	24,802,341
State shared revenues - unrestricted	8,563,853	9,046,844	-	-	8,563,853	9,046,844
Other	1,097,321	3,512,734	276,801	341,304	1,374,122	3,854,038
Total revenue	<u>70,157,532</u>	<u>83,284,599</u>	<u>39,264,247</u>	<u>37,734,036</u>	<u>109,421,779</u>	<u>121,018,635</u>
Expenses:						
General government	5,721,625	3,749,149	-	-	5,721,625	3,749,149
Public safety	35,180,743	37,129,688	-	-	35,180,743	37,129,688
Public works	5,072,156	3,082,441	-	-	5,072,156	3,082,441
Streets	9,881,654	12,451,466	-	-	9,881,654	12,451,466
Community and economic development	4,500,102	4,536,753	-	-	4,500,102	4,536,753
Parks and recreation	2,100,881	3,168,551	-	-	2,100,881	3,168,551
Interest on long-term debt	4,735,609	5,174,409	-	-	4,735,609	5,174,409
Wastewater	-	-	21,294,272	21,035,419	21,294,272	21,035,419
Water	-	-	15,953,040	15,509,780	15,953,040	15,509,780
KMGMA	-	-	1,697,267	1,665,069	1,697,267	1,665,069
City market	-	-	17,488	11,684	17,488	11,684
Total expenses	<u>67,192,770</u>	<u>69,292,457</u>	<u>38,962,067</u>	<u>38,221,952</u>	<u>106,154,837</u>	<u>107,514,409</u>
Change in net position before transfers	2,964,762	13,992,142	302,180	(487,916)	3,266,942	13,504,226
Transfers (out) in	-	(222,281)	-	222,281	-0-	-0-
Change in net position	2,964,762	13,769,861	302,180	(265,635)	3,266,942	13,504,226
Net position - beginning of year	<u>219,474,188</u>	<u>222,438,950</u>	<u>192,078,355</u>	<u>192,380,535</u>	<u>411,552,543</u>	<u>414,819,485</u>
Net position - end of year	<u>\$ 222,438,950</u>	<u>\$ 236,208,811</u>	<u>\$ 192,380,535</u>	<u>\$ 192,114,900</u>	<u>\$ 414,819,485</u>	<u>\$ 428,323,711</u>

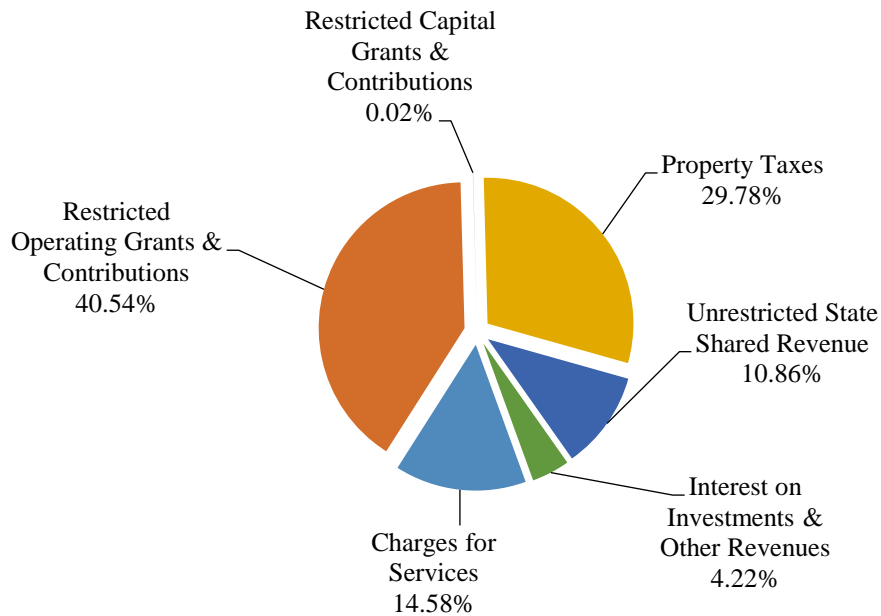
Governmental activities

Governmental activities increased the City's net position \$13.8 million. The City recognized a \$2 million increase of governmental activities expenses compared to 2016. General government and public works expenses each decreased approximately \$2 million, while public safety, streets, and parks and recreation expenses increased by approximately \$2 million, \$2.5 million, and \$1 million, respectively, in 2017.

While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and/or by intergovernmental aid. Expenses in governmental activities exceeded charges for services, grants, and contributions by \$23 million in 2017 and \$41 million in 2016. In 2017, 44.9% 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 55.1% of revenues were derived from charges or restricted to specific programs as depicted on the following chart.

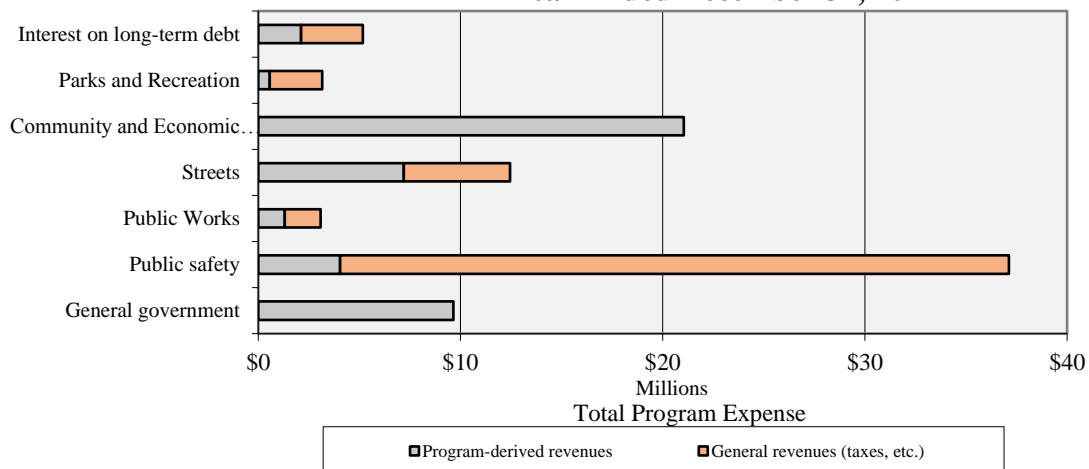
Management's Discussion and Analysis

Revenues by Source - Governmental Activities Year Ended December 31, 2017



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

Governmental Programs - Expenses by Funding Type Year Ended December 31, 2017



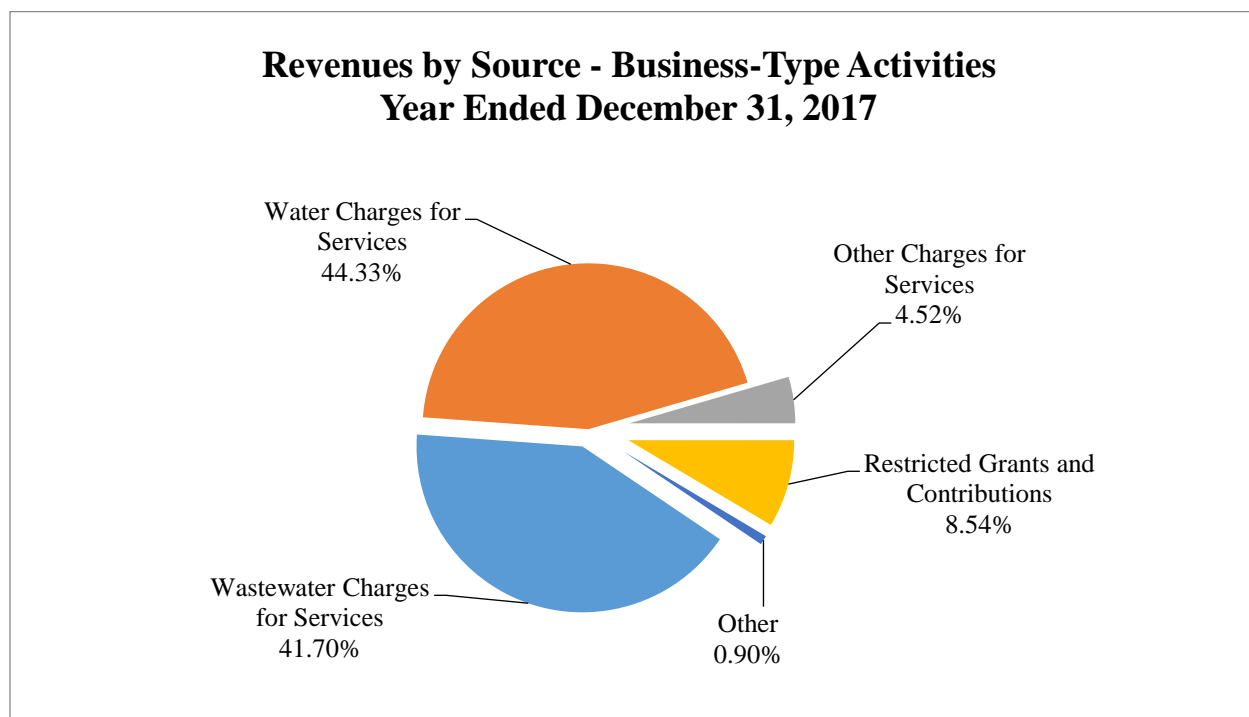
Management's Discussion and Analysis

Business-type activities

Business-type activities decreased the City's net position by \$265,635. The key elements of this decrease are as follows:

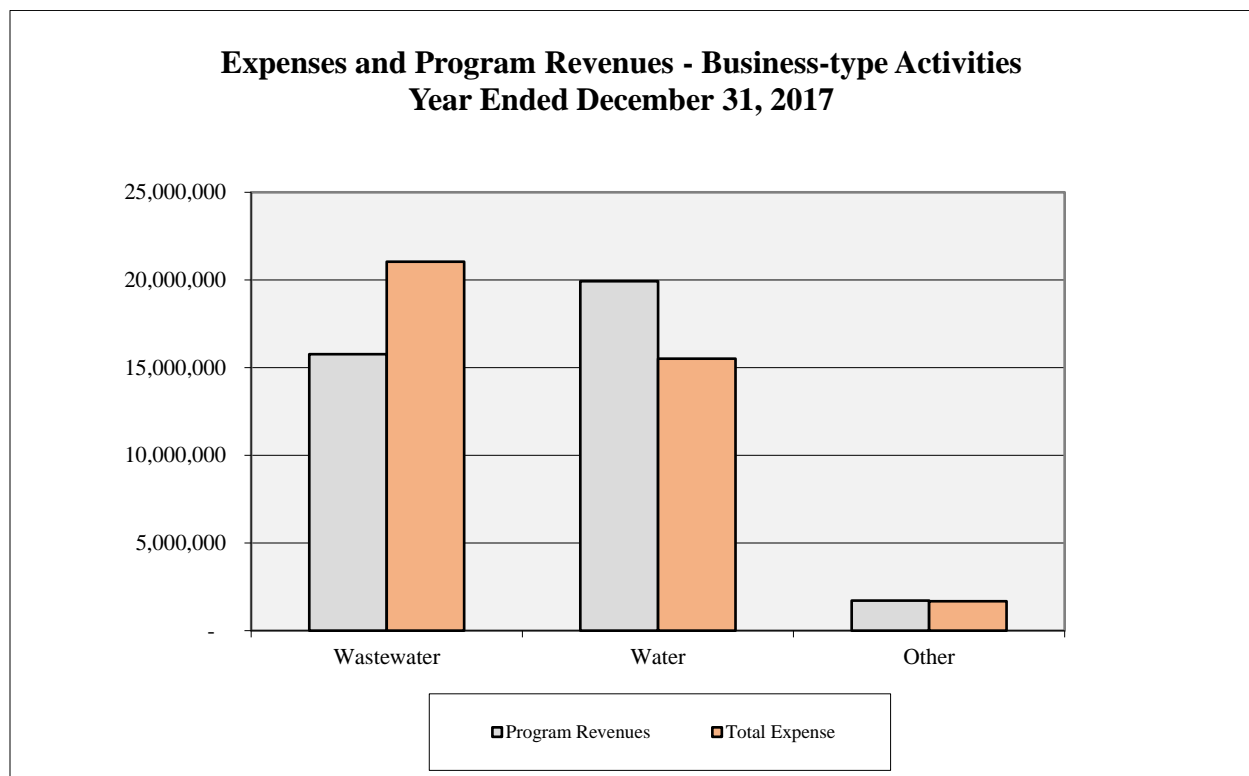
- Wastewater system operating revenues decreased by \$3.9 million due primarily to a true-up of utility charges performed for fiscal years 2013-2016. Operation and maintenance expenses decreased \$214 thousand from 2016.
- Water system operating revenues increased \$1.25 million due to increased volumes of water billed and rate increases, while operation and maintenance expenses decreased \$440 thousand.
- Capital infrastructure contributions of \$3.2 million for water infrastructure represented a major revenue source for the Water system in 2017. These contributions consist of water mains, service connections, and hydrants that are paid by developers or property owners and transferred to the system.
- Wastewater losses of \$5.1 million were due primarily to a planned use of reserves in 2017 and a true-up settlement for utility charges for fiscal years 2013 through 2016.

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



Management's Discussion and Analysis

The following chart depicts the total expenses for each business-type activity for the City of Kalamazoo and the degree to which they are self-supporting. In 2017, the Wastewater system used \$5.1 million of existing reserves while the Water system added \$4.8 million to existing reserves.



Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$37,063,551 an increase of \$8,115,869 in comparison to the prior year. Approximately 29.2% of the combined fund balances, or \$10,812,051, was available for spending at the government's discretion ("*unassigned fund balance*").

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

Management's Discussion and Analysis

General Fund

The general fund is the chief operating fund of the City of Kalamazoo. Property tax collections not collected in the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP) are included in deferred inflows of resources as unavailable revenues. At December 31, 2017, the amount of unavailable property taxes was \$1,175,679, a \$552 thousand decrease from 2016. Other unavailable revenues totaling \$1,816,385 is primarily due to other receivables not collected within 60 days after year-end.

The City's budget policies target undesignated reserves to be 13-15% of total general fund revenues and other financing sources. The General Fund balance was \$12,386,037, or 21.2% of the total General Fund revenues. Of the total, \$12.39 million fund balance, \$1,166,644 was nonspendable or committed, and \$407,342 was assigned for subsequent year's expenditures, leaving \$10.8 million of unassigned fund balance, or 18.5% of revenues.

Revenues and other financing sources came in \$2,226,611 more than the amended budget. Expenditures and other financing uses were \$1,011,525 below budget, resulting in the favorable variance of \$3,238,136. Revenues exceeded budget due primarily to favorable collections of property taxes, increased licenses and permits, and intergovernmental revenue due to increased State of Michigan revenue sharing and fire reimbursement revenues. The savings in General Fund operating expenses was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$235,899 in general government, \$671,201 in public safety and \$584,101 in public services.

During the year, there was an increase of \$1,118,537 in appropriations between the original and final amended General Fund expenditure budget adopted by the City Commission. Of this, \$219,202 was for the carryforward of budgets for expenses budgeted in 2016, but not expended by the close of the prior fiscal year. The City Commission approved an increase of \$525,500 for Foundation for Excellence Aspirational Projects funded programs. The remaining \$373,835 was increased for various operational contracts and capital improvements.

OPEB Bond Debt Service

The OPEB Bond Debt Service Fund is used to account for the debt service activity of the OPEB General Obligation bond issue. Financing is provided by transfers from the General Fund and Major Streets, Local Streets, and Solid Waste special revenue funds. In addition, the Central County Transportation Authority (CCTA) paid \$266,285 for its share of the OPEB debt transferred to the CCTA with the transfer of Metro Operations in 2016.

Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds increased from \$16,978,284 to \$24,677,514. The \$24.68 million fund balance is attributable to capital projects funds (\$1.8 million), special revenue funds (\$15.4 million), debt service funds (\$63.199 million), and endowments held for recreational and cemetery perpetual care purposes (\$7.4 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

Management's Discussion and Analysis

Nonmajor governmental revenues increased \$10.4 million or 61% from 2016. The increase is primarily attributed to increases in donations and contributions and intergovernmental revenues in 2017. Donations and contributions revenues was \$8.7 million in 2017. Of this, \$7.1 million was received from the Foundation for Excellence donors to be used for City Aspirational projects, \$1 million was for capital improvement trailways and other projects, and \$500 thousand was for Bronson Park improvements. The remaining \$100 thousand was donated in support of various public safety, parks and recreation, and community development initiatives.

Intergovernmental revenues increased \$1.5 million or 14% due primarily to favorable gas and weight taxes received to the City's major and local streets funds.

Nonmajor governmental expenditures increased \$5.7 million or 24%. The special revenue funds expenditures increased \$1.1 million, debt service increased \$643 thousand, capital projects increased \$3.9 million, and permanent funds increased \$23 thousand. For further information on capital expenditures in 2017, see the Capital Asset and Debt Administration section.

Proprietary Funds

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

Wastewater Fund

Unrestricted net position (the amount available for future spending) of the City's Wastewater fund amounted to \$26.7 million as of December 31, 2017. The fund had a decrease in total net position for the year of \$5,131,370.

The Wastewater Fund experienced an operating loss of \$4,602,817.

- Wastewater operating revenues decreased \$3.9 million due primarily to a true-up of utility charges performed for fiscal years 2013-2016 of \$3.2 million. The true-up settlement will be paid back to the outside city customers on a straight-line basis through rate reductions in the years 2019-2021.
- Operating expenses decreased \$241 thousand primarily due to reductions in pension expenses, which was offset by increases in operating contracts.
- The annual accrual of net OPEB expenses of \$841,103 is included in operating expenses, of which \$357,700 was contributed to the OPEB Trust. The Wastewater Fund has a net OPEB asset of \$3.2 million included in the Statement of Net Position in 2017. The portion of the 2015 OPEB bond reported in the Wastewater Fund at December 31, 2017 was \$9,360,183.
- Operating expenses includes an adjustment \$560,861 of net pension revenue. The Fund was not required and did not make contributions to the pension system in 2017. The Fund had a net pension benefit as of \$20,318,368, deferred outflows of resources related to pensions of \$1,074,546, and deferred inflows of resources related to pensions of \$3,610,720 included in the Statement of Net Position at December 31, 2017.

Management's Discussion and Analysis

Water Fund

Unrestricted net position (the amount available for future spending) of the City's Water fund amounted to \$18.6 million as of December 31, 2017. The fund had an increase in total net position for the year of \$4,811,784.

The Water Fund experienced operating income of \$2,403,158.

- Water system operating revenues increased \$1.249 million due to increased volumes of water billed in 2017 as compared to 2016 and increased billing rates.
- Operating expenses decreased \$251 thousand primarily due to reductions in pension expenses, which was offset by increases in operating contracts.
- The annual accrual of net OPEB expenses of \$341,158 is included in operating expenses, of which \$298,200 was contributed to the OPEB Trust. The Water Fund has a net OPEB asset of \$1 million included in the Statement of Net Position in 2017. The portion of the 2015 OPEB bond reported in the Water Fund at December 31, 2017 was \$8,876,619.
- Operating expenses includes \$597,594 of net pension revenue. The Fund was not required to and did not make contributions to the pension system in 2017. The Fund had a net pension benefit of \$16,875,644, deferred outflows of resources related to pensions of \$568,434, and deferred inflows of resources related to pensions of \$3,149,992 included in the Statement of Net Position at December 31, 2017.
- Capital contributions of \$3,160,367 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 \$1,047,725 from 2016 as more projects were completed by users of the system in 2017 as compared to 2016.

Other Enterprise Funds

During the year, the net position for the City's nonmajor proprietary funds increased from \$312,150 to \$366,101. The \$366,101 of net position is attributable to the Kalamazoo Municipal Golf Association Fund (\$262,837) and City Market Fund (\$103,264).

Capital Asset and Debt Administration

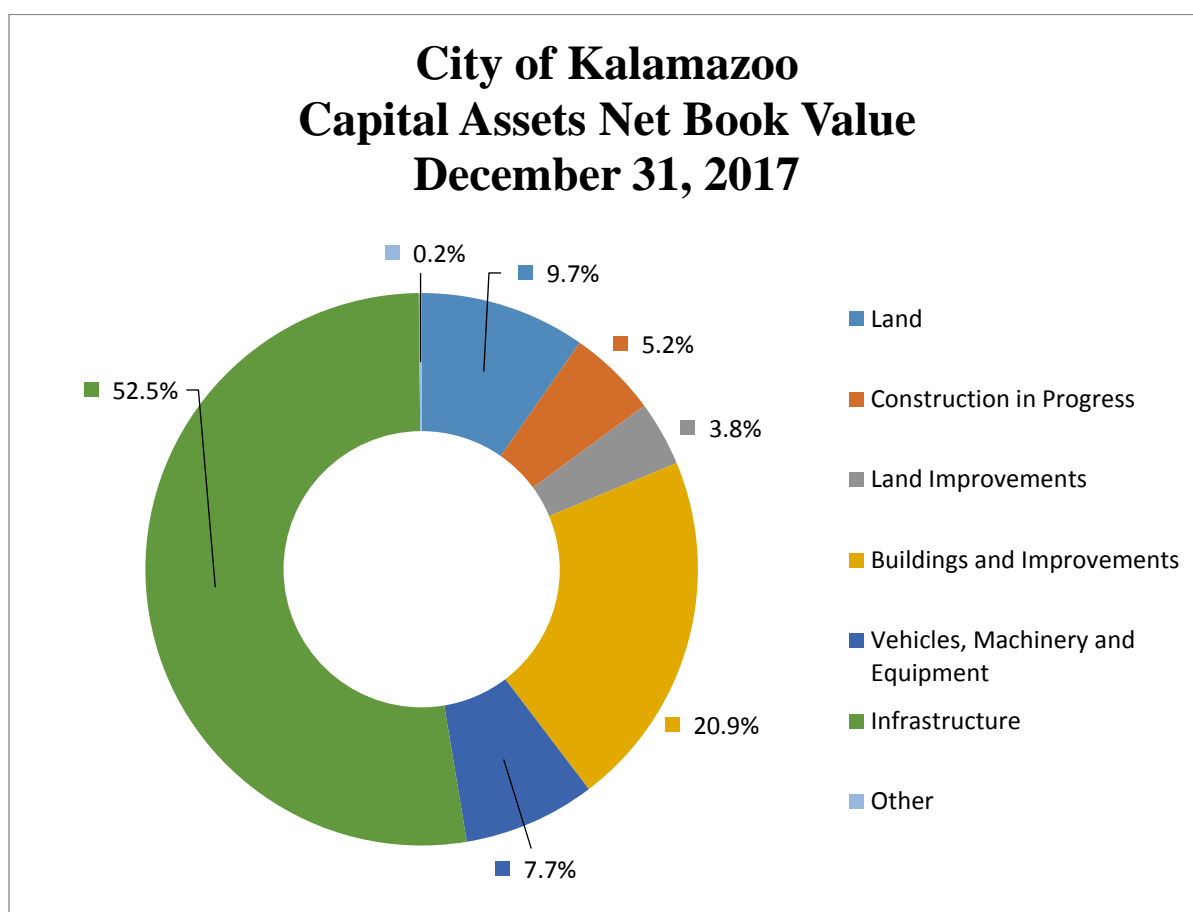
Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, totaled \$346 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, 2017 and the asset has not yet been placed into service.

Management's Discussion and Analysis

	Governmental activities		Business-type activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 30,056,675	\$ 30,289,096	\$ 3,296,680	\$ 3,296,680	\$ 33,353,355	\$ 33,585,776
Building & improvements	35,224,707	30,871,292	43,395,092	41,655,088	78,619,799	72,526,380
Land improvements	9,592,139	9,761,135	3,787,005	3,377,797	13,379,144	13,138,932
Machinery & equipment	3,545,121	3,673,515	16,786,316	15,807,560	20,331,437	19,481,075
Vehicles	4,042,769	4,765,790	1,119,877	2,541,791	5,162,646	7,307,581
Infrastructure	83,539,185	81,474,183	96,708,098	100,241,870	180,247,283	181,716,053
Intangible Assets	282,576	301,700	126,114	132,107	408,690	433,807
Rights to liquor license	-	-	139,200	139,200	139,200	139,200
Construction in progress	5,188,871	11,210,133	2,286,774	6,907,535	7,475,645	18,117,668
Total	<u>\$ 171,472,043</u>	<u>\$ 172,346,844</u>	<u>\$ 167,645,156</u>	<u>\$ 174,099,628</u>	<u>\$ 339,117,199</u>	<u>\$ 346,446,472</u>

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 \$875 thousand for governmental activities while net business-type activity capital assets increased \$6.454 million.

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

Management's Discussion and Analysis

Governmental Activities:

- Construction of capital projects totaling \$5 million was completed in 2017 and transferred to other asset categories. Completed projects included the construction, reconstruction, widening of public streets, sidewalk improvements, and other facility and equipment improvements. Approximately \$11.2 million of additional improvements are in progress.
- Land additions include property for a planned public safety facility and the expansion of the City Farmer's market.
- Land improvements of \$811 thousand include the Woods Lake Park improvements and various improvements.
- Vehicle additions of \$1.4 million included ten Public Safety SUV's, and Public Works heavy equipment consisting of four dump trucks, one paver, and one forklift.
- Machinery and Equipment additions of \$941 thousand primarily include various public safety equipment totaling \$529 thousand, public works equipment totaling \$209 thousand, and various equipment of \$203 thousand.
- The City disposed of assets with an original cost of \$6.3 million, and a net book value of \$3.9 million. The City disposed of a parking ramp in the current year referred to as Ramp Number Four with a cost of \$5.7 million, and a net book value of \$3.8 million. In addition, the City vacated a section of a street, and disposed of various vehicles and equipment that was no longer meeting the City's needs.

Business-type Activities:

- Wastewater added \$2.4 million of assets into service and disposed \$340 thousand of fully depreciated assets in 2017.
- Wastewater had \$4.3 million in construction in progress for a new sewer equipment building, communication system upgrades, various treatment buildings and process upgrades as well as infrastructure improvements in progress at year end.
- Wastewater added \$1.6 million in vehicles including two dump trucks, one backhoe, one front loader, one excavator, a mini jet truck, and a vactor truck.
- Wastewater upgraded the system infrastructure consisting of various mains and sewer linings totaling \$258 thousand.
- Wastewater other additions of \$852 thousand consisted of \$85 thousand in building improvements, \$499 thousand in machinery and equipment, and \$10 thousand in intangibles.
- Wastewater disposed generators with the original cost of \$14,000. Disposed vehicles with a cost of \$326 thousand consisted of a pipe truck, a pickup truck, and a vactor truck.

Management's Discussion and Analysis

- Water added \$7.2 million of assets into service and disposed \$19 thousand of nearly fully depreciated assets in 2017.
- Water had \$2.5 million in construction in progress at year end. Various station and communication systems upgrades totaled \$1.9 million. Infrastructure upgrades for water mains and connections in progress totaled \$663 thousand.
- Water upgraded the system infrastructure consisting of various mains, service connections, hydrants, and meters totaling \$6.9 million. Of this total, \$3.2 million was contributed from customers.
- Water other additions of \$370 thousand consisted of \$11 thousand in building improvements, \$343 thousand in machinery and equipment, and \$15 thousand in intangibles.
- Water disposed of assets with original costs totaling \$19 thousand, with a net book value of \$1 thousand. The disposals consisted of a vehicle and a hydrant.
- The Kalamazoo Municipal Golf Association (KMGA) fund reduced capital by \$80 thousand, including \$85 thousand addition to machinery and equipment. The KMGA had no disposals in 2017.

Additional information on the City's capital assets, including detailed changes during 2017, can be found in Note F on pages 37-40 of this report.

Long-term debt

The City's balance of bonded debt increased by \$3.975 million during the current fiscal year. The City issued \$11.765 million in General Obligation Bonds and \$7.860 million in Revenue Bonds. The City refunded \$6.335 million of existing debt and made scheduled bond principal payments totaling \$9.315 million.

General obligation bonds

The City issues direct obligations where the government pledges the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. General Obligation bonds issued in 2017 consisted of a \$7,985,000 par value bond issued to fund capital improvements for streets, parking improvements, and other capital improvements. Of this bond, \$90,000 was recorded in the City's business-type activities and the remaining \$7,895,000 is recorded in the governmental activities. The City also issued a refunding bond for a par value of \$3,780,000 to advance refund the 2008 and 2009 capital improvements bonds. The balance of outstanding general obligation bonds as of December 31, 2017 is \$120.1 million for governmental activities and \$18.8 million for business-type activities.

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City issued \$7,860,000 of revenue bonds in 2017 to fund Water fund capital projects. The balance of outstanding revenue bonds as of December 31, 2017 is \$1.6 million for governmental activities and \$29.8 million for business-type activities.

Management's Discussion and Analysis

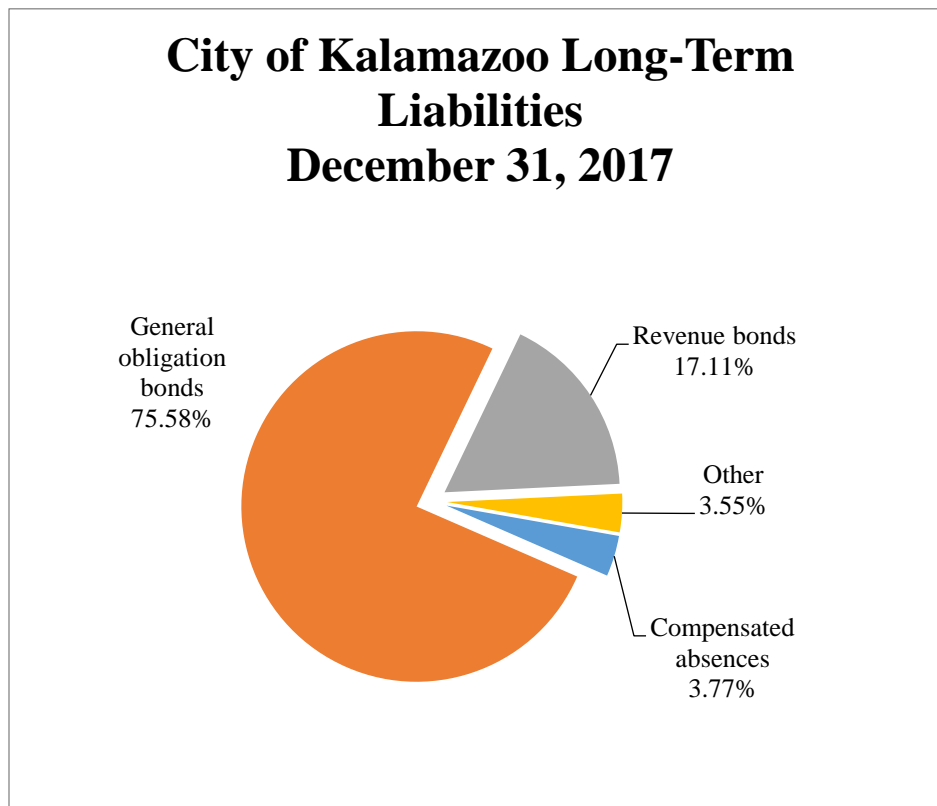
Compensated Absences

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2017 is \$6.92 million.

Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2017. The estimated liability to the City is \$3.86 million.

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



Additional information on the City's long-term debt can be found in Note G on pages 40-45.

The following is the City's credit rating for the various outstanding debt as rated by Standard and Poor's as of December 31, 2017.

	Standard & Poor's
General obligation bonds	AA-
Water revenue bonds	AA-
Wastewater revenue bonds	AA

Management's Discussion and Analysis

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, 40% of the City's land is considered non-taxable. Furthermore, State of Michigan has property tax growth control measures that have the effect of limiting property tax revenue growth to the rate of inflation, which has been unusually low in recent years, and normally does not reflect the inflation of the cost of doing the people's business.

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

In concert with these improvement efforts, the City Commission voted in 2016 to approve an initial agreement for the creation of a proposed Foundation For Excellence (FFE). Under this initial agreement, the FFE's lead donors will provide a donation over three years, starting in 2017, of \$70.3 million to support a reduction in the City's tax mill rate (from 19.2705 mills to 12.0000 mills) and allocate \$10 million annually for aspirational projects targeting youth employment and development, reducing poverty, and other goal areas of the IK 2025 plan.

In 2017, the City received \$10.9 million in the General Fund in FFE donations to support operations. In addition, \$7.1 million was received in the FFE Aspirational Projects fund. The City Commission approved \$3.2 million for FFE operations and aspirational projects including: Youth development and employment, shared prosperity, complete neighborhoods, and water system lead service replacements.

In 2017, State shared revenues in the General Fund had a 5% or \$483 thousand increase. State revenue remains low relative to historic norms. According to the Michigan Municipal League's calculator at SaveMICity.org, Kalamazoo has lost \$43 million in State Revenue sharing from 2003-2016, assuming the statutory revenue sharing continued on the same gain or loss pattern as was the case with the constitutional revenue sharing. State Revenues represented only 16% of the General Fund Budgeted revenues in 2017 as compared to 28% in 2001.

Assessed property taxes increased approximately \$13 million or .8% in 2017 as compared to 2016. Due to the reduced millage rate, the City's property tax levy decreased \$11 million from 2016.

Management's Discussion and Analysis

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 2018 General Fund budget includes anticipated \$15.9 million of FFE funded support. As further discussed in the Note R in the Notes to the Financial Statements, the City has received \$15.2 million to support 2018 operations as of the date of this report. The City's budgeted operating expenditures in 2018 is \$2.0 million more than the 2017 adopted budget. The General Fund will transfer \$2.5 million to the CIP fund, pay \$3.8 million for the 2015 Other Post Employment Benefit Bonds, and make employer contributions of \$2.5 million to the OPEB Trust.

Property tax millage rates are budgeted in 2018 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 2018.

The City of Kalamazoo's General Fund Reserve Policy guides the creation, maintenance, and use of reserves. The fund balance of the General Operating Fund will be budgeted within the target range of 13 - 15% of budgeted annual operating revenues. The City has an additional reserve account of \$350 thousand to provide emergency funds to replace unanticipated equipment failures. The projected fund balance in 2018 is targeted to be 16.7% of operating revenues, which will exceed the City Commission Budget Policy minimum target of 13% of revenues.

In 2018, the City has budgeted \$12.4 million for FFE operations (\$182 thousand) and aspirational projects. The aspirational projects include: \$944 thousand for youth development and employment, \$141 thousand for shared prosperity, \$5.2 million for complete neighborhoods, \$500 thousand for downtown public spaces, \$5 million for economic vitality, and \$500 thousand for water system lead services improvements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Kalamazoo

STATEMENT OF NET POSITION

December 31, 2017

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 26,165,135	\$ 12,365,222	\$ 38,530,357	\$ 3,111,810
Cash and cash equivalents, restricted	6,313,267	3,409,642	9,722,909	1,921,382
Investments	8,506,163	15,778,761	24,284,924	513,284
Investments with agents	3,395,504	-	3,395,504	-
Current portion of receivables	10,174,202	5,341,264	15,515,466	919,408
Internal balances	(1,307,102)	1,307,102	-0-	-
Due from other governmental units	3,497,802	69,351	3,567,153	43,490
Inventories	339,928	455,112	795,040	-
Prepays	83,869	29,424	113,293	-
Total current assets	57,168,768	38,755,878	95,924,646	6,509,374
Noncurrent assets				
Advance to other governmental units	907,741	-	907,741	-
Net other post-employment benefits asset	-	4,193,683	4,193,683	-
Noncurrent portion of receivables	1,475,380	-	1,475,380	2,000,541
Noncurrent portion of amounts due from other governmental units	4,139,262	-	4,139,262	-
Net pension asset	172,728,171	37,194,012	209,922,183	-
Capital assets not being depreciated	41,499,229	10,343,415	51,842,644	58,162
Capital assets, net of accumulated depreciation	130,847,615	163,756,213	294,603,828	387,275
Total noncurrent assets	351,597,398	215,487,323	567,084,721	2,445,978
TOTAL ASSETS	408,766,166	254,243,201	663,009,367	8,955,352
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	528,322	198,669	726,991	-
Deferred outflows of resources related to pensions	4,115,058	1,642,980	5,758,038	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,643,380	1,841,649	6,485,029	-0-
LIABILITIES				
Current liabilities				
Accounts payable	2,883,283	2,755,075	5,638,358	420,909
Accrued payroll	1,089,864	-	1,089,864	-
Accrued interest payable	710,610	403,470	1,114,080	61,113
Other accrued liabilities	1,446,954	23,356	1,470,310	-
Deposits payable	120,739	877,785	998,524	-
Due to other governmental units	9,782	32,703	42,485	1,013,640
Unearned revenue	153,100	140,600	293,700	51,667
Current portion of compensated absences	2,396,098	587,924	2,984,022	23,053
Current portion of long-term debt	6,821,135	2,636,057	9,457,192	678,583
Current portion of uninsured claim liability	2,326,048	-	2,326,048	-
Total current liabilities	17,957,613	7,456,970	25,414,583	2,248,965
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	907,742
Noncurrent portion of compensated absences	3,703,486	235,498	3,938,984	14,699
Noncurrent portion of true-up settlement	-	3,155,000	3,155,000	-
Noncurrent portion of long-term debt	117,721,037	46,361,770	164,082,807	719,233
Noncurrent portion of uninsured claim liability	981,918	-	981,918	-
Net other post-employment benefits obligation	1,592,489	-	1,592,489	-
Total noncurrent liabilities	123,998,930	49,752,268	173,751,198	1,641,674
TOTAL LIABILITIES	141,956,543	57,209,238	199,165,781	3,890,639
DEFERRED INFLOWS OF RESOURCES				
Deferred sales of future revenues	3,943,347	-	3,943,347	-
Deferred inflows of resources related to pensions	31,300,845	6,760,712	38,061,557	-
TOTAL DEFERRED INFLOWS OF RESOURCES	35,244,192	6,760,712	42,004,904	-0-
NET POSITION				
Net investment in capital assets	120,389,124	144,557,184	264,946,308	445,437
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	5,344,783	-	5,344,783	-
FFE aspirational projects	5,596,943	-	5,596,943	-
Solid waste program	112,368	-	112,368	-
Parks and recreation	1,245,431	-	1,245,431	-
Neighborhood and community development	948,055	-	948,055	-
Other purposes	5,736,668	2,089,731	7,826,399	-
Unrestricted	93,207,875	45,467,985	138,675,860	4,619,276
TOTAL NET POSITION	\$ 236,208,811	\$ 192,114,900	\$ 428,323,711	\$ 5,064,713

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,749,149	\$ 7,798,637	\$ 1,845,433	\$ -
Public safety	37,129,688	1,382,232	2,651,724	18,008
Public works	3,082,441	-	1,304,247	-
Streets	12,451,466	-	7,193,753	-
Community and economic development	4,536,753	1,686,416	19,361,026	-
Parks and recreation	3,168,551	351,047	210,874	-
Interest on long-term debt	5,174,409	920,665	1,198,618	-
Total governmental activities	69,292,457	12,138,997	33,765,675	18,008
Business-type activities				
Wastewater	21,035,419	15,736,474	-	26,100
Water	15,509,780	16,726,191	36,855	3,160,367
Kalamazoo Municipal Golf Association	1,665,069	1,703,405	-	-
City Market	11,684	3,340	-	-
Total business-type activities	38,221,952	34,169,410	36,855	3,186,467
Total primary government	<u>\$ 107,514,409</u>	<u>\$ 46,308,407</u>	<u>\$ 33,802,530</u>	<u>\$ 3,204,475</u>
Component units				
Downtown Development Authority	\$ 3,878,204	\$ 2,633,622	\$ -	\$ -
Economic Development Corporation	137,690	-	31,308	-
Brownfield Redevelopment Authority	2,150,491	-	46,399	-
Local Development Finance Authority	30,130	-	-	-
Total component units	<u>\$ 6,196,515</u>	<u>\$ 2,633,622</u>	<u>\$ 77,707</u>	<u>\$ -0-</u>

General revenues

Property taxes

Unrestricted state shared revenues

Investment earnings

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of the year

Net position, end of the year

City of Kalamazoo

STATEMENT OF ACTIVITIES - CONCLUDED

Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 5,894,921	\$ -	\$ 5,894,921	\$ -
(33,077,724)	-	(33,077,724)	-
(1,778,194)	-	(1,778,194)	-
(5,257,713)	-	(5,257,713)	-
16,510,689	-	16,510,689	-
(2,606,630)	-	(2,606,630)	-
(3,055,126)	-	(3,055,126)	-
(23,369,777)	-0-	(23,369,777)	-0-
-	(5,272,845)	(5,272,845)	-
-	4,413,633	4,413,633	-
-	38,336	38,336	-
-	(8,344)	(8,344)	-
-0-	(829,220)	(829,220)	-0-
(23,369,777)	(829,220)	(24,198,997)	-0-
-	-	-0-	(1,244,582)
-	-	-0-	(106,382)
-	-	-0-	(2,104,092)
-	-	-0-	(30,130)
-0-	-0-	-0-	(3,485,186)
24,802,341	-	24,802,341	2,158,484
9,046,844	-	9,046,844	-
1,913,430	182,701	2,096,131	44,196
1,487,317	25,605	1,512,922	1,500,000
111,987	132,998	244,985	297,967
(222,281)	222,281	-0-	-
37,139,638	563,585	37,703,223	4,000,647
13,769,861	(265,635)	13,504,226	515,461
222,438,950	192,380,535	414,819,485	4,549,252
<u>\$ 236,208,811</u>	<u>\$ 192,114,900</u>	<u>\$ 428,323,711</u>	<u>\$ 5,064,713</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2017

	General	OPEB Bond Debt Service	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 7,721,295	\$ -	\$ 8,420,930	\$ 16,142,225
Cash and cash equivalents - restricted	-	-	6,313,267	6,313,267
Investments	2,029,172	-	4,233,487	6,262,659
Investments with agents	-	-	3,223,813	3,223,813
Receivables				
Accounts	1,513,919	-	4,394,183	5,908,102
Interest	38,800	-	-	38,800
Special assessments	2,212	-	-	2,212
Taxes	2,173,426	-	250,578	2,424,004
Notes	655,782	-	858,031	1,513,813
Due from other funds	3,511,190	-	1,504,570	5,015,760
Due from other governmental units	106,951	4,139,262	3,375,531	7,621,744
Advances to other funds	340,000	-	-	340,000
Advances to other governmental units	-	-	907,741	907,741
Inventories	86,993	-	252,935	339,928
Prepays	83,869	-	-	83,869
TOTAL ASSETS	\$ 18,263,609	\$ 4,139,262	\$ 33,735,066	\$ 56,137,937
LIABILITIES				
Accounts payable	\$ 680,335	\$ -	\$ 1,997,393	\$ 2,677,728
Accrued liabilities	30,045	-	25,230	55,275
Due to other funds	2,165,032	-	5,973,307	8,138,339
Due to other governmental units	9,596	-	186	9,782
Deposits payable	500	-	120,239	120,739
Unearned revenue	-	-	153,100	153,100
TOTAL LIABILITIES	2,885,508	-0-	8,269,455	11,154,963
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,992,064	4,139,262	788,097	7,919,423
FUND BALANCES				
Nonspendable	1,166,644	-	3,880,499	5,047,143
Restricted	-	-	18,794,512	18,794,512
Committed	-	-	2,002,503	2,002,503
Assigned	407,342	-	-	407,342
Unassigned	10,812,051	-	-	10,812,051
TOTAL FUND BALANCES	12,386,037	-0-	24,677,514	37,063,551
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,263,609	\$ 4,139,262	\$ 33,735,066	\$ 56,137,937

See accompanying notes to financial statements.

City of Kalamazoo

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

December 31, 2017

Total fund balance - governmental funds \$ 37,063,551

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	\$ 358,320,781	
Accumulated depreciation is	<u>(185,973,937)</u>	
Capital assets, net		172,346,844

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

Net pension asset	172,728,171	
Deferred outflows of resources related to pensions	4,115,058	
Deferred inflows of resources related to pensions	(31,300,845)	
Deferred charges on refunding	<u>528,322</u>	
		146,070,706

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 7,919,423

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		5,753,142
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	(121,696,510)	
Net other post-employment benefits obligation	(1,592,489)	
Environmental matters liability	(554,411)	
Unamortized deferred amounts on debt issuance	(2,291,251)	
Accrued interest payable	(710,610)	
Compensated absences	<u>(6,099,584)</u>	
		<u>(132,944,855)</u>
Net position of governmental activities		<u><u>\$ 236,208,811</u></u>

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2017

	General	OPEB Bond Debt Service	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 22,155,157	\$ -	\$ 2,647,184	\$ 24,802,341
Licenses and permits	2,467,735	-	-	2,467,735
Intergovernmental	10,995,840	-	12,528,867	23,524,707
Charges for services	9,353,312	-	311,265	9,664,577
Fines and forfeits	8,058	-	146,453	154,511
Interest and rents	195,607	-	1,765,450	1,961,057
Net investment earnings	-	-	840,048	840,048
Other				
Donations and contributions	11,035,000	-	8,740,051	19,775,051
Other	1,784,369	266,285	455,317	2,505,971
TOTAL REVENUES	57,995,078	266,285	27,434,635	85,695,998
EXPENDITURES				
Current				
General government	8,785,110	-	372,238	9,157,348
Public safety	29,475,083	-	1,630,598	31,105,681
Public works	5,319,151	-	2,682,565	8,001,716
Streets	-	-	9,127,636	9,127,636
Community and economic development	2,224,331	-	1,788,527	4,012,858
Parks and recreation	2,173,922	-	1,126,560	3,300,482
Other	3,660,911	-	-	3,660,911
Debt service				
Principal	-	1,488,019	5,415,000	6,903,019
Interest and fiscal charges	-	2,838,198	1,977,883	4,816,081
Capital outlay				
	-	-	6,019,394	6,019,394
TOTAL EXPENDITURES	51,638,508	4,326,217	30,140,401	86,105,126
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,356,570	(4,059,932)	(2,705,766)	(409,128)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	7,895,000	7,895,000
Payments to escrow agent	-	-	(3,722,683)	(3,722,683)
Issuance of refunding debt	-	-	3,780,000	3,780,000
Bond premium	-	-	794,961	794,961
Transfers in	488,646	4,059,932	9,636,225	14,184,803
Transfers out	(6,428,577)	-	(7,978,507)	(14,407,084)
TOTAL OTHER FINANCING SOURCES (USES)	(5,939,931)	4,059,932	10,404,996	8,524,997
NET CHANGE IN FUND BALANCES	416,639	-0-	7,699,230	8,115,869
Fund balances, beginning of year	11,969,398	-	16,978,284	28,947,682
Fund balances, end of year	<u>\$ 12,386,037</u>	<u>\$ -0-</u>	<u>\$ 24,677,514</u>	<u>\$ 37,063,551</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, 2017

Net change in fund balances - total governmental funds **\$ 8,115,869**

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	\$ 11,825,952
Depreciation expense	(7,113,859)
Net effect of disposal of capital assets	<u>(3,837,292)</u>

Excess of capital outlay over depreciation expense and other items	874,801
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(842,402)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain individual funds are included in the governmental activities.

Net income of governmental activities internal service funds	3,727,256
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond proceeds	(11,675,000)
Debt principal retirement	<u>10,159,674</u>

(1,515,326)

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	42,840,083
(Decrease) in deferred outflows of resources related to pensions	(6,907,024)
(Increase) in deferred inflows of resources related to pensions	(29,175,702)
Increase in deferred charges on refunding	109,029
(Increase) in deferred amounts on debt issuance	(636,795)
(Increase) in accrued interest payable	(26,247)
Decrease in compensated absences	183,817
(Increase) in environmental matters liability	(29,603)
(Decrease) in other post-employment benefits asset	(1,355,406)
(Increase) in other post-employment benefits obligation	<u>(1,592,489)</u>

3,409,663

Change in net position of governmental activities	<u>\$ 13,769,861</u>
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See accompanying notes to financial statements.

City of Kalamazoo

General Fund

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

Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 20,348,824	\$ 20,348,824	\$ 22,155,157	\$ 1,806,333
Licenses and permits	2,384,980	2,384,980	2,467,735	82,755
Intergovernmental	9,973,349	9,973,349	10,995,840	1,022,491
Charges for services	10,360,180	10,375,231	9,353,312	(1,021,919)
Fines and forfeits	36,300	36,300	8,058	(28,242)
Interest and rents	192,052	192,052	195,607	3,555
Other				
Donations and contributions	11,115,477	11,150,477	11,035,000	(115,477)
Other	1,228,400	1,248,400	1,784,369	535,969
TOTAL REVENUES	55,639,562	55,709,613	57,995,078	2,285,465
EXPENDITURES				
Current				
General government				
Commission	85,269	85,269	70,941	14,328
Manager	1,202,346	1,538,105	1,558,189	(20,084)
Attorney	718,919	726,187	689,239	36,948
Clerk				
Administration	142,123	146,920	143,333	3,587
Election	176,556	193,556	211,031	(17,475)
Records management	194,365	196,144	180,217	15,927
Internal audit	86,961	90,957	90,482	475
Human resources	763,848	875,437	893,015	(17,578)
Management services				
Administration	353,122	291,372	258,484	32,888
Budget & accounting	933,397	525,223	533,645	(8,422)
Financial services	475,264	475,264	468,265	6,999
Assessor	465,350	487,850	477,259	10,591
Treasurer	1,277,179	1,287,679	1,253,452	34,227
Purchasing	363,491	333,866	250,746	83,120
Information technology	1,767,178	1,767,180	1,706,812	60,368
Total general government	9,005,368	9,021,009	8,785,110	235,899
Public safety				
Administration	1,169,216	1,206,875	1,083,904	122,971
K-Vet drug enforcement	1,779,571	1,779,571	1,794,824	(15,253)
Operations division	16,548,046	16,548,046	15,706,753	841,293
Criminal investigations	3,016,715	3,016,715	3,046,461	(29,746)
Service division	7,409,728	7,595,077	7,843,141	(248,064)
Total public safety	29,923,276	30,146,284	29,475,083	671,201
Public services				
Public works				
Forestry, creek, and environmental inspections	501,696	872,996	548,273	324,723
Sidewalks and pedestrian mall maintenance	337,693	337,693	333,332	4,361
Equipment maintenance	2,222,746	2,222,746	2,176,923	45,823
Engineering	1,062,883	1,062,883	1,125,211	(62,328)
City maintenance	1,052,596	1,406,934	1,135,412	271,522
Total public services	5,177,614	5,903,252	5,319,151	584,101

See accompanying notes to financial statements.

CONTINUED

City of Kalamazoo

General Fund

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

Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Community development	\$ -	\$ 106,200	\$ 100,355	\$ 5,845
Economic development	248,780	213,780	209,175	4,605
Code administration	1,367,211	1,374,885	1,349,440	25,445
Planning	625,562	617,888	565,361	52,527
Total community and economic development	2,241,553	2,312,753	2,224,331	88,422
Parks and recreation				
Parks maintenance	833,336	846,530	847,018	(488)
Recreation	1,097,543	1,267,399	1,326,904	(59,505)
Total parks and recreation	1,930,879	2,113,929	2,173,922	(59,993)
Nondepartmental				
Street lighting	1,064,151	1,064,151	1,169,484	(105,333)
Contribution to OPEB trust	2,491,300	2,491,300	2,491,300	-0-
Other	100,000	-	127	(127)
Total nondepartmental	3,655,451	3,555,451	3,660,911	(105,460)
TOTAL EXPENDITURES	51,934,141	53,052,678	51,638,508	1,414,170
EXCESS OF REVENUES OVER EXPENDITURES	3,705,421	2,656,935	6,356,570	3,699,635
OTHER FINANCING SOURCES (USES)				
Bond premium	22,000	22,000	-	(22,000)
Transfers in	-	525,500	488,646	(36,854)
Transfers out	(6,025,932)	(6,025,932)	(6,428,577)	(402,645)
TOTAL OTHER FINANCING SOURCES (USES)	(6,003,932)	(5,478,432)	(5,939,931)	(461,499)
NET CHANGE IN FUND BALANCE	(2,298,511)	(2,821,497)	416,639	3,238,136
Fund balance, beginning of year	11,969,398	11,969,398	11,969,398	-0-
Fund balance, end of year	\$ 9,670,887	\$ 9,147,901	\$ 12,386,037	\$ 3,238,136

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2017

	Enterprise Funds				Internal Service Fund Insurance and Benefits
	Wastewater	Water	Nonmajor	Total	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 6,706,071	\$ 5,352,958	\$ 306,193	\$ 12,365,222	\$ 10,022,910
Cash and cash equivalents - restricted	762,891	2,646,751	-	3,409,642	-
Investments	9,620,472	6,158,289	-	15,778,761	2,243,504
Investments with agents	-	-	-	-0-	171,691
Receivables					
Customers	2,509,116	2,678,355	-	5,187,471	1,762,651
Interest	46,495	-	-	46,495	-
Special assessment	1,208	-	-	1,208	-
Due from management corporation	-	-	106,090	106,090	-
Due from other funds	2,253,142	314,190	-	2,567,332	2,212,205
Due from other governmental units	-	69,351	-	69,351	15,320
Inventories	161,890	293,222	-	455,112	-
Prepays	23,446	5,978	-	29,424	-
Total current assets	22,084,731	17,519,094	412,283	40,016,108	16,428,281
Noncurrent assets					
Net other post-employment benefits asset	3,181,992	1,011,691	-	4,193,683	-
Net pension asset	20,318,368	16,875,644	-	37,194,012	-
Capital assets not being depreciated	5,035,819	5,165,035	142,561	10,343,415	-
Capital assets, net of accumulated depreciation	68,617,936	94,094,402	1,043,875	163,756,213	-
Total noncurrent assets	97,154,115	117,146,772	1,186,436	215,487,323	-0-
TOTAL ASSETS	119,238,846	134,665,866	1,598,719	255,503,431	16,428,281
DEFERRED OUTFLOW OF RESOURCES					
Deferred amounts on refunding	44,413	154,256	-	198,669	-
Deferred outflows of resources related to pensions	1,074,546	568,434	-	1,642,980	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,118,959	722,690	-0-	1,841,649	-0-
LIABILITIES					
Current liabilities					
Accounts payable	1,949,624	805,451	-	2,755,075	205,555
Accrued payroll	-	-	-	-0-	1,089,864
Other accrued liabilities	23,231	125	-	23,356	1,391,679
Accrued interest payable	105,485	290,899	7,086	403,470	-
Deposit payable	-	877,785	-	877,785	-
Due to other funds	466,341	640,478	153,411	1,260,230	396,728
Due to other governmental units	11,215	21,488	-	32,703	-
Unearned revenue	-	-	140,600	140,600	3,943,347
Current portion of compensated absences	316,580	271,344	-	587,924	-
Current portion of long-term debt	911,621	1,504,881	219,555	2,636,057	-
Current portion of uninsured claim liability	-	-	-	-0-	2,326,048
Total current liabilities	3,784,097	4,412,451	520,652	8,717,200	9,353,221
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	167,916	67,582	-	235,498	-
Noncurrent portion of true-up settlement	3,155,000	-	-	3,155,000	-
Noncurrent portion of long-term debt	16,408,367	29,241,437	711,966	46,361,770	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	981,918
Total noncurrent liabilities	19,731,283	29,309,019	711,966	49,752,268	1,321,918
TOTAL LIABILITIES	23,515,380	33,721,470	1,232,618	58,469,468	10,675,139
DEFERRED INFLOWS OF RESOURCES					
Deferred sales of future revenues	-	-	-	-0-	3,943,347
Deferred inflows of resources related to pensions	3,610,720	3,149,992	-	6,760,712	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,610,720	3,149,992	-0-	6,760,712	3,943,347
NET POSITION					
Net investment in capital assets	65,738,363	78,563,906	254,915	144,557,184	-
Restricted for bond reserves	762,891	1,326,840	-	2,089,731	-
Unrestricted	26,730,451	18,626,348	111,186	45,467,985	5,753,142
TOTAL NET POSITION	\$ 93,231,705	\$ 98,517,094	\$ 366,101	\$ 192,114,900	\$ 5,753,142

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2017

	Enterprise Funds				Internal Service Fund Insurance and Benefits
	Wastewater	Water	Nonmajor	Total	
OPERATING REVENUES					
Charges for services	\$ 15,736,474	\$ 16,726,191	\$ 1,706,745	\$ 34,169,410	\$ 17,303,122
Other	11,727	29,397	23,959	65,083	83,163
TOTAL OPERATING REVENUES	15,748,201	16,755,588	1,730,704	34,234,493	17,386,285
OPERATING EXPENSES					
Operation and maintenance	15,822,715	11,028,537	1,475,211	28,326,463	-
Risk management	-	-	-	-0-	13,708,566
Depreciation	4,528,303	3,323,893	184,922	8,037,118	-
TOTAL OPERATING EXPENSES	20,351,018	14,352,430	1,660,133	36,363,581	13,708,566
OPERATING INCOME (LOSS)	(4,602,817)	2,403,158	70,571	(2,129,088)	3,677,719
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	36,855	-	36,855	-
Interest revenue	105,670	77,031	-	182,701	49,537
Other	2,408	1,860	-	4,268	-
Gain on sale of capital assets	20,508	5,097	-	25,605	-
Amortization of:					
Bond defeasance expenses	(9,314)	(45,296)	-	(54,610)	-
Bond premiums and discounts	1,162	62,485	-	63,647	-
Interest expense and fiscal charges	(675,087)	(1,112,054)	(16,620)	(1,803,761)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(554,653)	(974,022)	(16,620)	(1,545,295)	49,537
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,157,470)	1,429,136	53,951	(3,674,383)	3,727,256
CAPITAL CONTRIBUTIONS	26,100	3,160,367	-	3,186,467	-
TRANSFERS IN	-	222,281	-	222,281	-
CHANGE IN NET POSITION	(5,131,370)	4,811,784	53,951	(265,635)	3,727,256
Net position, beginning of year	98,363,075	93,705,310	312,150	192,380,535	2,025,886
Net position, end of year	\$ 93,231,705	\$ 98,517,094	\$ 366,101	\$ 192,114,900	\$ 5,753,142

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	Enterprise Funds				Internal Service Fund Insurance and Benefits
	Wastewater	Water	Nonmajor	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 19,671,801	\$ 16,383,487	\$ 1,722,119	\$ 37,777,407	\$ 17,289,640
Cash received from interfund services provided	242,362	-	-	242,362	-
Cash paid to suppliers	(10,286,764)	(7,625,876)	(1,327,342)	(19,239,982)	-
Cash paid to employees	(3,695,396)	(2,702,491)	(961)	(6,398,848)	-
Cash paid for employee benefits	(898,190)	(709,082)	(243)	(1,607,515)	(14,094,093)
Cash paid for interfund services provided	-	(96,282)	-	(96,282)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,033,813	5,249,756	393,573	10,677,142	3,195,547
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental grant	-	36,855	-	36,855	-
Other	2,408	1,860	-	4,268	-
Interest paid on OPEB bonds	(427,638)	(391,840)	-	(819,478)	-
Payments on OPEB bonds	(207,162)	(189,819)	-	(396,981)	-
Transfer in	-	222,281	-	222,281	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(632,392)	(320,663)	-0-	(953,055)	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(6,144,037)	(5,549,310)	(102,350)	(11,795,697)	-
Contributions received	26,100	463,535	-	489,635	-
Cash received for disposal of capital assets	20,508	6,038	-	26,546	-
Interest paid	(252,086)	(679,803)	(33,478)	(965,367)	-
Proceeds from bond issuance	-	8,145,850	90,000	8,235,850	-
Payments on borrowings	(680,000)	(4,115,000)	(345,544)	(5,140,544)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,029,515)	(1,728,690)	(391,372)	(9,149,577)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(9,620,472)	(6,158,289)	-	(15,778,761)	(471,066)
Maturity of investments	7,451,574	3,317,062	-	10,768,636	-
Interest received	103,237	77,031	-	180,268	49,537
NET CASH (USED) BY INVESTING ACTIVITIES	(2,065,661)	(2,764,196)	-0-	(4,829,857)	(421,529)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,693,755)	436,207	2,201	(4,255,347)	2,774,018
Cash and cash equivalents, beginning of year	12,162,717	7,563,502	303,992	20,030,211	7,248,892
Cash and cash equivalents, end of year	<u>\$ 7,468,962</u>	<u>\$ 7,999,709</u>	<u>\$ 306,193</u>	<u>\$ 15,774,864</u>	<u>\$ 10,022,910</u>

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2017

	Enterprise Funds				Internal Service Fund Insurance and Benefits
	Wastewater	Water	Nonmajor	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (4,602,817)	\$ 2,403,158	\$ 70,571	\$ (2,129,088)	\$ 3,677,719
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,528,303	3,323,893	184,922	8,037,118	-
(Increase) decrease in:					
Accounts receivable	768,600	(465,816)	-	302,784	(264,475)
Due from other funds	223,574	(193,449)	-	30,125	(208,517)
Due from other governmental units	-	(36,855)	-	(36,855)	6,947
Due from management corporation	-	-	(6,366)	(6,366)	-
Inventories	(24,628)	(44,679)	-	(69,307)	-
Prepays	10,436	(463)	-	9,973	-
Net other post-employment benefits asset	482,022	341,158	-	823,180	-
Net pension asset	(3,625,881)	(3,810,668)	-	(7,436,549)	-
Deferred outflows of resources	373,028	782,156	-	1,155,184	-
Increase (decrease) in:					
Accounts payable	1,005,698	237,481	(23)	1,243,156	116,017
Accrued liabilities	23,231	10	-	23,241	71,529
Due to other funds	18,788	97,167	153,124	269,079	385,165
Due to other governmental units	(655,962)	(507,492)	-	(1,163,454)	(15,765)
Deposits payable	-	130,570	-	130,570	-
Compensated absences	6,074	48,949	(70)	54,953	(83,163)
Uninsured claim liability	-	-	-	-0-	(489,910)
Unearned revenue	3,155,000	-	(8,585)	3,146,415	-
Deferred inflows of resources	3,348,347	2,944,636	-	6,292,983	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,033,813	\$ 5,249,756	\$ 393,573	\$ 10,677,142	\$ 3,195,547
NONCASH FINANCING ACTIVITIES					
Contributions of capital assets	\$ -	\$ 2,696,832	\$ -	\$ 2,696,832	\$ -
Loss on sale of capital assets	-	(941)	-	(941)	-
TOTAL NONCASH FINANCING ACTIVITIES	\$ -0-	\$ 2,695,891	\$ -0-	\$ 2,695,891	\$ -0-

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2017

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Agency Fund
ASSETS			
Cash and cash equivalents	\$ 382,169	\$ 132,568	\$ 14,529,093
Investments			
U.S. Treasuries	94,318,410	-	-
U.S. Agencies	1,686,549	-	-
Corporate bonds	68,435,196	-	-
Collateralized mortgage obligations	20,583,466	-	-
Equity mutual funds	550,078,768	-	-
Real estate mutual funds	37,507,843	-	-
Receivables			
Interest and dividends	1,232,578	-	-
Investments sold	1,947,310	-	-
Other	-	-	85
TOTAL ASSETS	776,172,289	132,568	\$ 14,529,178
LIABILITIES			
Accounts payable	1,013,063	-	\$ -
Due to other governmental units	-	-	14,524,585
Due to individuals and agencies	-	52,789	4,593
TOTAL LIABILITIES	1,013,063	52,789	\$ 14,529,178
NET POSITION			
Restricted for pension and OPEB	775,159,226	-	
Held in trust for other purposes	-	79,779	
TOTAL NET POSITION	\$ 775,159,226	\$ 79,779	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2017

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust
ADDITIONS TO NET POSITION		
Investment income		
Change in fair value of investments	\$ 88,735,380	\$ -
Interest and dividends	22,729,775	409
Total investment income	111,465,155	409
Less investment expense	(2,452,107)	-
Net investment income	109,013,048	409
Contributions		
Employer	3,500,000	-
Plan members	2,006,379	-
Other	-	10,291
Total contributions	5,506,379	10,291
TOTAL ADDITIONS TO NET POSITION	114,519,427	10,700
DEDUCTIONS FROM NET POSITION		
Benefits	38,585,803	-
Refunds of contributions	84,357	-
Administrative expenses	248,021	-
Miscellaneous	232,531	-
TOTAL DEDUCTIONS	39,150,712	-0-
SPECIAL ITEM		
Transfer of assets to other governmental unit	(8,615,942)	-
CHANGE IN NET POSITION	66,752,773	10,700
Net position, beginning of year	708,406,453	69,079
Net position, end of year	\$ 775,159,226	\$ 79,779

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2017

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 63,668	\$ 565,877	\$ 2,452,136
Cash and cash equivalents - restricted	1,921,382	-	-
Investments	-	-	513,284
Accounts receivable	93,568	-	14,498
Taxes receivable	10,616	-	475,603
Due from other governmental units	-	-	43,490
Current portion of notes receivable	300,000	-	17,145
Total current assets	2,389,234	565,877	3,516,156
Noncurrent assets			
Noncurrent portion of notes receivable	1,096,272	-	904,269
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	387,275	-	-
Total noncurrent assets	1,541,709	-0-	904,269
TOTAL ASSETS	3,930,943	565,877	4,420,425
LIABILITIES			
Current liabilities			
Accounts payable	346,046	1,525	56,034
Accrued interest payable	61,113	-	-
Due to other governmental units	-	6,700	994,115
Unearned revenue	-	21,667	30,000
Current portion of compensated absences	-	9,816	13,237
Current portion of long-term debt	678,583	-	-
Total current liabilities	1,085,742	39,708	1,093,386
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	7,238	7,461
Noncurrent portion of long-term debt	514,233	-	205,000
Noncurrent portion of advances from other governmental units	-	-	907,742
Total noncurrent liabilities	514,233	7,238	1,120,203
TOTAL LIABILITIES	1,599,975	46,946	2,213,589
NET POSITION			
Net investment in capital assets	445,437	-	-
Unrestricted	1,885,531	518,931	2,206,836
TOTAL NET POSITION	\$ 2,330,968	\$ 518,931	\$ 2,206,836

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION - CONCLUDED

December 31, 2017

Local Development Finance Authority	Total Component Units
\$ 30,129	\$ 3,111,810
-	1,921,382
-	513,284
-	108,066
7,978	494,197
-	43,490
-	317,145
38,107	6,509,374
-	2,000,541
-	58,162
-	387,275
-0-	2,445,978
38,107	8,955,352
17,304	420,909
-	61,113
12,825	1,013,640
-	51,667
-	23,053
-	678,583
30,129	2,248,965
-	14,699
-	719,233
-	907,742
-0-	1,641,674
30,129	3,890,639
-	445,437
7,978	4,619,276
\$ 7,978	\$ 5,064,713

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Downtown Development Authority	\$ 3,878,204	\$ 2,633,622	\$ -
Economic Development Corporation	137,690	-	31,308
Brownfield Redevelopment Authority	2,150,491	-	46,399
Local Development Finance Authority	30,130	-	-
TOTALS	<u>\$ 6,196,515</u>	<u>\$ 2,633,622</u>	<u>\$ 77,707</u>

General revenues

Property taxes

Investment earnings

Gain on sale

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES - CONCLUDED

Year Ended December 31, 2017

Net (Expense) Revenues and Changes in Net Position				
Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Total Component Units
\$ (1,244,582)	\$ -	\$ -	\$ -	\$ (1,244,582)
-	(106,382)	-	-	(106,382)
-	-	(2,104,092)	-	(2,104,092)
-	-	-	(30,130)	(30,130)
(1,244,582)	(106,382)	(2,104,092)	(30,130)	(3,485,186)
1,055,802	-	1,102,682	-	2,158,484
30,860	1	13,335	-	44,196
1,500,000	-	-	-	1,500,000
102,305	-	195,662	-	297,967
2,688,967	1	1,311,679	-0-	4,000,647
1,444,385	(106,381)	(792,413)	(30,130)	515,461
886,583	625,312	2,999,249	38,108	4,549,252
<u>\$ 2,330,968</u>	<u>\$ 518,931</u>	<u>\$ 2,206,836</u>	<u>\$ 7,978</u>	<u>\$ 5,064,713</u>

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalamazoo (the City) is the county seat for Kalamazoo County, Michigan, and has a population of approximately 76,000. The City is home to Western Michigan University and Kalamazoo College.

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

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

1. Reporting Entity

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

2. Blended Component Unit

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

3. Discretely Presented Component Units

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - Concluded

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

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2017.

The Local Development Finance Authority's (LDFA) purpose is to finance improvements, through the use of tax increment financing, within the City's business and technology research park. The LDFA was established as a tax increment financing (TIF) district in 2002 in accordance with Michigan Public Act 248 of 2000. On October 2, 2017, the City Commission adopted a resolution to dissolve the LDFA and distribute its remaining assets. The final disbursements were payable at December 31, 2017 and the uncollected tax receivables and associated deferred inflows will be held by the City's General Fund until the property tax can be collected or adjusted.

Complete financial statements of the Downtown Development Authority may be obtained at their administrative office: 141 East Michigan Avenue, Kalamazoo, MI 49007

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONTINUED

The City reports the following major governmental fund:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The OPEB Bond Debt Service Fund is used to account for the debt service activity of the OPEB General Obligation bond issue. Financing is provided by transfers from the General Fund and Major Streets, Local Streets, and Solid Waste special revenue funds.

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus

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

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

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

6. Basis of Accounting

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

The City adopts a formal budget for the General and Special Revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplate expenditures for the following calendar year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The City Manager is authorized to transfer budgeted amounts between expenditure control accounts within a department as long as appropriations stay constant. The City Manager is authorized to accept grants and donations under \$25,000. The acceptance of grants shall be considered as authority to expend funds for those purposes. A summary of grants and donations accepted by the City Manager will be presented to the City Commission twice a year as an information item. Transfers that result in a change in appropriations, use of contingency funds and position classification changes require prior City Commission approval. The budgets are legally adopted at the fund level for the General Fund and Special Revenue funds.

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

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

The budget has been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

8. Cash, Cash Equivalents, and Investments

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

Investments are reported at fair value. Investments consist of pension fund securities, mutual funds, and U.S. government securities with an original maturity of over 90 days.

9. Receivables

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

10. Inventories

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

11. Prepaids

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**12. Capital Assets**

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

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

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

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

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

13. Compensated Absences

Amounts of vested or accumulated vacation leave and compensated time are accrued in the government-wide and proprietary fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "termination leave" prior to retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

14. Long-Term Obligations

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Long-Term Obligations - Concluded

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

15. Unearned Revenue

Unearned revenues are reported for resources that have been received, but not yet earned. In the Wastewater Fund utility rates are set based on projected requirement needs. When the actual results in more revenues collected than required under the City's rate agreements with outside City customers, the system owes those funds back to the customers. The True-up represents the long-term portion of that agreement.

16. Deferred Outflows/Inflows of Resources

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

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

17. Net Pension Asset

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

18. 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:

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Property Taxes - Concluded

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

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for waste collection. For the year ended December 31, 2017, the City levied 12.0000 mills for general governmental services and 1.8000 mills for waste collection. The total taxable value for the 2017 levy for property within the City was \$1,485,463,183.

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

19. Notes Receivable

Notes receivable consist of amounts loaned to entities within the City under various community and economic development programs to finance activities during their operations, capital acquisitions, and other community improvements.

20. Advances to Other Funds/Governmental Units

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

21. Interfund Transactions

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

The General Fund records charges for services for centralized services provided to various City departments and funds as charges for services. All City funds record these payments as operating expenses/expenditures.

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

22. Restricted Net Position

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

23. Federal Programs

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

24. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: DEPOSITS AND INVESTMENTS

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

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

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

Deposits

There is a custodial credit risk related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2017, the carrying amount of the City's deposits was \$71,218,073 and the bank balance was \$73,494,947. The financial statements include \$5,750 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of December 31, 2017, the City accounts were insured by the Federal Deposit Insurance Corporation for \$1,313,668 and the amount of \$72,181,279 was uninsured and uncollateralized.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST) - CONTINUED****Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

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

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

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

As of December 31, 2017, the carrying amounts and market values for the investments are as follows:

INVESTMENT TYPE	Level 1	Level 2	Level 3	Total	Standard & Poor's Rating	Weighted Average Maturity
Federal Home Loan Bank	\$ 7,000,000	\$ -	\$ -	\$ 7,000,000	AA+	718 days
Fannie Mae	2,500,000	-	-	2,500,000	AA+	1,245 days
Freddie Mac	2,750,000	-	-	2,750,000	AA+	1,313 days
Municipal bonds	-	277,884	-	277,884	Not Rated	1,200 days
Commercial paper	4,975,174	-	-	4,975,174	A-2	73 days
Equity mutual funds	4,019,446	-	-	4,019,446	Not Rated	N/A
	<u>\$ 21,244,620</u>	<u>\$ 277,884</u>	<u>\$ -0-</u>	<u>\$ 21,522,504</u>		

Custodial Credit Risk of Deposits

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

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 \$3,223,814 and \$171,690, respectively, as of December 31, 2017, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

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

Custodial Credit Risk of Investments

Custodial credit risk, which is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2017, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk

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

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2017, the City investment in the U.S. Agencies investments were rated AA+ by Standard and Poor's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk

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

EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST

The deposits and investments of the Other Post-Employment Benefits Trust (the Trust) have been pooled with those of the City of Kalamazoo Employees' Retirement System (the System) and the Central County Transportation Authority (CCTA) Pension Plan. The Trust has effectively adopted the investment policies and strategies of the System. The purchases, maturities, and investment performance are allocated between the System, the Trust, and the CCTA Pension Plan based on the fair value of their respective investments. As of December 31, 2017, the System's investments represented approximately 82.9 percent of the portfolio and the Trust's investments represented approximately 13.0 percent of the portfolio.

Deposits

Checking or other demand/time deposit accounts are not maintained. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2017, was \$382,169. These amounts were fully insured as of December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: 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, 2017, is as follows:

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

The System's and Trust's investments are held in nine (9) portfolios administered by five (5) investment managers. Following is a summary of the portfolio's investments as of December 31, 2017:

U.S. Treasuries	\$ 94,318,410
U.S. Agencies	1,686,549
Corporate bonds	68,435,196
Collateralized mortgage obligations	20,583,466
Equity mutual funds	550,078,768
Real estate mutual funds	37,507,843
	<hr/>
Total investments	<u>\$ 772,610,232</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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST - CONTINUED**Fair Value Measurements - Concluded

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

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

As of December 31, 2017, the carrying amount and fair value for each investment are as follows:

INVESTMENT TYPE	Level 1	Level 2	Level 3	Fair Value
U.S. Strips	\$ 1,686,549	\$ -	\$ -	\$ 1,686,549
Federal Home Loan	173,434	-	-	173,434
Fannie Mae	20,410,032	-	-	20,410,032
U.S. Treasury Notes	94,318,410	-	-	94,318,410
Corporate Bonds	-	68,435,196	-	68,435,196
Equity mutual funds	550,078,768	-	-	550,078,768
Real estate mutual funds	37,507,843	-	-	37,507,843
	<u>\$ 704,175,036</u>	<u>\$ 68,435,196</u>	<u>\$ -0-</u>	<u>\$ 772,610,232</u>

Custodial Credit Risk

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

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four (4) major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2017, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

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

Credit Risk - Concluded

<u>Standard & Poor's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ -	\$ 5,247,473	\$ -
AA	-	7,158,215	20,583,466
A	-	32,565,911	-
BBB	-	22,857,354	-
Not rated	1,686,549	606,243	-
	<u>\$ 1,686,549</u>	<u>\$ 68,435,196</u>	<u>\$ 20,583,466</u>
<u>Moody's</u>			
Aaa	\$ -	\$ 1,733,078	\$ 20,583,466
Aa	-	6,328,657	-
A	-	31,518,213	-
Baa	-	24,315,087	-
Not rated	1,686,549	4,540,161	-
	<u>\$ 1,686,549</u>	<u>\$ 68,435,196</u>	<u>\$ 20,583,466</u>

Concentration of Credit Risk

The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At December 31, 2017, 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, 2017, equity holdings accounted for 71% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2017.

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, 2017, maturities of the portfolio's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$ 94,318,410	\$ -	\$ 38,490,658	\$ 2,044,369	\$ 53,783,383
U.S. Agencies	1,686,549	-	-	-	1,686,549
Corporate bonds	68,435,196	1,387,172	29,700,771	22,315,865	15,031,388
Collateralized mortgage obligations	20,583,466	5	-	-	20,583,461
	<u>\$ 185,023,621</u>	<u>\$ 1,387,177</u>	<u>\$ 68,191,429</u>	<u>\$ 24,360,234</u>	<u>\$ 91,084,781</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS AND INVESTMENTS - CONCLUDED**EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST - CONCLUDED**Derivatives

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

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2017, the portfolio had no U.S. currency futures contracts.

Foreign Currency Risk

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

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2017, is summarized below:

<u>Currency</u>	<u>Fixed Income</u>
Canadian Dollar	\$ 912,292
Euro	4,526,272
Norwegian Krone	181,411
British Pound Sterling	3,932,770
Mexican Peso	144,237
	<u>\$ 9,696,982</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2017:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 38,530,357	\$ 3,111,810	\$ 15,043,830	\$ 56,685,997
Cash and cash equivalents - restricted	9,722,909	1,921,382	-	11,644,291
Investments	24,284,924	513,284	772,610,232	797,408,440
Investments with agents	3,395,504	-	-	3,395,504
	<u>\$ 75,933,694</u>	<u>\$ 5,546,476</u>	<u>\$ 787,654,062</u>	<u>\$ 869,134,232</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2017, are as follows:

Due to General Fund from:	
Wastewater Fund	\$ 209,724
Water Fund	355,486
Internal service fund	396,728
Nonmajor enterprise funds	153,411
Nonmajor governmental funds	<u>2,395,841</u>
	<u>\$ 3,511,190</u>
Due to Wastewater Fund from:	
General Fund	\$ 201
Water Fund	117,770
Nonmajor governmental funds	<u>2,135,171</u>
	<u>\$ 2,253,142</u>
Due to Water Fund from:	
General Fund	\$ 40,355
Wastewater Fund	21,978
Nonmajor governmental funds	<u>251,857</u>
	<u>\$ 314,190</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 511,932
Nonmajor governmental funds	<u>992,638</u>
	<u>\$ 1,504,570</u>
Due to internal service fund from:	
General Fund	\$ 1,612,544
Wastewater Fund	234,639
Water Fund	167,222
Nonmajor governmental funds	<u>197,800</u>
	<u>\$ 2,212,205</u>

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

NOTE D: ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2017:

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D: ADVANCES RECEIVABLE AND PAYABLES - CONCLUDED

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

NOTE E: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 488,646</u>
Transfers to OPEB Bond Debt Service Fund from:	
General Fund	\$ 3,836,932
Nonmajor governmental funds	<u>223,000</u>
	<u>\$ 4,059,932</u>
Transfers to Water Fund from:	
Nonmajor governmental funds	<u>\$ 222,281</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,591,645
Nonmajor governmental funds	<u>7,044,580</u>
	<u>\$ 9,636,225</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.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

Primary Government

	<u>Balance Jan. 1, 2017</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2017</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,056,675	\$ 232,421	\$ -	\$ 30,289,096
Construction in progress	<u>5,188,871</u>	<u>10,976,396</u>	<u>(4,955,134)</u>	<u>11,210,133</u>
Subtotal	35,245,546	11,208,817	(4,955,134)	41,499,229

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance Jan. 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2017
Governmental Activities - Concluded				
Capital assets being depreciated				
Land improvements	\$ 15,703,351	\$ 811,074	\$ -	\$ 16,514,425
Buildings and improvements	54,183,670	514,939	(5,683,000)	49,015,609
Vehicles	14,921,014	1,406,206	(408,781)	15,918,439
Machinery and equipment	16,138,055	941,159	(177,775)	16,901,439
Intangible assets	2,638,154	114,951	-	2,753,105
Infrastructure	213,963,595	1,783,940	(29,000)	215,718,535
Subtotal	317,547,839	5,572,269	(6,298,556)	316,821,552
Less accumulated depreciation for:				
Land improvements	(6,111,212)	(642,078)	-	(6,753,290)
Buildings and improvements	(18,958,963)	(1,060,744)	1,875,390	(18,144,317)
Vehicles	(10,878,245)	(663,073)	388,669	(11,152,649)
Machinery and equipment	(12,592,934)	(812,765)	177,775	(13,227,924)
Intangible assets	(2,355,578)	(95,827)	-	(2,451,405)
Infrastructure	(130,424,410)	(3,839,372)	19,430	(134,244,352)
Subtotal	(181,321,342)	(7,113,859)	2,461,264	(185,973,937)
Net capital assets being depreciated	136,226,497	(1,541,590)	(3,837,292)	130,847,615
Capital assets, net	<u>\$ 171,472,043</u>	<u>\$ 9,667,227</u>	<u>\$ (8,792,426)</u>	<u>\$ 172,346,844</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 860,887
Public safety	1,561,205
Community and economic development	54,974
Parks and recreation	455,627
Streets	3,853,032
Public works	328,134
Total depreciation expense	<u>\$ 7,113,859</u>

	Balance Jan. 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2017
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,296,680	\$ -	\$ -	\$ 3,296,680
Rights to liquor license	139,200	-	-	139,200
Construction in progress	2,286,774	13,865,587	(9,244,826)	6,907,535
Subtotal	5,722,654	13,865,587	(9,244,826)	10,343,415

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance Jan. 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2017
Business-Type Activities - Concluded				
Capital assets being depreciated				
Land improvements	\$ 16,448,132	\$ 13,076	\$ -	\$ 16,461,208
Building and improvements	93,591,242	99,877	-	93,691,119
Vehicles	3,789,973	1,641,237	(345,191)	5,086,019
Machinery and equipment	67,002,984	928,364	(14,000)	67,917,348
Infrastructure	177,984,203	7,165,112	(1,191)	185,148,124
Intangible assets	1,792,187	24,104	-	1,816,291
Subtotal	360,608,721	9,871,770	(360,382)	370,120,109
Less accumulated depreciation for:				
Land improvements	(12,661,127)	(422,284)	-	(13,083,411)
Building and improvements	(50,196,150)	(1,839,881)	-	(52,036,031)
Vehicles	(2,670,096)	(219,323)	345,191	(2,544,228)
Machinery and equipment	(50,216,668)	(1,907,120)	14,000	(52,109,788)
Infrastructure	(81,276,105)	(3,630,399)	250	(84,906,254)
Intangible assets	(1,666,073)	(18,111)	-	(1,684,184)
Subtotal	(198,686,219)	(8,037,118)	359,441	(206,363,896)
Net capital assets being depreciated	161,922,502	1,834,652	(941)	163,756,213
Capital assets, net	\$ 167,645,156	\$ 15,700,239	\$ (9,245,767)	\$ 174,099,628

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

Wastewater	\$ 4,528,303
Water	3,323,893
Kalamazoo Municipal Golf Association	180,962
City Market	3,960
Total depreciation expense	<u>\$ 8,037,118</u>

Component Units

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017
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	626,921	2,387	(41,500)	587,808
Equipment under capital lease	157,621	-	-	157,621
Subtotal	1,680,147	2,387	(41,500)	1,641,034

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F: CAPITAL ASSETS - CONCLUDED

Component Units - Concluded

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017
Downtown Development Authority - Concluded				
Less accumulated depreciation for:				
Leasehold improvements	\$ (332,418)	\$ (41,277)	\$ -	\$ (373,695)
General and administrative equipment	(210,724)	-	-	(210,724)
Equipment	(536,150)	(9,005)	33,436	(511,719)
Equipment under capital lease	(157,621)	-	-	(157,621)
Subtotal	(1,236,913)	(50,282)	33,436	(1,253,759)
Net capital assets being depreciated	443,234	(47,895)	(8,064)	387,275
Capital assets, net	<u>\$ 501,396</u>	<u>\$ (47,895)</u>	<u>\$ (8,064)</u>	<u>\$ 445,437</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended December 31, 2017:

Primary Government

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	\$ 118,261,184	\$ 11,675,000	\$ (9,854,674)	\$ 120,081,510	\$ 6,357,693
Revenue bonds	1,920,000	-	(305,000)	1,615,000	320,000
Compensated absences	6,283,401	3,801,005	(3,984,822)	6,099,584	2,396,098
Environmental matters	524,808	29,603	-	554,411	-
Uninsured claim liability	3,797,876	16,724,304	(17,214,214)	3,307,966	2,326,048
Subtotal	130,787,269	32,229,912	(31,358,710)	131,658,471	11,399,839
Deferred amounts on refunding	1,654,456	778,049	(141,254)	2,291,251	143,442
Total Governmental Activities	132,441,725	33,007,961	(31,499,964)	133,949,722	11,543,281
Business-type Activities					
General obligation bonds	19,413,816	90,000	(695,326)	18,808,490	583,625
Revenue bonds	26,755,000	7,860,000	(4,795,000)	29,820,000	2,000,000
Compensated absences	768,468	873,252	(818,298)	823,422	587,924
EDC contract	88,576	-	(33,476)	55,100	34,495
Equipment acquisitions	18,457	-	(13,723)	4,734	4,734
Subtotal	47,044,317	8,823,252	(6,355,823)	49,511,746	3,210,778
Deferred amounts on refunding	63,265	309,885	(63,647)	309,503	13,203
Total Business-type Activities	47,107,582	9,133,137	(6,419,470)	49,821,249	3,223,981
TOTAL PRIMARY GOVERNMENT	<u>\$ 179,549,307</u>	<u>\$ 42,141,098</u>	<u>\$ (37,919,434)</u>	<u>\$ 183,770,971</u>	<u>\$ 14,767,262</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G: LONG-TERM DEBT - CONTINUED

Component Units

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 1,029,689	\$ -	\$ (457,096)	\$ 572,593	\$ 501,688
Rebated tax liabilities	663,902	-	(43,679)	620,223	176,895
Total Downtown Development Authority	\$ 1,693,591	\$ -0-	\$ (500,775)	\$ 1,192,816	\$ 678,583
Economic Development Corporation					
Compensated absences	\$ 16,634	\$ 2,804	\$ (2,384)	\$ 17,054	\$ 9,816
Brownfield Redevelopment Authority					
Loan payable	\$ 193,935	\$ 11,065	\$ -	\$ 205,000	\$ -
Compensated absences	20,672	651	(625)	20,698	13,237
Total Brownfield Redevelopment Authority	\$ 214,607	\$ 11,716	\$ (625)	\$ 225,698	\$ 13,237

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 \$177,400,000. General obligation bonds currently outstanding are as follows:

Primary Government

	Issuance Date	Interest Rates	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017	Amounts Due Within One Year
Governmental Activities							
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	\$ 240,000	\$ -	\$ (240,000)	\$ -0-	\$ -
2007 Capital Improvement	7/12/2007	3.90%-4.75%	40,000	-	(40,000)	-0-	-
2008 Capital Improvement Bonds	7/1/2008	3.25%-4.375%	2,250,000	-	(1,955,000)	295,000	295,000
2009 Capital Improvement Bonds	6/24/2009	2.50%-4.45%	2,820,000	-	(2,185,000)	635,000	310,000
2010 Capital Improvement Bonds	6/22/2010	2.00%-4.00%	1,880,000	-	(180,000)	1,700,000	185,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	900,000	-	(450,000)	450,000	450,000
2011 Building Authority Refunding	3/1/2011	2.00%-4.875%	1,816,942	-	(47,802)	1,769,140	169,140
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	3,390,000	-	(285,000)	3,105,000	295,000
2012 Capital Improvement Bonds	3/29/2012	2.00%-3.60%	3,225,049	-	(253,110)	2,971,939	268,856
2013 Capital Improvement Bonds	4/11/2013	2.00%-2.75%	3,261,890	-	(247,624)	3,014,266	252,386
2014 Capital Improvement Bonds	5/1/2014	0.0288	4,571,349	-	(486,467)	4,084,882	501,126
2015 Capital Improvement Bonds	6/2/2015	2.00%-3.375%	4,669,738	-	(291,652)	4,378,086	288,166
2016 Capital Improvement Refunding Bonds	6/28/2016	2% - 4.00%	5,490,000	-	(250,000)	5,240,000	295,000
2017 Capital Improvement Bonds	5/2/2017	3.00%-5.00%	-	7,895,000	(340,000)	7,555,000	395,000
2015 OPEB Bond	1/7/2015	.750%-4.670%	68,721,216	-	(1,488,019)	67,233,197	1,488,019
2015A Refunding Bonds	8/4/2015	2.00%-5.00%	7,075,000	-	(600,000)	6,475,000	600,000
2015 B Refunding Bonds	8/4/2015	5.00%-5.250%	7,910,000	-	(515,000)	7,395,000	515,000
2017 Refunding Bond	8/29/2017	1.89%	-	3,780,000	-	3,780,000	50,000
Total Governmental Activities			118,261,184	11,675,000	(9,854,674)	120,081,510	6,357,693

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G: LONG-TERM DEBT - CONTINUED

General Obligation Bonds - Concluded

Primary Government - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017	Amounts Due Within One Year
Business-type Activities							
2011 Refunding Bonds (KMGA)	3/1/2011	2.00%-4.875%	\$ 363,058	\$ -	\$ (237,198)	\$ 125,860	\$ 125,860
2012 Capital Improvement Bonds (KMGA)	3/29/2012	2.00%-3.60%	144,951	-	(21,890)	123,061	11,144
2013 Capital Improvement Bonds (KMGA)	4/11/2013	2.00%-2.75%	163,110	-	(12,376)	150,734	12,614
2014 Capital Improvement Bonds (KMGA)	5/1/2014	2.88%	133,651	-	(8,533)	125,118	8,874
2015 Capital Improvement Bonds (KMGA)	6/2/2015	2.00%-3.375%	185,262	-	(8,348)	176,914	11,834
2016 Capital Improvement Bonds (KMGA)	6/28/2016	2% - 4.00%	90,000	-	(5,000)	85,000	5,000
2017 Capital Improvement Bonds (KMGA)	5/2/2017	3.00%-5.00%	-	90,000	(5,000)	85,000	5,000
2015 OPEB Bond	1/7/2015	.750%-4.670%	18,333,784	-	(396,981)	17,936,803	403,299
Total Business-type Activities			19,413,816	90,000	(695,326)	18,808,490	583,625
Total General Obligation Bonds			\$ 137,675,000	\$ 11,765,000	\$ (10,550,000)	\$ 138,890,000	\$ 6,941,318

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$5,505,000 for governmental activities. The gas and weight tax revenue from the State of Michigan is pledged for payment of the governmental activity bonds through 2022. In 2017, pledged revenue of \$5,718,839 funded debt service of \$333,946. The original amount of revenue bonds issued was \$45,225,000 for business-type activities. The revenue from Water and Wastewater system usage net of operating expense, maintenance and administration of the system, or the "net revenue" as defined in Michigan Public Act 94 of 1933 section 3, as well as investment income is pledged for payment of the business-type activity bonds through 2034. In 2017 pledged revenues of \$4,985,598 funded debt service of \$2,982,663. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017	Amounts Due Within One Year
Governmental Activities							
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	\$ 275,000	\$ -	\$ (275,000)	\$ -0-	\$ -
2016 Michigan Transportation Fund	7/14/2016	1.43%	1,645,000	-	(30,000)	1,615,000	320,000
Total Governmental Activities			1,920,000	-0-	(305,000)	1,615,000	320,000
Business-type Activities							
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	1,420,000	-	(1,420,000)	-0-	-
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,425,000	-	(1,425,000)	-0-	-
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	1,380,000	-	(330,000)	1,050,000	340,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	5,145,000	-	(265,000)	4,880,000	270,000
2012 Water System Refunding	6/5/2012	1.50%	1,765,000	-	(620,000)	1,145,000	590,000
2014 Wastewater System Refunding	5/1/2014	3.45%	2,095,000	-	(85,000)	2,010,000	90,000
2014 Water Supply System Refunding	5/1/2014	3.95%	10,605,000	-	(290,000)	10,315,000	300,000
2015 Water Supply System	12/10/2015	2.00%-3.375%	2,920,000	-	(85,000)	2,835,000	90,000
2017 Water Supply System Refunding	5/2/2017	3.00%-5.00%	-	7,860,000	(275,000)	7,585,000	320,000
Total Business-type Activities			26,755,000	7,860,000	(4,795,000)	29,820,000	2,000,000
Total Revenue Bonds			\$ 28,675,000	\$ 7,860,000	\$ (5,100,000)	\$ 31,435,000	\$ 2,320,000

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G: LONG-TERM DEBT - CONTINUEDUninsured 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>2017</u>	<u>2016</u>
Estimated liability, beginning of year	\$ 3,797,876	\$ 4,260,214
Estimated claims incurred, including changes in estimates	16,724,304	19,518,406
Claim payments	<u>(17,214,214)</u>	<u>(19,980,744)</u>
Estimated liability, end of year	<u>\$ 3,307,966</u>	<u>\$ 3,797,876</u>

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

EDC Contract

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

Equipment Acquisitions

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

Compensated Absences

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$6,099,584 and \$823,422 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2017. Of those amounts, \$2,396,098 and \$587,924 have been recorded as current liabilities for governmental and business-type activities, respectively.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G: LONG-TERM DEBT - CONTINUED**Advance and Current Refundings**

On May 2, 2017, the City defeased a portion of the 2006 Water Supply System and Refunding Bonds, which were due and payable through September 1, 2026, and the 2007 Water Supply System Bonds, which were due and payable through September 1, 2032. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2017 Water Supply System Refunding Bonds in the amount of \$7,860,000. 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 \$121,800, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$102,095.

On August 16, 2017, the City defeased a portion of the 2008 Capital Improvement Bonds, which were due and payable through October 1, 2023, and a portion of the 2009 Capital Improvement Bonds, which were due and payable through October 1, 2024. 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 2017 Capital Improvement and Refunding Bonds in the amount of \$3,780,000. 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 \$163,715, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$153,472.

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

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2017, \$29,955,000 of bonds outstanding from current and prior year refundings are considered defeased.

No Commitment Debt

Excluded from the statement of net position are revenue bonds issued by the Economic Development Corporation and Hospital Finance Authority to acquire and lease property to third parties. The revenue bonds used are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts, amounting to \$270,120,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

Component Units**Downtown Development Authority**

Long-term bonds and notes at December 31, 2017, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Catalyst Development Co. 3, L.L.C. Note	12/31/2020	N/A	\$ 167,593

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$620,223 as of December 31, 2017, and debt service payments on \$405,000 of outstanding governmental activities general obligation bonds.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G: LONG-TERM DEBT - CONCLUDED

Economic Development Corporation

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the EDC follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$17,054 for vacation and sick at December 31, 2017. Of that total amount, \$9,816 has been recorded as a current liability.

Brownfield Redevelopment Authority

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the BRDA follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$20,698 for vacation and sick at December 31, 2017. Of that total amount, \$13,237 has been recorded as a current liability.

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

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

Year Ending Dec. 31,	Primary Government							
	General Obligation Bonds				Revenue Bonds			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 6,357,693	\$ 4,666,150	\$ 583,625	\$ 778,041	\$ 320,000	\$ 20,807	\$ 2,000,000	\$ 1,051,209
2019	6,141,087	4,470,668	463,913	763,665	320,000	16,231	2,005,000	1,001,409
2020	6,056,063	4,290,690	473,937	752,692	320,000	11,655	1,600,000	948,784
2021	6,240,869	4,111,201	489,131	740,179	325,000	7,043	1,275,000	897,112
2022	6,435,249	3,910,687	504,751	725,846	330,000	2,360	1,325,000	851,502
2023 - 2027	30,749,783	16,101,615	2,750,218	3,373,688	-	-	7,385,000	3,486,449
2028 - 2032	18,957,845	11,054,227	3,122,155	2,816,826	-	-	8,785,000	1,981,636
2033 - 2037	13,736,933	7,871,897	3,666,546	2,100,103	-	-	3,765,000	612,903
2038 - 2042	17,244,443	4,375,873	4,600,557	1,167,417	-	-	1,680,000	142,544
2043 - 2047	8,161,545	570,301	2,154,107	152,148	-	-	-	-
	<u>\$ 120,081,510</u>	<u>\$ 61,423,309</u>	<u>\$ 18,808,940</u>	<u>\$ 13,370,605</u>	<u>\$ 1,615,000</u>	<u>\$ 58,096</u>	<u>\$ 29,820,000</u>	<u>\$ 10,973,548</u>

Year Ending Dec. 31,	Primary Government				Component Units			
	EDC Contract		Equipment Acquisitions		Downtown Development Authority		Brownfield Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 34,495	\$ 1,181	\$ 4,734	\$ 51	\$ 678,583	\$ 21,473	\$ -	\$ -
2019	20,605	207	-	-	161,975	11,162	-	-
2020	-	-	-	-	85,825	9,852	-	-
2021	-	-	-	-	66,608	9,852	18,972	-
2022	-	-	-	-	66,608	9,852	16,348	2,624
2023 - 2027	-	-	-	-	133,217	19,704	103,365	10,467
2028 - 2032	-	-	-	-	-	-	66,315	1,666
2033 - 2037	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-
	<u>\$ 55,100</u>	<u>\$ 1,388</u>	<u>\$ 4,734</u>	<u>\$ 51</u>	<u>\$ 1,192,816</u>	<u>\$ 81,895</u>	<u>\$ 205,000</u>	<u>\$ 14,757</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H: DEFINED BENEFIT PENSION PLANPlan Description

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

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

Effective October 1, 2016, a portion of the pension assets related to the Kalamazoo Metro Transit System were transferred to the newly established Central County Transportation Authority (CCTA) employee retirement system, with the remaining pension assets related to the Kalamazoo Metro Transit System being transferred to CCTA during 2017. This transfer of assets is reported as a special item in the financial statements of the Pension Trust Fund financial statements.

Plan Membership

At December 31, 2017, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	911
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>572</u>
Total employees covered by the Plan	<u><u>1,537</u></u>

Benefits Provided

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided - Concluded

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

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

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

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

Contributions

System members are required to contribute between 1.0 to 6.5 percent of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2017.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Asset - Concluded

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)
<u>Changes in Net Pension Liability (Asset)</u>	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at December 31, 2016	\$ 448,065,551	\$ 613,027,375	\$ (164,961,824)
Changes for the Year			
Service cost	5,604,960	-	5,604,960
Interest on total pension liability	32,746,676	-	32,746,676
Difference between expected and actual experience	3,079,970	-	3,079,970
Employee contributions	-	1,086,257	(1,086,257)
Net investment income	-	94,301,279	(94,301,279)
Benefit payments, including employee refunds	(28,491,380)	(28,491,380)	-0-
Administrative expense	-	(147,099)	147,099
Other	-	(8,848,472)	8,848,472
Net changes	12,940,226	57,900,585	(44,960,359)
Balances as of December 31, 2017	<u>\$ 461,005,777</u>	<u>\$ 670,927,960</u>	<u>\$ (209,922,183)</u>

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

For the year ended December 31, 2017, the City recognized pension expense of \$1,429,466. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,219,186	\$ 1,559,967
Changes in assumptions	2,781,979	-
Changes in proportion and differences between employer contributions and share of contributions	756,873	756,873
Net difference between projected and actual earnings on pension plan investments	-	35,744,717
Total	<u>\$ 5,758,038</u>	<u>\$ 38,061,557</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUEDPension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Concluded

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

<u>Years Ending December 31,</u>	<u>Pension Expense</u>
2018	\$ (2,479,837)
2019	(4,817,960)
2020	(15,230,620)
2021	<u>(9,775,102)</u>
	<u><u>\$ (32,303,519)</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods including in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017, valuation were based upon the results of an actuarial experience study for the period January 1, 2009 through December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H: DEFINED BENEFIT PENSION PLAN - CONCLUDEDDiscount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially 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.

Projected Cash Flows

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all future periods of projected benefit payments to determine the total pension liability.

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

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

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

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

	<u>1% Decrease Rate 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase Rate 8.50%</u>
Total pension liability	\$ 514,922,897	\$ 461,005,777	\$ 416,008,353
Plan fiduciary net position	<u>670,927,960</u>	<u>670,927,960</u>	<u>670,927,960</u>
City's net pension liability (asset)	<u>\$ (156,005,063)</u>	<u>\$ (209,922,183)</u>	<u>\$ (254,919,607)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITSPlan Description

The City of Kalamazoo Postretirement Welfare Benefits Plan (the "Plan") is a cost sharing multiple-employer defined benefit other post-employment benefits 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 was previously reported as a single-employer defined benefit other post-employment benefits plan. Effective September 30, 2016, the Kalamazoo Metro Transit System ceased operations. All operational and financial responsibility, as well as all assets and liabilities, of the Kalamazoo Metro Transit System were assumed by the Central County Transportation Authority (CCTA). CCTA is a component unit of Kalamazoo County. Retiree health care coverage for the CCTA group continued under the City plan. Therefore, the Plan is now reported as a cost sharing multiple-employer defined benefit other post-employment benefits plan.

The City's proportionate share of the net other post-employment benefits (OPEB) asset totaled \$2,601,192 as of December 31, 2017. The City's governmental activities reported a net OPEB obligation of \$1,592,489, while the City's business-type activities reported a net OPEB asset of \$4,193,683. The City contributed \$3,279,150 to the OPEB trust during the year and also paid \$12,000 of member benefits directly.

Plan Membership

Plan membership consisted of the following at January 1, 2017, according to an actuarial valuation as of that date:

Retirees and Beneficiaries	963
Inactive, nonretired members	-
Active plan members	<u>378</u>
Total	<u><u>1,341</u></u>
Number of participating employers	2

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan purchases Medicare supplemental insurance for retirees eligible for Medicare. In addition to the healthcare benefits described above, the Plan provides a death benefit of \$1,000 to all eligible retirees.

Contributions

Plan members are expected to contribute 0.5% of their annual covered payroll to the Plan. The employers are required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. In 2017, the annual required contributions for the employers were \$7,610,636.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUEDInvestment 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 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.

The adopted asset allocation policy as of December 31, 2017, was as follows:

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

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the 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.

Funding Progress

For the year ended December 31, 2017, the Plan has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of January 1, 2017. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - Concluded

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

	City	CCTA	Total
Annual required contribution (ARC)	\$ 7,000,597	\$ 610,039	\$ 7,610,636
Interest on net OPEB obligation	(477,920)	(245,520)	(723,440)
Adjustment to annual required contribution	539,550	277,178	816,728
Annual OPEB cost	7,062,227	641,697	7,703,924
Contributions made to OPEB trust	3,279,150	220,850	3,500,000
Benefits paid directly	12,000	-	12,000
Subtotal	3,291,150	220,850	3,512,000
Increase in net OPEB obligation	3,771,077	420,847	4,191,924
Net OPEB (asset) - beginning of year	(6,372,269)	(3,273,602)	(9,645,871)
Net OPEB (asset) - end of year	\$ (2,601,192)	\$ (2,852,755)	\$ (5,453,947)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation were as follows:

	2015	2016	2017
Annual OPEB cost	\$ 12,953,055	\$ 6,853,533	\$ 7,703,924
Percentage contributed	705.0%	51.3%	45.6%
Net OPEB obligation (asset)	65,384,020	(9,645,871)	(5,453,947)

The current funding progress of the plan is as follows:

	2013	2016	2017
Actuarial value of assets	\$ 6,931,353	\$ 94,643,208	\$ 95,305,474
Actuarial accrued liability (AAL)	194,792,158	156,809,472	166,056,971
Unfunded AAL (UAAL)	187,860,805	62,166,264	70,751,497
Funded ratio	4%	60%	57%
Annual covered payroll	37,509,463	38,760,334	37,363,784
Ratio of UAAL to covered payroll	500.8%	160.4%	189.4%

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUEDNet OPEB Liability

The components of the net OPEB liability of the Plan at December 30, 2017, were as follows:

Total OPEB liability	\$ 237,505,296
Plan fiduciary net position	<u>104,231,266</u>
Net OPEB liability	<u>\$ 133,274,030</u>
Plan Fiduciary net position as a percentage of the total OPEB liability	43.89%
Net OPEB liability as a percentage of covered payroll	356.69%

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 includes 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 OPEB liability was determined by an actuarial valuation as of December 31, 2016, and a measurement date of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.75%)
Projected salary increases	3.50% to 15.50% (includes inflation)
Investment rate of return	7.5%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB, rates set-forward 7 years for disabled members
Health care trend rates	9.00% 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"

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDEDDiscount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 166,677,465</u>	<u>\$ 133,274,030</u>	<u>\$ 105,929,527</u>

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 101,786,181</u>	<u>\$ 133,274,030</u>	<u>\$ 172,016,816</u>

NOTE J: RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE K: COMMITMENTS AND CONTINGENCIES

Legal Contingencies

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2017 because there is significant uncertainty as to the outcome of a future event. Contingent liabilities are recorded in the Statement of Net Position only when the contingency is probable, and the amount can be estimated. The City is a defendant in various legal actions arising in the normal course of its activities including certain discrimination cases on file with the Equal Employment Opportunity Commission and the Michigan Department of Civil Rights. In the opinion of the City Attorney and management, the potential uninsured liability that may result from these actions should not exceed amounts either reserved in the Insurance and Benefits Fund (an internal service fund) or included in funds maintained by the City's claims administrators.

Environmental Contingencies

The City of Kalamazoo has identified a number of sites within its boundaries that are in need of environmental remediation. Some are privately-held properties, and some are owned by the County and/or the City of Kalamazoo. The City of Kalamazoo has been named as a Potentially-Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) in two such sites: the Cork Street Landfill and the Auto Ion site. The City has also entered into cleanup agreements, although not named as a PRP, for two other sites. Based on currently available information, the City has recorded liabilities for the net present value of estimated response costs for these sites in the amount of \$554,411 in the government-wide financial statements. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

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

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$5,030,236, community development grants for \$277,897, equipment purchases of \$928,963, and general contractual commitments for \$1,377,956. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

True-Up Settlement

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE L: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2017:

PRIMARY GOVERNMENT

Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	5,344,783
FFE aspirational projects	5,596,943
Solid waste program	112,368
Parks and recreation	1,245,431
Neighborhood and community development	948,055
Other purposes	
Drug enforcement	121,541
Cemetery perpetual care	2,544,344
Capital improvements	1,762,272
Cork Street Landfill cap	24,390
Grants and donations	1,284,121
	<u>\$ 22,611,812</u>
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 762,891
Water Fund	1,326,840
	<u>\$ 2,089,731</u>

NOTE M: TAX ABATEMENTS**INDUSTRIAL FACILITIES EXEMPTION**

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

For the year ended December 31, 2017, the City abated property tax revenues totaling \$195,003, under this program. There are no provisions to recapture taxes, however the abatement may be eliminated if taxes are not paid timely.

NEIGHBORHOOD ENTERPRISE (NEZ) ZONE ACT

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE M: TAX ABATEMENTS - CONCLUDED

NEIGHBORHOOD ENTERPRISE (NEZ) ZONE ACT - CONCLUDED

For the year ended December 31, 2017, the City abated property tax revenues totaling \$16,993, under this program. There are no provisions to recapture taxes, however the abatement may be eliminated if taxes are not paid timely.

BROWNFIELD REDEVELOPMENT AUTHORITY

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

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

For the year ended December 31, 2017, the BRA reimbursed developers approximately \$344,000 for eligible activities. In addition, the LSRRF disbursed approximately \$1,160,000 to the City's Major Street fund for the Harrison Round-about project and another \$70,000 to outside parties for eligible activities.

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED**Fund Balance Classification Policies and Procedures**

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

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

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

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Inventory	\$ 86,993	\$ 252,935	\$ 339,928
Prepays	83,869	-	83,869
Advances	340,000	-	340,000
Notes receivable	655,782	-	655,782
Cemetery perpetual care	-	1,735,160	1,735,160
Endowments	-	1,892,404	1,892,404
Restricted			
Highways	-	5,099,055	5,099,055
Solid waste	-	112,368	112,368
Grants and donations	-	2,224,969	2,224,969
FFE aspirational projects	-	5,596,943	5,596,943
Drug enforcement	-	121,541	121,541
Recreation activities	-	697,404	697,404
Park activities	-	548,027	548,027
Cemetery perpetual care	-	2,544,344	2,544,344
Debt service	-	63,199	63,199
Capital improvements	-	1,786,662	1,786,662
Committed			
Economic development programs	-	1,757,673	1,757,673
Cemeteries	-	244,830	244,830
Assigned			
Subsequent year's expenditures	407,342	-	407,342
Unassigned	10,812,051	-	10,812,051
 TOTAL FUND BALANCES	 \$ 12,386,037	 \$ 24,677,514	 \$ 37,063,551

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was implemented during the year. The statement improves the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability.

NOTE P: SEGMENT INFORMATION

The City reports trust funds for the activities of the Employees' Retirement System and the Other Post-Employment Benefits Trust Fund. Segment information as of and for the year ended December 31, 2017, is as follows:

	Employees' Retirement System	Other Post- Employment Benefits	Total
Additions			
Employer contributions	\$ -	\$ 3,500,000	\$ 3,500,000
Plan member contributions	1,086,258	920,121	2,006,379
Net investment income	94,301,279	14,711,769	109,013,048
Deductions			
Benefits	28,407,023	10,178,780	38,585,803
Refunds of contributions	84,357	-	84,357
Administrative expenses	147,099	100,922	248,021
Miscellaneous expenses	232,531	-	232,531
Special item	(8,615,942)	-	(8,615,942)
Change in net position	57,900,585	8,852,188	66,752,773
Total assets	671,009,854	105,162,435	776,172,289
Total liabilities	81,894	931,169	1,013,063
Net position	670,927,960	104,231,266	775,159,226

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers who satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONCLUDED

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.

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

NOTE R: SUBSEQUENT EVENTS

The City issued three (3) bonds after the end of the year. On May 23, 2018, the City issued Water Supply System Revenue Bonds, series 2018, for \$9,395,000, Wastewater System Revenue Bonds, Series 2018, for \$5,830,000, and 2018 Capital Improvement Bonds for \$7,750,000. These bonds were issued to provide financial resources for capital improvements.

On March 19, 2018, the City Commission approved the creation of the Light Grant Fund and accepted \$1,000,000 for a Community Development Shared Prosperity grant. The grant was received in two installments in April and May 2018.

On May 23, 2018, the City's General Fund received contributions of stock valued at \$15,173,830 for the Foundation for Excellence support of the 2018 General Fund operations.

On May 7, 2018, the City Commission accepted the Michigan Department of Environmental Quality Pilot Drinking Water Supply grant in the amount of \$1,000,000. This grant will be used to replace lead services in the City's Water system.

On May 21, 2018, the City Commission approved a contractual commitment of \$4,106,000 to construct an Elevated Water Storage facility for the City's Water System. The storage facility will be constructed through 2019.

On June 18, 2018, the City Commission approved the sale of a parking lot known as Lot 2 owned by the Building Authority and City of Kalamazoo, operated by the Downtown Development Authority (DDA) to private developers for a total of \$1,100,000. The Brownfield Redevelopment Authority (BRA) board approved the sale of surrounding parcels included in the agreement that were owned by the BRA on May 17, 2018. Of the \$1.1 million, \$687,628 will be transferred to the DDA for support of the parking system. The remaining \$412,372 will be transferred to the BRA. The carrying value of the property included in the governmental activities is \$24,000 at December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

City of Kalamazoo

Defined Benefit Pension Plan

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

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

	2017	2016	2015	2014
CHANGE IN TOTAL PENSION LIABILITY				
Service cost	\$ 5,604,960	\$ 5,683,351	\$ 6,187,334	\$ 6,259,728
Interest	32,746,676	33,892,669	32,334,356	31,603,299
Changes of benefit terms	-	(23,809,450)	-	-
Difference between expected and actual experience	3,079,970	(2,513,167)	(1,574,739)	-
Changes of assumptions	-	-	12,509,343	-
Benefit payments, including employee refunds	(28,491,380)	(28,496,870)	(28,356,700)	(27,802,129)
Net Change in Total Pension Liability	12,940,226	(15,243,467)	21,099,594	10,060,898
Total Pension Liability, beginning	448,065,551	463,309,018	442,209,424	432,148,526
Total Pension Liability, ending	<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	1,086,257	1,085,940	1,084,798	1,067,029
Net investment income (loss)	94,301,279	72,939,990	(9,974,517)	41,065,447
Benefit payments, including employee refunds	(28,491,380)	(28,496,870)	(28,356,700)	(27,802,131)
Administrative expenses	(147,099)	(153,024)	(125,770)	(122,107)
Other	(8,848,472)	(21,875,722)	(174,885)	(110,326)
Net Change in Plan Fiduciary Net Position	57,900,585	23,500,314	(35,945,021)	14,858,824
Plan Fiduciary Net Position, beginning	613,027,375	589,527,061	625,472,082	610,613,258
Plan Fiduciary Net Position, ending	<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>\$ (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	145.54%	136.82%	127.24%	141.44%
Covered employee payroll	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892
City's net pension asset as a percentage of covered employee payroll	(640.38%)	(442.36%)	(339.31%)	(504.41%)

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	1,602,053	760,912	905,746	905,746	-	-	-	-
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (1,602,053)</u>	<u>\$ (760,912)</u>	<u>\$ (905,746)</u>	<u>\$ (905,746)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892	\$ 36,539,969	\$ 42,305,663	\$ 43,007,800	\$ 44,435,753	\$ 44,159,590	\$ 42,889,419
Contributions as a percentage of covered employee payroll	0.00%	0.00%	4.31%	2.09%	2.48%	2.14%	0.00%	0.00%	0.00%	0.00%

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal
Amortization method: Level Percent-of-Payroll, Open Period
Remaining amortization period: 10 years
Asset valuation method: 5 years smoothed market
Inflation: 3.5% (which includes price inflation of 2.75%)
Salary increases: 3.5% to 15.5% including inflation
Investment rate of return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the types of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2009 - 2013.
Mortality rates: RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projections Scale BB.

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF INVESTMENT RETURNS

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

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

City of Kalamazoo

Other Post-Employment Benefits Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2017	\$ 95,305,474	\$ 166,056,971	\$ 70,751,497	57.4%	\$ 37,363,784	189.4%
1/1/2016	94,643,208	156,809,472	62,166,264	60.4%	38,760,334	160.4%
12/31/2013	6,931,353	194,792,158	187,860,805	3.6%	37,509,463	500.8%
12/31/2011	-	190,631,174	190,631,174	0.0%	44,227,533	431.0%
12/31/2009	-	263,181,931	263,181,931	0.0%	44,060,796	597.3%
12/31/2007	-	206,854,739	206,854,739	0.0%	45,214,897	457.5%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contribution
2017	\$ 7,610,636	46%
2016	6,728,006	52%
2015	14,118,858	647%
2014	14,115,049	73%
2013	14,648,903	100%
2012	14,789,698	46%
2011	23,118,784	29%
2010	23,118,784	31%
2009	19,533,175	33%
2008	18,129,246	34%

City of Kalamazoo

Other Post-Employment Benefits Plan

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

Last Fiscal Year (Ultimately ten years will be displayed)

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

City of Kalamazoo

Other Post-Employment Benefits Plan

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Last Fiscal Year (Ultimately ten years will be displayed)

	<u>2017</u>
Actuarially determined contributions	\$ 7,610,636
Contributions in relation to the actuarially determined contribution	<u>3,500,000</u>
Contribution deficiency (excess)	<u><u>\$ 4,110,636</u></u>
Covered employee payroll	\$ 37,363,784
Contributions as a percentage of covered employee payroll	9.37%

Actuarial valuation information relative to the determination of contributions:

Valuation date 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	25 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.75%)
Projected salary increases	3.50% to 15.50% (includes inflation)
Investment rate of return	7.5%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB
Health care trend rates	9.00% 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

Other Post-Employment Benefits Plan

SCHEDULE OF INVESTMENT RETURNS

Last Fiscal Year (Ultimately ten years will be displayed)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

NOTE A: DEFINED BENEFIT PENSION AND OPEB PLANS

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

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

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

Defined Benefit Pension Plan

Actuarial valuation:	Annual
Frequency	December 31, 2017
Latest date	December 31, 2016
Basis for contribution	Individual entry age
Actuarial cost method	Level percent of payroll on an open basis
Amortization method	Rolling 10 year period
Remaining amortization period	5-year smoothed market
Asset valuation method	
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Cost-of living adjustments	Determined annually
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Mortality Combined Healthy Tables

OPEB Plan

Actuarial valuation:	Biennially
Frequency	January 1, 2017
Latest date	January 1, 2017
Basis for contribution	Individual entry age
Actuarial cost method	Level dollar on a closed basis
Amortization method	30 Years
Remaining amortization period	Market value
Asset valuation method	
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Healthcare cost trend rate	3.5% - 9.0%

OTHER SUPPLEMENTARY INFORMATION

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS					
Cash and cash equivalents	\$ 7,646,633	\$ 63,199	\$ 437,914	\$ 273,184	\$ 8,420,930
Cash and cash equivalents - restricted	2,338,602	-	3,974,665	-	6,313,267
Investments	214,041	-	-	4,019,446	4,233,487
Investments with agents	85,978	-	-	3,137,835	3,223,813
Receivables					
Accounts	4,235,883	-	158,300	-	4,394,183
Taxes	250,578	-	-	-	250,578
Notes	858,031	-	-	-	858,031
Due from other funds	1,301,248	-	203,322	-	1,504,570
Due from other governmental units	2,868,386	450,000	57,145	-	3,375,531
Advances to other governmental units	907,741	-	-	-	907,741
Inventories	252,935	-	-	-	252,935
TOTAL ASSETS	\$ 20,960,056	\$ 513,199	\$ 4,831,346	\$ 7,430,465	\$ 33,735,066
LIABILITIES					
Accounts payable	\$ 1,745,680	\$ -	\$ 251,713	\$ -	\$ 1,997,393
Accrued liabilities	23,985	-	-	1,245	25,230
Due to other funds	3,216,697	-	2,744,729	11,881	5,973,307
Due to other governmental units	186	-	-	-	186
Deposits payable	120,239	-	-	-	120,239
Unearned revenue	153,100	-	-	-	153,100
TOTAL LIABILITIES	5,259,887	-0-	2,996,442	13,126	8,269,455
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	289,855	450,000	48,242	-	788,097
FUND BALANCES					
Nonspendable	252,935	-	-	3,627,564	3,880,499
Restricted	13,154,876	63,199	1,786,662	3,789,775	18,794,512
Committed	2,002,503	-	-	-	2,002,503
TOTAL FUND BALANCES	15,410,314	63,199	1,786,662	7,417,339	24,677,514
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,960,056	\$ 513,199	\$ 4,831,346	\$ 7,430,465	\$ 33,735,066

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES					
Property taxes	\$ 2,647,184	\$ -	\$ -	\$ -	\$ 2,647,184
Intergovernmental	11,625,621	-	903,246	-	12,528,867
Charges for services	281,530	-	-	29,735	311,265
Fines and forfeits	146,453	-	-	-	146,453
Interest and rents	59,345	1,509,801	13,195	183,109	1,765,450
Net investment earnings	4,412	-	-	835,636	840,048
Other					
Donations and contributions	7,737,374	-	1,002,677	-	8,740,051
Other	111,739	343,078	-	500	455,317
TOTAL REVENUES	22,613,658	1,852,879	1,919,118	1,048,980	27,434,635
EXPENDITURES					
Current					
General government	350,037	-	-	22,201	372,238
Public safety	1,630,598	-	-	-	1,630,598
Public works	2,682,565	-	-	-	2,682,565
Streets	9,127,636	-	-	-	9,127,636
Community and economic development	1,788,527	-	-	-	1,788,527
Parks and recreation	926,710	-	-	199,850	1,126,560
Debt service					
Principal	-	5,415,000	-	-	5,415,000
Interest and fiscal charges	-	1,977,883	-	-	1,977,883
Capital outlay	-	-	6,019,394	-	6,019,394
TOTAL EXPENDITURES	16,506,073	7,392,883	6,019,394	222,051	30,140,401
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,107,585	(5,540,004)	(4,100,276)	826,929	(2,705,766)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	3,685,000	-	4,210,000	-	7,895,000
Issuance of refunding debt	-	3,780,000	-	-	3,780,000
Payments to escrow agent	-	(3,722,683)	-	-	(3,722,683)
Bond premium	413,036	-	381,925	-	794,961
Transfers in	2,028,589	5,487,417	2,120,219	-	9,636,225
Transfers out	(4,863,217)	-	(2,903,866)	(211,424)	(7,978,507)
TOTAL OTHER FINANCING SOURCES (USES)	1,263,408	5,544,734	3,808,278	(211,424)	10,404,996
NET CHANGE IN FUND BALANCES	7,370,993	4,730	(291,998)	615,505	7,699,230
Fund balances, beginning of year	8,039,321	58,469	2,078,660	6,801,834	16,978,284
Fund balances, end of year	<u>\$ 15,410,314</u>	<u>\$ 63,199</u>	<u>\$ 1,786,662</u>	<u>\$ 7,417,339</u>	<u>\$ 24,677,514</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

City of Kalamazoo
Nonmajor Special Revenue Funds
COMBINING BALANCE SHEET
December 31, 2017

	Major Streets	Local Streets	Cemeteries	Solid Waste
ASSETS				
Cash and cash equivalents	\$ 931,009	\$ 851,487	\$ 251,496	\$ 305,045
Cash and cash equivalents - restricted	1,696,467	642,135	-	-
Investments	-	-	-	-
Investments with agents	-	-	-	-
Receivables				
Accounts	1,700	-	2,866	162,200
Taxes	-	-	-	250,578
Notes	-	-	-	-
Due from other funds	139,384	177,420	11,881	4,496
Due from other governmental units	1,951,599	250,719	-	7,446
Advances to other governmental units	-	-	-	-
Inventories	245,728	-	-	-
TOTAL ASSETS	<u><u>\$ 4,965,887</u></u>	<u><u>\$ 1,921,761</u></u>	<u><u>\$ 266,243</u></u>	<u><u>\$ 729,765</u></u>
LIABILITIES				
Accounts payable	\$ 869,855	\$ 332,185	\$ 17,094	\$ 279,563
Accrued liabilities	-	-	-	-
Due to other funds	215,723	125,102	4,319	53,794
Due to other governmental units	-	-	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>1,085,578</u>	<u>457,287</u>	<u>21,413</u>	<u>333,357</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	284,040
FUND BALANCES				
Nonspendable	245,728	-	-	-
Restricted	3,634,581	1,464,474	-	112,368
Committed	-	-	244,830	-
TOTAL FUND BALANCES	<u>3,880,309</u>	<u>1,464,474</u>	<u>244,830</u>	<u>112,368</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 4,965,887</u></u>	<u><u>\$ 1,921,761</u></u>	<u><u>\$ 266,243</u></u>	<u><u>\$ 729,765</u></u>

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET - CONCLUDED

December 31, 2017

Neighborhood and Community Development	Economic Development Programs	FFE Aspirational Projects	Grants and Donations	Drug Enforcement	Total
\$ 246,643	\$ 764,703	\$ 3,128,085	\$ 977,441	\$ 190,724	\$ 7,646,633
-	-	-	-	-	2,338,602
-	-	-	214,041	-	214,041
-	-	-	85,978	-	85,978
46,406	-	4,000,000	22,711	-	4,235,883
-	-	-	-	-	250,578
778,862	79,169	-	-	-	858,031
40,990	-	-	927,077	-	1,301,248
498,170	8,125	-	130,347	21,980	2,868,386
-	907,741	-	-	-	907,741
7,207	-	-	-	-	252,935
<u>\$ 1,618,278</u>	<u>\$ 1,759,738</u>	<u>\$ 7,128,085</u>	<u>\$ 2,357,595</u>	<u>\$ 212,704</u>	<u>\$ 20,960,056</u>
\$ 123,079	\$ -	\$ -	\$ 100,636	\$ 23,268	\$ 1,745,680
-	-	-	-	23,985	23,985
383,216	2,065	1,531,142	858,922	42,414	3,216,697
-	-	-	186	-	186
118,743	-	-	-	1,496	120,239
45,185	-	-	107,915	-	153,100
670,223	2,065	1,531,142	1,067,659	91,163	5,259,887
-	-	-	5,815	-	289,855
7,207	-	-	-	-	252,935
940,848	-	5,596,943	1,284,121	121,541	13,154,876
-	1,757,673	-	-	-	2,002,503
<u>948,055</u>	<u>1,757,673</u>	<u>5,596,943</u>	<u>1,284,121</u>	<u>121,541</u>	<u>15,410,314</u>
<u>\$ 1,618,278</u>	<u>\$ 1,759,738</u>	<u>\$ 7,128,085</u>	<u>\$ 2,357,595</u>	<u>\$ 212,704</u>	<u>\$ 20,960,056</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

	Major Streets	Local Streets	Cemeteries	Solid Waste
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 2,647,184
Intergovernmental	7,484,961	1,642,573	-	6,350
Charges for services	-	-	158,420	73,647
Fines and forfeits	-	-	-	-
Interest	10,031	5,143	729	458
Net investment earnings	-	-	-	-
Other				
Donations and contributions	-	-	-	-
Other	30,694	37,500	-	-
TOTAL REVENUES	7,525,686	1,685,216	159,149	2,727,639
EXPENDITURES				
Current				
General government	-	-	344,711	-
Public safety	-	-	-	-
Public works	-	-	-	2,682,565
Streets	6,421,427	2,706,209	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
TOTAL EXPENDITURES	6,421,427	2,706,209	344,711	2,682,565
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,104,259	(1,020,993)	(185,562)	45,074
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,780,000	905,000	-	-
Bond premium	318,036	95,000	-	-
Transfers in	-	552,420	211,424	-
Transfers out	(2,375,774)	(805,884)	-	(81,639)
TOTAL OTHER FINANCING SOURCES (USES)	722,262	746,536	211,424	(81,639)
NET CHANGE IN FUND BALANCES	1,826,521	(274,457)	25,862	(36,565)
Fund balances, beginning of year	2,053,788	1,738,931	218,968	148,933
Fund balances, end of year	\$ 3,880,309	\$ 1,464,474	\$ 244,830	\$ 112,368

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

Neighborhood and Community Development	Economic Development Programs	FFE Aspirational Projects	Grants and Donations	Drug Enforcement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,647,184
1,567,416	-	-	868,470	55,851	11,625,621
37,316	-	-	9,603	2,544	281,530
-	-	-	-	146,453	146,453
1,181	33,183	-	7,832	788	59,345
-	-	-	4,412	-	4,412
-	-	7,128,085	609,289	-	7,737,374
-	-	-	20,665	22,880	111,739
1,605,913	33,183	7,128,085	1,520,271	228,516	22,613,658
-	-	-	5,326	-	350,037
-	-	-	1,179,750	450,848	1,630,598
-	-	-	-	-	2,682,565
-	-	-	-	-	9,127,636
1,654,223	31,309	-	102,995	-	1,788,527
-	-	-	926,710	-	926,710
1,654,223	31,309	-0-	2,214,781	450,848	16,506,073
(48,310)	1,874	7,128,085	(694,510)	(222,332)	6,107,585
-	-	-	-	-	3,685,000
-	-	-	-	-	413,036
68,778	-	-	1,195,967	-	2,028,589
(61,242)	(7,536)	(1,531,142)	-	-	(4,863,217)
7,536	(7,536)	(1,531,142)	1,195,967	-0-	1,263,408
(40,774)	(5,662)	5,596,943	501,457	(222,332)	7,370,993
988,829	1,763,335	-	782,664	343,873	8,039,321
<u>\$ 948,055</u>	<u>\$ 1,757,673</u>	<u>\$ 5,596,943</u>	<u>\$ 1,284,121</u>	<u>\$ 121,541</u>	<u>\$ 15,410,314</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

	<u>Major Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
Federal revenue	\$ 2,334,000	\$ 2,334,000	\$ -	\$ (2,334,000)
State trunkline maintenance	250,000	250,000	237,273	(12,727)
Gas and weight tax distribution	5,353,160	5,353,160	5,811,846	458,686
Other state revenue	265,000	265,000	276,293	11,293
Local revenue	1,200,000	1,253,419	1,159,549	(93,870)
Interest	6,000	6,000	10,031	4,031
Other	10,000	10,000	30,694	20,694
TOTAL REVENUES	9,418,160	9,471,579	7,525,686	(1,945,893)
EXPENDITURES				
Current				
Streets				
Administration	754,244	758,544	916,119	(157,575)
Repair	330,909	330,909	390,309	(59,400)
Maintenance	987,199	1,058,751	756,806	301,945
Pavement painting	147,000	147,000	110,240	36,760
Traffic signals	360,210	360,210	475,809	(115,599)
Traffic signs	41,650	41,650	53,165	(11,515)
Construction	6,782,036	7,952,816	3,718,979	4,233,837
TOTAL EXPENDITURES	9,403,248	10,649,880	6,421,427	4,228,453
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,912	(1,178,301)	1,104,259	2,282,560
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,055,600	2,780,000	2,780,000	-0-
Bond premium	-	318,036	318,036	-0-
Transfers out	(2,211,915)	(2,211,915)	(2,375,774)	(163,859)
TOTAL OTHER FINANCING SOURCES (USES)	843,685	886,121	722,262	(163,859)
NET CHANGE IN FUND BALANCE	858,597	(292,180)	1,826,521	2,118,701
Fund balance, beginning of year	2,053,788	2,053,788	2,053,788	-0-
Fund balance, end of year	<u>\$ 2,912,385</u>	<u>\$ 1,761,608</u>	<u>\$ 3,880,309</u>	<u>\$ 2,118,701</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, 2017

	<u>Local Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
Gas and weight tax distribution	\$ 1,512,667	\$ 1,512,667	\$ 1,642,573	\$ 129,906
Other state revenue	192,000	192,000	-	(192,000)
Interest	2,000	2,000	5,143	3,143
Other	500	54,500	37,500	(17,000)
TOTAL REVENUES	1,707,167	1,761,167	1,685,216	(75,951)
EXPENDITURES				
Current				
Streets				
Administration	491,011	491,011	476,712	14,299
Repair	260,994	260,994	356,729	(95,735)
Maintenance	1,157,336	1,110,436	388,857	721,579
Pavement painting	6,000	6,000	6,351	(351)
Traffic signs	17,000	63,900	50,241	13,659
Construction	1,000,000	2,263,208	1,427,319	835,889
TOTAL EXPENDITURES	2,932,341	4,195,549	2,706,209	1,489,340
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,225,174)	(2,434,382)	(1,020,993)	1,413,389
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,000,000	905,000	905,000	-0-
Bond premium	-	95,000	95,000	-0-
Transfers in	450,000	863,700	552,420	(311,280)
Transfers out	(751,469)	(751,469)	(805,884)	(54,415)
TOTAL OTHER FINANCING SOURCES (USES)	698,531	1,112,231	746,536	(365,695)
NET CHANGE IN FUND BALANCE	(526,643)	(1,322,151)	(274,457)	1,047,694
Fund balance, beginning of year	1,738,931	1,738,931	1,738,931	-0-
Fund balance, end of year	\$ 1,212,288	\$ 416,780	\$ 1,464,474	\$ 1,047,694

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

	<u>Cemeteries Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 151,350	\$ 151,350	\$ 158,420	\$ 7,070
Interest	-	-	729	729
TOTAL REVENUES	151,350	151,350	159,149	7,799
EXPENDITURES				
Current				
General government				
Burials	267,861	267,861	172,444	95,417
Maintenance	224,797	224,797	140,843	83,954
Construction	159,000	159,000	31,424	127,576
TOTAL EXPENDITURES	651,658	651,658	344,711	306,947
EXCESS OF REVENUES (UNDER) EXPENDITURES	(500,308)	(500,308)	(185,562)	314,746
OTHER FINANCING SOURCES				
Transfers in	310,578	339,000	211,424	(127,576)
NET CHANGE IN FUND BALANCE	(189,730)	(161,308)	25,862	187,170
Fund balance, beginning of year	218,968	218,968	218,968	-0-
Fund balance, end of year	\$ 29,238	\$ 57,660	\$ 244,830	\$ 187,170

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

	<u>Solid Waste Fund</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Taxes	\$ 2,607,731	\$ 2,607,731	\$ 2,647,184	\$ 39,453
Intergovernmental	-	7,500	6,350	(1,150)
Charges for services	103,000	103,000	73,647	(29,353)
Interest	5,000	5,000	458	(4,542)
TOTAL REVENUES	2,715,731	2,723,231	2,727,639	4,408
EXPENDITURES				
Current				
Public works	2,583,077	2,732,577	2,682,565	50,012
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	132,654	(9,346)	45,074	54,420
OTHER FINANCING (USES)				
Transfers out	(81,639)	(81,639)	(81,639)	-0-
NET CHANGE IN FUND BALANCE	51,015	(90,985)	(36,565)	54,420
Fund balance, beginning of year	148,933	148,933	148,933	-0-
Fund balance, end of year	\$ 199,948	\$ 57,948	\$ 112,368	\$ 54,420

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,002,547	\$ 2,079,312	\$ 1,567,416	\$ (511,896)
Charges for services	13,000	31,801	37,316	5,515
Interest	611	790	1,181	391
Other	-	3,149	-	(3,149)
TOTAL REVENUES	1,016,158	2,115,052	1,605,913	(509,139)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	26,529	26,529	349	26,180
Program administration services	865,547	865,547	810,598	54,949
Community Development Block Grant	150,000	1,046,780	609,095	437,685
Emergency shelter	-	131,644	131,642	2
HOME	-	102,552	102,539	13
TOTAL EXPENDITURES	1,042,076	2,173,052	1,654,223	518,829
EXCESS OF REVENUES (UNDER) EXPENDITURES	(25,918)	(58,000)	(48,310)	9,690
OTHER FINANCING SOURCES (USES)				
Transfers in	-	54,211	68,778	14,567
Transfers out	(611)	(60,688)	(61,242)	(554)
TOTAL OTHER FINANCING SOURCES (USES)	(611)	(6,477)	7,536	14,013
NET CHANGE IN FUND BALANCE	(26,529)	(64,477)	(40,774)	23,703
Fund balance, beginning of year	988,829	988,829	988,829	-0-
Fund balance, end of year	\$ 962,300	\$ 924,352	\$ 948,055	\$ 23,703

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

	<u>Economic Development Programs Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 38,200	\$ 37,748	\$ 33,183	\$ (4,565)
EXPENDITURES				
Current				
Community and economic development	32,000	32,000	31,309	691
EXCESS OF REVENUES OVER EXPENDITURES	6,200	5,748	1,874	(3,874)
OTHER FINANCING (USES)				
Transfers out	(1,200)	(7,687)	(7,536)	151
NET CHANGE IN FUND BALANCE	5,000	(1,939)	(5,662)	(3,723)
Fund balance, beginning of year	1,763,335	1,763,335	1,763,335	-0-
Fund balance, end of year	<u>\$ 1,768,335</u>	<u>\$ 1,761,396</u>	<u>\$ 1,757,673</u>	<u>\$ (3,723)</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, 2017

	<u>FFE Aspirational Projects</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Donations and contributions	\$ -	\$ 3,152,567	\$ 7,128,085	\$ 3,975,518
EXPENDITURES				
Current	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	3,152,567	7,128,085	3,975,518
OTHER FINANCING (USES)				
Transfers out for:				
FFE aspirational operations	-	(80,941)	(183,375)	(102,434)
Youth development and employment	-	(923,754)	(780,109)	143,645
Shared prosperity	-	(177,872)	(100,355)	77,517
Complete neighborhoods	-	(1,470,000)	(245,022)	1,224,978
Capital improvements	-	(500,000)	(222,281)	277,719
TOTAL OTHER FINANCING (USES)	-0-	(3,152,567)	(1,531,142)	1,621,425
NET CHANGE IN FUND BALANCE	-0-	-0-	5,596,943	5,596,943
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,596,943</u>	<u>\$ 5,596,943</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, 2017

	<u>Grants and Donations</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Intergovernmental	\$ 832,000	\$ 1,333,851	\$ 868,470	\$ (465,381)
Charges for services	2,743	9,729	9,603	(126)
Interest	65	65	7,832	7,767
Net investment earnings	(515)	(450)	4,412	4,862
Other				
Donations and contributions	42,590	691,737	609,289	(82,448)
Other	19,000	19,000	20,665	1,665
TOTAL REVENUES	895,883	2,053,932	1,520,271	(533,661)
EXPENDITURES				
Current				
General government	-	6,475	5,326	1,149
Public safety	894,598	1,296,884	1,179,750	117,134
Community and economic development	69,078	734,027	102,995	631,032
Parks and recreation	90,064	1,126,967	926,710	200,257
TOTAL EXPENDITURES	1,053,740	3,164,353	2,214,781	949,572
EXCESS OF REVENUES (UNDER) EXPENDITURES	(157,857)	(1,110,421)	(694,510)	415,911
OTHER FINANCING SOURCES				
Transfers in	90,000	1,006,754	1,195,967	189,213
NET CHANGE IN FUND BALANCE	(67,857)	(103,667)	501,457	605,124
Fund balance, beginning of year	782,664	782,664	782,664	-0-
Fund balance, end of year	\$ 714,807	\$ 678,997	\$ 1,284,121	\$ 605,124

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2017

	<u>Drug Enforcement Fund</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 55,851	\$ 35,851
Charges for services	1,600	1,600	2,544	944
Fines and forfeits	230,000	230,000	146,453	(83,547)
Interest	-	-	788	788
Other	50,000	50,000	22,880	(27,120)
TOTAL REVENUES	301,600	301,600	228,516	(73,084)
EXPENDITURES				
Current				
Public safety	283,142	463,752	450,848	12,904
NET CHANGE IN FUND BALANCE	18,458	(162,152)	(222,332)	(60,180)
Fund balance, beginning of year	343,873	343,873	343,873	-0-
Fund balance, end of year	<u>\$ 362,331</u>	<u>\$ 181,721</u>	<u>\$ 121,541</u>	<u>\$ (60,180)</u>

NONMAJOR DEBT SERVICE FUNDS

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

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

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

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

City of Kalamazoo
Nonmajor Debt Service Funds
COMBINING BALANCE SHEET
December 31, 2017

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
ASSETS					
Cash and cash equivalents	\$ 57,726	\$ 238	\$ 1,675	\$ 3,560	\$ 63,199
Due from other governmental units	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
TOTAL ASSETS	<u>\$ 507,726</u>	<u>\$ 238</u>	<u>\$ 1,675</u>	<u>\$ 3,560</u>	<u>\$ 513,199</u>
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	450,000	-	-	-	450,000
FUND BALANCES					
Restricted	<u>57,726</u>	<u>238</u>	<u>1,675</u>	<u>3,560</u>	<u>63,199</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 507,726</u>	<u>\$ 238</u>	<u>\$ 1,675</u>	<u>\$ 3,560</u>	<u>\$ 513,199</u>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2017

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
REVENUES					
Interest and rents	\$ 1,509,800	\$ 1	\$ -	\$ -	\$ 1,509,801
Other	130,894	-	-	212,184	343,078
TOTAL REVENUES	1,640,694	1	-0-	212,184	1,852,879
EXPENDITURES					
Debt service					
Principal	2,090,000	-	305,000	3,020,000	5,415,000
Interest and fiscal charges	701,423	-	28,945	1,247,515	1,977,883
TOTAL EXPENDITURES	2,791,423	-0-	333,945	4,267,515	7,392,883
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,150,729)	1	(333,945)	(4,055,331)	(5,540,004)
OTHER FINANCING SOURCES (USES)					
Payments to escrow agent	-	-	-	(3,722,683)	(3,722,683)
Issuance of refunding debt	-	-	-	3,780,000	3,780,000
Transfers in	1,151,398	-	334,445	4,001,574	5,487,417
TOTAL OTHER FINANCING SOURCES (USES)	1,151,398	-0-	334,445	4,058,891	5,544,734
NET CHANGE IN FUND BALANCES	669	1	500	3,560	4,730
Fund balances, beginning of year	57,057	237	1,175	-	58,469
Fund balances, end of year	\$ 57,726	\$ 238	\$ 1,675	\$ 3,560	\$ 63,199

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

City of Kalamazoo
Nonmajor Capital Projects Funds
COMBINING BALANCE SHEET
December 31, 2017

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 437,914	\$ 437,914
Cash and cash equivalents - restricted	2,044,744	1,929,921	3,974,665
Accounts receivable	112,031	46,269	158,300
Due from other funds	-	203,322	203,322
Due from other governmental units	-	57,145	57,145
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,156,775</u>	<u>\$ 2,674,571</u>	<u>\$ 4,831,346</u>
LIABILITIES			
Accounts payable	\$ -	\$ 251,713	\$ 251,713
Due to other funds	2,132,385	612,344	2,744,729
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	2,132,385	864,057	2,996,442
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	48,242	48,242
FUND BALANCES			
Restricted	<u>24,390</u>	<u>1,762,272</u>	<u>1,786,662</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,156,775</u>	<u>\$ 2,674,571</u>	<u>\$ 4,831,346</u>

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2017

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
REVENUES			
Intergovernmental	\$ -	\$ 903,246	\$ 903,246
Interest	4,365	8,830	13,195
Other			
Donations and contributions	-	1,002,677	1,002,677
TOTAL REVENUES	4,365	1,914,753	1,919,118
EXPENDITURES			
Capital outlay	66,054	5,953,340	6,019,394
EXCESS OF REVENUES (UNDER) EXPENDITURES	(61,689)	(4,038,587)	(4,100,276)
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	4,210,000	4,210,000
Bond premium	-	381,925	381,925
Transfers in	-	2,120,219	2,120,219
Transfers out	-	(2,903,866)	(2,903,866)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	3,808,278	3,808,278
NET CHANGE IN FUND BALANCES	(61,689)	(230,309)	(291,998)
Fund balances, beginning of year	86,079	1,992,581	2,078,660
Fund balances, end of year	\$ 24,390	\$ 1,762,272	\$ 1,786,662

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, 2017

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 273,184	\$ -	\$ -	\$ 273,184
Investments	4,019,446	-	-	4,019,446
Investments with agents	-	1,634,610	1,503,225	3,137,835
TOTAL ASSETS	<u>\$ 4,292,630</u>	<u>\$ 1,634,610</u>	<u>\$ 1,503,225</u>	<u>\$ 7,430,465</u>
LIABILITIES				
Contract payable	\$ 1,245	\$ -	\$ -	\$ 1,245
Due to other funds	11,881	-	-	11,881
TOTAL LIABILITIES	13,126	-0-	-0-	13,126
FUND BALANCES				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	2,544,344	697,404	548,027	3,789,775
TOTAL FUND BALANCES	<u>4,279,504</u>	<u>1,634,610</u>	<u>1,503,225</u>	<u>7,417,339</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,292,630</u>	<u>\$ 1,634,610</u>	<u>\$ 1,503,225</u>	<u>\$ 7,430,465</u>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2017

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 29,735	\$ -	\$ -	\$ 29,735
Interest and dividends	183,109	-	-	183,109
Net investment earnings	396,625	229,853	209,158	835,636
Other	-	500	-	500
TOTAL REVENUES	609,469	230,353	209,158	1,048,980
EXPENDITURES				
Current				
General government	22,201	-	-	22,201
Parks and recreation	-	119,225	80,625	199,850
TOTAL EXPENDITURES	22,201	119,225	80,625	222,051
EXCESS OF REVENUES OVER EXPENDITURES	587,268	111,128	128,533	826,929
OTHER FINANCING (USES)				
Transfers out	(211,424)	-	-	(211,424)
NET CHANGE IN FUND BALANCES	375,844	111,128	128,533	615,505
Fund balances, beginning of year	3,903,660	1,523,482	1,374,692	6,801,834
Fund balances, end of year	\$ 4,279,504	\$ 1,634,610	\$ 1,503,225	\$ 7,417,339

NONMAJOR ENTERPRISE FUNDS

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

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

City of Kalamazoo
Nonmajor Enterprise Funds
COMBINING STATEMENT OF NET POSITION
December 31, 2017

	Kalamazoo Municipal Golf Association	City Market	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 252,882	\$ 53,311	\$ 306,193
Due from management corporation	106,090	-	106,090
Total current assets	358,972	53,311	412,283
Noncurrent assets			
Capital assets not being depreciated	139,200	3,361	142,561
Capital assets, net of accumulated depreciation	997,005	46,870	1,043,875
Total noncurrent assets	1,136,205	50,231	1,186,436
TOTAL ASSETS	1,495,177	103,542	1,598,719
LIABILITIES			
Current liabilities			
Accrued interest payable	7,086	-	7,086
Due to other funds	153,133	278	153,411
Unearned revenue	140,600	-	140,600
Current portion of long-term debt	219,555	-	219,555
Total current liabilities	520,374	278	520,652
Noncurrent liabilities			
Noncurrent portion of long-term debt	711,966	-	711,966
TOTAL LIABILITIES	1,232,340	278	1,232,618
NET POSITION			
Net investment in capital assets	204,684	50,231	254,915
Unrestricted	58,153	53,033	111,186
TOTAL NET POSITION	\$ 262,837	\$ 103,264	\$ 366,101

City of Kalamazoo

Nonmajor Enterprise Funds

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

Year Ended December 31, 2017

	Kalamazoo Municipal Golf Association	City Market	Total
OPERATING REVENUES			
Charges for services	\$ 1,703,405	\$ 3,340	\$ 1,706,745
Other	23,959	-	23,959
TOTAL OPERATING REVENUES	1,727,364	3,340	1,730,704
OPERATING EXPENSES			
Operation and maintenance	1,467,487	7,724	1,475,211
Depreciation	180,962	3,960	184,922
TOTAL OPERATING EXPENSES	1,648,449	11,684	1,660,133
OPERATING INCOME (LOSS)	78,915	(8,344)	70,571
NONOPERATING (EXPENSES)			
Interest expense and fiscal charges	(16,620)	-	(16,620)
CHANGE IN NET POSITION	62,295	(8,344)	53,951
Net position, beginning of year	200,542	111,608	312,150
Net position, end of year	\$ 262,837	\$ 103,264	\$ 366,101

City of Kalamazoo

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	Kalamazoo Municipal Golf Association	City Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,718,779	\$ 3,340	\$ 1,722,119
Cash paid to suppliers	(1,320,720)	(6,622)	(1,327,342)
Cash paid to employees	-	(961)	(961)
Cash paid for employee benefits	-	(243)	(243)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	398,059	(4,486)	393,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(102,350)	-	(102,350)
Interest paid	(33,478)	-	(33,478)
Proceeds from bond issuance	90,000	-	90,000
Payments on borrowings	(345,544)	-	(345,544)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(391,372)	-0-	(391,372)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	-	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,687	(4,486)	2,201
Cash and cash equivalents, beginning of year	246,195	57,797	303,992
Cash and cash equivalents, end of year	<u>\$ 252,882</u>	<u>\$ 53,311</u>	<u>\$ 306,193</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 78,915	\$ (8,344)	\$ 70,571
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	180,962	3,960	184,922
(Increase) in:			
Due from management corporation	(6,366)	-	(6,366)
Increase (decrease) in:			
Accounts payable	-	(23)	(23)
Due to other funds	153,133	(9)	153,124
Unearned revenue	(8,585)	-	(8,585)
Compensated absences	-	(70)	(70)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 398,059</u>	<u>\$ (4,486)</u>	<u>\$ 393,573</u>

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

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

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

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF NET POSITION

December 31, 2017

	Employees' Retirement System	Other Post- Employment Benefits	Total
ASSETS			
Cash and cash equivalents	\$ 350,464	\$ 31,705	\$ 382,169
Investments			
U.S. Treasuries	81,536,908	12,781,502	94,318,410
U.S. Agencies	1,457,997	228,552	1,686,549
Corporate bonds	59,161,242	9,273,954	68,435,196
Collateralized mortgage obligations	17,794,110	2,789,356	20,583,466
Equity mutual funds	475,535,176	74,543,592	550,078,768
Real estate mutual funds	32,424,990	5,082,853	37,507,843
Receivables			
Interest and dividends	1,065,546	167,032	1,232,578
Investments sold	1,683,421	263,889	1,947,310
 TOTAL ASSETS	 671,009,854	 105,162,435	 776,172,289
LIABILITIES			
Accounts payable	81,894	931,169	1,013,063
NET POSITION			
Restricted for pension and OPEB	\$ 670,927,960	\$ 104,231,266	\$ 775,159,226

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2017

	Employees' Retirement System	Other Post- Employment Benefits	Total
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 76,768,193	\$ 11,967,187	\$ 88,735,380
Interest and dividends	19,653,648	3,076,127	22,729,775
Total investment income	96,421,841	15,043,314	111,465,155
Less investment expense	(2,120,562)	(331,545)	(2,452,107)
Net investment income	94,301,279	14,711,769	109,013,048
Contributions			
Employer	-	3,500,000	3,500,000
Plan members	1,086,258	920,121	2,006,379
Total contributions	1,086,258	4,420,121	5,506,379
TOTAL ADDITIONS TO NET POSITION	95,387,537	19,131,890	114,519,427
DEDUCTIONS FROM NET POSITION			
Benefits	28,407,023	10,178,780	38,585,803
Refunds of contributions	84,357	-	84,357
Administrative expenses	147,099	100,922	248,021
Miscellaneous expenses	232,531	-	232,531
TOTAL DEDUCTIONS	28,871,010	10,279,702	39,150,712
SPECIAL ITEM			
Transfer of assets to other governmental unit	(8,615,942)	-	(8,615,942)
CHANGE IN NET POSITION	57,900,585	8,852,188	66,752,773
Net position, beginning of year	613,027,375	95,379,078	708,406,453
Net position, end of year	\$ 670,927,960	\$ 104,231,266	\$ 775,159,226

AGENCY FUND

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

City of Kalamazoo

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2017

	<u>Tax Collector's Fund</u>			
	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017
ASSETS				
Cash and cash equivalents	\$ 17,853,427	\$ 84,783,037	\$ 88,107,371	\$ 14,529,093
Other receivables	459	85	459	85
TOTAL ASSETS	<u>\$ 17,853,886</u>	<u>\$ 84,783,122</u>	<u>\$ 88,107,830</u>	<u>\$ 14,529,178</u>
LIABILITIES				
Due to individuals and agencies	\$ 1,570	\$ 62,990,276	\$ 62,987,253	\$ 4,593
Due to other governmental units	17,852,316	84,593,164	87,920,895	14,524,585
TOTAL LIABILITIES	<u>\$ 17,853,886</u>	<u>\$ 147,583,440</u>	<u>\$ 150,908,148</u>	<u>\$ 14,529,178</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2017

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 565,877</u>
LIABILITIES	
Accounts payable	\$ 1,525
Due to other governmental units	6,700
Unearned revenue	<u> 21,667</u>
TOTAL LIABILITIES	29,892
FUND BALANCE	
Unassigned	<u>535,985</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 565,877</u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2017

Total fund balance - governmental fund	\$ 535,985
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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>(17,054)</u>
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Net position of governmental activities	<u><u>\$ 518,931</u></u>
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City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2017

	<u>General</u>
REVENUES	
Intergovernmental	\$ 31,308
Interest	<u>1</u>
TOTAL REVENUES	31,309
EXPENDITURES	
Current	
Community and economic development	<u>137,270</u>
NET CHANGE IN FUND BALANCE	(105,961)
Fund balance, beginning of year	<u>641,946</u>
Fund balance, end of year	<u><u>\$ 535,985</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF
ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2017

Net change in fund balance - governmental fund	\$ (105,961)
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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>(420)</u>
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Change in net position of governmental activities	<u><u>\$ (106,381)</u></u>
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City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2017

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,452,136
Investments	513,284
Receivables	
Accounts	14,498
Taxes	475,603
Notes	921,414
Due from other governmental units	<u>43,490</u>
TOTAL ASSETS	<u><u>\$ 4,420,425</u></u>
LIABILITIES	
Accounts payable	\$ 56,034
Due to other governmental units	994,115
Advance from other governmental units	907,742
Unearned revenue	<u>30,000</u>
TOTAL LIABILITIES	1,987,891
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	71,835
FUND BALANCE	
Nonspendable	13,672
Committed	38,611
Unassigned	<u>2,308,416</u>
TOTAL FUND BALANCE	<u>2,360,699</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 4,420,425</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2017

Total fund balance - governmental fund	\$ 2,360,699
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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	71,835
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Loan payable	\$ (205,000)	
Compensated absences	<u>(20,698)</u>	
		<u>(225,698)</u>

Net position of governmental activities	<u><u>\$ 2,206,836</u></u>
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City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2017

	<u>General</u>
REVENUES	
Taxes	\$ 1,085,193
Intergovernmental	16,399
Interest	13,335
Other	
Donations and contributions	30,000
Other	<u>195,662</u>
TOTAL REVENUES	1,340,589
EXPENDITURES	
Current	
Community and economic development	<u>2,150,465</u>
TOTAL EXPENDITURES	<u>2,150,465</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(809,876)
OTHER FINANCING SOURCES	
Loan proceeds	<u>11,065</u>
NET CHANGE IN FUND BALANCE	(798,811)
Fund balance, beginning of year	<u>3,159,510</u>
Fund balance, end of year	<u><u>\$ 2,360,699</u></u>

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2017

Net change in fund balance - governmental fund \$ (798,811)

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

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

Change in unavailable revenue 17,489

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

Loan proceeds (11,065)

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 (26)

Change in net position of governmental activities \$ (792,413)

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2017

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 30,129
Taxes receivable	<u>7,978</u>
TOTAL ASSETS	<u><u>\$ 38,107</u></u>
LIABILITIES	
Accounts payable	\$ 17,304
Due to other governmental units	<u>12,825</u>
TOTAL LIABILITIES	30,129
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	7,978
FUND BALANCE	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 38,107</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2017

Total fund balance - governmental fund	\$	-
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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		<u>7,978</u>
Net position of governmental activities	\$	<u><u>7,978</u></u>

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2017

	<u>General</u>
REVENUES	
Taxes	\$ 10,617
EXPENDITURES	
Current	
Community and economic development	<u>30,130</u>
NET CHANGE IN FUND BALANCE	(19,513)
Fund balance, beginning of year	<u>19,513</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2017

Net change in fund balance - governmental fund \$ (19,513)

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

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

Change in unavailable revenue (10,617)

Change in net position of governmental activities \$ (30,130)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	116-125
<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	126-129
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	130-137
<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	138-139
<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	140-146
<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	147-179

NET POSITION BY COMPONENT

2008-2017
(Unaudited)
(Accrual basis of accounting)

	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 117,057,211	\$ 116,294,415	\$ 123,355,990	\$ 125,529,739
Restricted	26,784,242	12,721,683	12,050,021	11,045,791
Unrestricted	6,069,437	13,197,414	(8,666,188)	(22,606,617)
Total governmental activities net position	<u>\$ 149,910,890</u>	<u>\$ 142,213,512</u>	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>
Business-type activities				
Net investment in capital assets	\$ 154,535,045	\$ 143,501,852	\$ 150,485,254	\$ 152,806,937
Restricted	-	2,577,935	2,577,960	2,524,960
Unrestricted	21,785,289	26,067,765	18,046,633	7,408,224
Total business-type activities net position	<u>\$ 176,320,334</u>	<u>\$ 172,147,552</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>
Primary government				
Net investment in capital assets	\$ 271,592,256	\$ 259,796,267	\$ 273,841,244	\$ 278,336,676
Restricted	26,784,242	15,299,618	14,627,981	13,570,751
Unrestricted	27,854,726	39,265,179	9,380,445	(15,198,393)
Total primary government net position	<u>\$ 326,231,224</u>	<u>\$ 314,361,064</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>

NET POSITION BY COMPONENT - CONCLUDED

2008-2017
(Unaudited)
(Accrual basis of accounting)

2012	2013	2014	2015	2016	2017
\$ 122,960,589	\$ 123,492,323	\$ 122,338,669	\$ 121,402,730	\$ 122,361,164	\$ 120,389,124
13,946,502	14,512,704	15,031,494	13,951,012	14,937,512	22,611,812
(35,131,160)	(42,557,926)	(46,283,678)	84,120,446	85,140,274	93,207,875
<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>
\$ 149,416,222	\$ 145,375,261	\$ 143,182,090	\$ 141,668,888	\$ 140,434,583	\$ 144,557,184
2,831,960	2,831,960	2,454,033	2,164,039	2,094,054	2,089,731
11,411,854	15,684,847	16,092,853	48,245,428	49,851,898	45,467,985
<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>
\$ 272,376,811	\$ 268,867,584	\$ 265,520,759	\$ 263,071,618	\$ 262,795,747	\$ 264,946,308
16,778,462	17,344,664	17,485,527	16,115,051	17,031,566	24,701,543
(23,719,306)	(26,873,079)	(30,190,825)	132,365,874	134,992,172	138,675,860
<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>

CHANGES IN NET POSITION

2008-2017
(Unaudited)
(Accrual basis of accounting)

	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 11,449,623	\$ 8,805,148	\$ 9,371,185	\$ 8,471,082
Public safety	37,207,556	43,098,269	43,495,846	45,215,879
Public works	17,285,103	13,479,086	13,814,938	20,094,540
Community and economic development	7,505,930	6,430,431	8,746,176	15,666,823
Recreation and culture	2,099,090	2,554,547	3,223,463	3,182,766
Interest on long-term debt	2,957,164	2,792,089	2,672,721	2,717,822
Total governmental activities expenses	78,504,466	77,159,570	81,324,329	95,348,912
Business-type activities:				
Wastewater	20,584,823	22,079,492	22,825,084	23,435,464
Water	14,686,137	13,944,668	14,946,226	15,415,808
Other	49,291	48,805	44,230	135,204
Total business-type activities expenses	35,320,251	36,072,965	37,815,540	38,986,476
Total primary government expenses	<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>	<u>\$ 134,335,388</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ -	\$ 5,094,411	\$ 4,731,626	\$ 11,900,982
Community development and planning	-	642,866	246,453	1,240,353
Other	-	616,485	733,970	1,023,442
Operating grants and contributions	12,966,562	12,915,313	15,255,631	20,982,518
Capital grants and contributions	151,241	21,686	868,221	1,163,643
Total governmental activities program revenues	13,117,803	19,290,761	21,835,901	36,310,938
Business-type activities:				
Charges for services				
Wastewater	21,201,437	18,220,534	19,085,813	18,178,855
Water	11,604,749	11,922,529	12,759,940	12,451,401
Other	50,244	52,059	58,832	67,287
Operating grants and contributions	451,421	-	-	238,233
Capital grants and contributions	2,959,418	2,599,746	4,001,255	3,308,895
Total business-type activities program revenues	36,267,269	32,794,868	35,905,840	34,244,671
Total primary government program revenues	<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>
Net (Expense) Revenue				
Governmental activities	\$ (65,386,663)	\$ (57,868,809)	\$ (59,488,428)	\$ (59,037,974)
Business-type activities	947,018	(3,278,097)	(1,909,700)	(4,741,805)
Total primary government net expense	<u>\$ (64,439,645)</u>	<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>

CHANGES IN NET POSITION - CONTINUED

2008-2017
(Unaudited)
(Accrual basis of accounting)

2012	2013	2014	2015	2016	2017
\$ 10,168,516	\$ 8,416,014	\$ 9,930,643	\$ 8,766,309	\$ 5,721,625	\$ 3,749,149
36,120,760	36,060,961	34,662,862	41,688,680	35,180,743	37,129,688
16,862,523	18,023,279	17,534,605	17,745,839	14,953,810	15,533,907
8,667,696	5,056,773	4,718,105	6,429,186	4,500,102	4,536,753
2,781,196	2,589,433	3,054,139	2,026,717	2,100,881	3,168,551
2,378,583	2,169,930	2,189,831	4,626,913	4,735,609	5,174,409
<u>76,979,274</u>	<u>72,316,390</u>	<u>72,090,185</u>	<u>81,283,644</u>	<u>67,192,770</u>	<u>69,292,457</u>
21,769,136	22,461,092	22,214,421	21,637,512	21,294,272	21,035,419
14,525,327	14,019,746	14,617,217	16,069,239	15,953,040	15,509,780
<u>67,778</u>	<u>1,616,741</u>	<u>1,638,861</u>	<u>1,704,812</u>	<u>1,714,755</u>	<u>1,676,753</u>
<u>36,362,241</u>	<u>38,097,579</u>	<u>38,470,499</u>	<u>39,411,563</u>	<u>38,962,067</u>	<u>38,221,952</u>
<u>\$ 113,341,515</u>	<u>\$ 110,413,969</u>	<u>\$ 110,560,684</u>	<u>\$ 120,695,207</u>	<u>\$ 106,154,837</u>	<u>\$ 107,514,409</u>
\$ 10,614,076	\$ 10,880,322	\$ 11,316,006	\$ 10,972,764	\$ 7,581,047	\$ 7,798,637
1,069,568	1,525,283	1,471,008	1,668,372	1,573,669	1,686,416
975,170	1,029,481	1,052,534	1,241,443	1,805,820	2,653,944
15,765,684	11,661,313	12,679,339	13,957,992	14,323,779	33,765,675
<u>655,181</u>	<u>5,744</u>	<u>6,618</u>	<u>43,390</u>	<u>10,944</u>	<u>18,008</u>
<u>29,079,679</u>	<u>25,102,143</u>	<u>26,525,505</u>	<u>27,883,961</u>	<u>25,295,259</u>	<u>45,922,680</u>
20,484,471	21,111,243	20,758,450	19,819,546	19,599,234	15,736,474
14,583,205	13,480,979	12,948,883	14,348,122	15,451,374	16,726,191
91,621	1,628,563	1,566,381	1,695,902	1,674,904	1,706,745
266,929	212,011	155,215	90,507	131,334	36,855
<u>1,733,898</u>	<u>1,834,883</u>	<u>870,240</u>	<u>3,154,597</u>	<u>2,130,600</u>	<u>3,186,467</u>
<u>37,160,124</u>	<u>38,267,679</u>	<u>36,299,169</u>	<u>39,108,674</u>	<u>38,987,446</u>	<u>37,392,732</u>
<u>\$ 66,239,803</u>	<u>\$ 63,369,822</u>	<u>\$ 62,824,674</u>	<u>\$ 66,992,635</u>	<u>\$ 64,282,705</u>	<u>\$ 83,315,412</u>
\$ (47,899,595)	\$ (47,214,247)	\$ (45,564,680)	\$ (53,399,683)	\$ (41,046,743)	\$ (23,369,777)
<u>797,883</u>	<u>170,100</u>	<u>(2,171,330)</u>	<u>(302,889)</u>	<u>25,379</u>	<u>(829,220)</u>
<u>\$ (47,101,712)</u>	<u>\$ (47,044,147)</u>	<u>\$ (47,736,010)</u>	<u>\$ (53,702,572)</u>	<u>\$ (41,021,364)</u>	<u>\$ (24,198,997)</u>

CHANGES IN NET POSITION - CONTINUED

2008-2017
(Unaudited)
(Accrual basis of accounting)

	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental activities:				
General revenues				
Property taxes	\$ 36,221,234	\$ 36,421,813	\$ 34,292,608	\$ 33,313,845
Grants and contributions not restricted to specific programs	10,548,626	8,968,211	8,669,650	8,063,444
Unrestricted investment earnings	1,382,472	1,999,482	1,411,281	206,017
Gain on sale of assets	-	-	-	6,270
Contributions to permanent funds	34,800	-	-	-
Other	-	60,947	304,588	900,135
Transfers - internal activities	(97,939)	(455,622)	(663,388)	3,777,353
Total governmental activities	48,089,193	46,994,831	44,014,739	46,267,064
Business-type activities:				
Grants and contributions not restricted to specific programs	1,326	-	-	-
Unrestricted investment earnings	3,590	165,786	28,161	32,163
Gain on sale of assets	38,520	41,767	7,418	6,346
Other	-	572,923	173,028	110,923
Transfers - internal activities	97,939	455,622	663,388	(3,777,353)
Special item - loss on sale of capital assets/inventory	-	-	-	-
Total business-type activities	141,375	1,236,098	871,995	(3,627,921)
Total primary government	\$ 48,230,568	\$ 48,230,929	\$ 44,886,734	\$ 42,639,143
Change in Net Position				
Governmental activities	\$ (17,297,470)	\$ (10,873,978)	\$ (15,473,689)	\$ (12,770,910)
Business-type activities	1,088,393	(2,041,999)	(1,037,705)	(8,369,726)
Total primary government	\$ (16,209,077)	\$ (12,915,977)	\$ (16,511,394)	\$ (21,140,636)

CHANGES IN NET POSITION - CONCLUDED

2008-2017
(Unaudited)
(Accrual basis of accounting)

2012	2013	2014	2015	2016	2017
\$ 30,457,012	\$ 31,011,014	\$ 31,834,240	\$ 32,085,449	\$ 34,350,331	\$ 24,802,341
7,939,441	8,851,208	8,441,077	8,505,032	8,563,853	9,046,844
1,285,649	1,438,503	672,910	74,925	997,789	1,913,430
-	7,800	74,590	31,638	8,850	1,487,317
-	-	-	-	-	-
824,508	219,059	167,497	118,374	90,682	111,987
-	(50,000)	-	-	-	(222,281)
40,506,610	41,477,584	41,190,314	40,815,418	44,011,505	37,139,638
-	-	-	-	-	-
41,803	48,810	56,253	111,566	124,116	182,701
4,450	168,408	(98,631)	-	4,008	25,605
75,779	170,578	50,616	105,932	148,677	132,998
-	50,000	-	-	-	222,281
-	-	-	-	-	-
122,032	437,796	8,238	217,498	276,801	563,585
\$ 40,628,642	\$ 41,915,380	\$ 41,198,552	\$ 41,032,916	\$ 44,288,306	\$ 37,703,223
\$ (7,392,985)	\$ (5,736,663)	\$ (4,360,616)	\$ (12,584,265)	\$ 2,964,762	\$ 13,769,861
919,915	607,896	(2,163,092)	(85,391)	302,180	(265,635)
\$ (6,473,070)	\$ (5,128,767)	\$ (6,523,708)	\$ (12,669,656)	\$ 3,266,942	\$ 13,504,226

FUND BALANCES

GOVERNMENTAL FUNDS

2008-2017
(Unaudited)
(Modified accrual basis of accounting)

	2008	2009	2010	2011	2012
General fund					
Reserved	\$ 756,760	\$ 504,595	\$ 504,164	\$ -	\$ -
Unreserved	3,461,861	4,740,113	3,881,019	-	-
Nonspendable	-	-	-	730,673	626,548
Assigned	-	-	-	3,504,897	3,503,397
Unassigned	-	-	-	5,325,787	3,557,092
Total general fund	<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>	<u>\$ 7,687,037</u>
All other governmental funds					
Reserved	\$ 9,410,736	\$ 10,641,923	\$ 12,011,218	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	4,241,786	4,874,600	5,028,383	-	-
Debt service funds	124,551	127,942	91,569	-	-
Capital project funds	3,934,958	3,847,713	1,994,543	-	-
Permanent funds	1,195,345	1,956,373	-	-	-
Nonspendable	-	-	-	13,522,951	8,698,303
Restricted	-	-	-	7,509,890	8,419,230
Committed	-	-	-	1,660,542	2,756,697
Total all other governmental funds	<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>	<u>\$ 22,693,383</u>	<u>\$ 19,874,230</u>

Note:

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

FUND BALANCES

GOVERNMENTAL FUNDS - CONCLUDED

2008-2017
(Unaudited)
(Modified accrual basis of accounting)

2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
637,833	1,339,401	1,212,622	1,145,445	1,166,644
922,527	403,248	3,459,061	2,703,090	407,342
3,921,706	5,975,442	6,533,218	8,120,863	10,812,051
<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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7,774,612	7,286,926	5,628,997	5,815,832	3,880,499
9,264,935	10,133,623	9,337,109	10,320,453	18,794,512
2,864,507	1,660,293	1,741,297	841,999	2,002,503
<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>

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2008-2017
(Unaudited)
(Modified accrual basis of accounting)

	2008	2009	2010	2011
Revenues				
Property taxes and special assessments	\$ 35,569,119	\$ 37,997,860	\$ 35,071,496	\$ 35,163,954
Licenses and permits	1,951,085	1,770,824	1,867,123	1,897,096
Intergovernmental revenue	20,762,621	19,150,714	22,470,227	28,241,290
Charges for services	1,582,665	5,289,988	5,622,676	10,318,577
Fines and forfeits	279,435	326,755	296,200	642,680
Interest and rents	4,507,507	3,989,784	3,429,583	3,304,621
Net investment earnings	(1,858,775)	1,207,786	780,472	(370,143)
Other revenue				
Donations and contributions	-	-	-	-
Other	6,696,145	1,699,387	1,668,632	1,474,703
Total revenues	69,489,802	71,433,098	71,206,409	80,672,778
Expenditures				
Current Expenditures:				
General government	10,767,415	7,300,485	7,169,369	7,618,751
Public safety	33,718,520	34,409,853	34,804,767	35,476,959
Public works	12,038,364	11,703,326	11,981,237	16,122,984
Community and economic development	6,921,457	5,803,640	7,763,530	14,182,010
Recreation and culture	2,820,672	2,598,348	2,806,451	2,806,756
Other	-	1,184,639	2,761,908	2,560,728
Debt service:				
Principal	4,997,000	5,245,000	5,125,000	5,510,000
Interest and fiscal charges	2,932,497	2,796,889	2,721,982	2,757,767
Capital outlay	5,264,042	1,869,810	2,861,401	3,408,241
Total expenditures	79,459,967	72,911,990	77,995,645	90,444,196
Excess (deficiency) of revenues over expenditures	(9,970,165)	(1,478,892)	(6,789,236)	(9,771,418)
Other financing sources (uses)				
Transfers in	8,280,263	8,772,072	10,646,777	16,291,542
Transfers out	(8,378,202)	(8,272,072)	(9,962,957)	(9,009,217)
Proceeds from the sale of capital assets	32,020	-	-	-
Issuance of long-term debt	4,165,000	4,585,000	2,855,000	12,910,000
Issuance of refunding debt	-	-	-	-
Issuance of OPEB debt	-	-	-	-
Payments to advance refunding escrow agent	-	-	-	(8,051,763)
Bond premium (discount)	9,587	(38,846)	68,053	145,167
Total other financing sources (uses)	4,108,668	5,046,154	3,606,873	12,285,729
Special items				
Contribution to OPEB trust	-	-	-	-
Net change in fund balances	\$ (5,861,497)	\$ 3,567,262	\$ (3,182,363)	\$ 2,514,311
Debt service as a percentage of noncapital expenditures	11.3%	11.7%	11.6%	10.0%

CHANGES IN FUND BALANCES - CONCLUDED

GOVERNMENTAL FUNDS

2008-2017
(Unaudited)
(Modified accrual basis of accounting)

2012	2013	2014	2015	2016	2017
\$ 32,665,097	\$ 31,172,950	\$ 31,922,256	\$ 32,258,838	\$ 34,350,331	\$ 24,802,341
1,641,248	2,060,482	2,183,405	2,464,874	2,401,934	2,467,735
22,421,096	18,992,137	19,362,091	20,836,848	21,252,260	23,524,707
9,022,197	9,173,002	9,571,894	10,283,027	10,565,330	9,664,577
280,426	262,385	529,900	222,239	244,278	154,511
3,219,392	2,936,162	2,568,116	2,064,308	1,832,803	1,961,057
688,741	1,053,215	191,328	(349,763)	585,136	840,048
-	-	-	-	-	19,775,051
1,902,634	1,129,797	1,434,156	1,363,588	1,257,290	2,505,971
71,840,831	66,780,130	67,763,146	69,143,959	72,489,362	85,695,998
7,255,900	6,615,189	6,643,957	7,194,591	7,341,895	9,157,348
32,805,831	32,188,577	32,709,081	29,206,949	30,528,266	31,105,681
14,588,245	14,955,973	14,961,783	14,532,464	14,790,370	17,129,352
8,562,088	4,682,899	4,653,737	5,410,168	4,231,956	4,012,858
2,359,248	2,129,592	2,222,040	2,133,438	2,412,924	3,300,482
3,161,774	2,793,985	2,254,801	2,261,078	4,789,158	3,660,911
5,650,000	5,928,958	5,606,130	6,023,928	6,358,284	6,903,019
2,378,365	2,332,509	2,211,867	4,423,291	4,658,360	4,816,081
1,338,386	2,123,126	1,595,160	2,546,759	2,072,309	6,019,394
78,099,837	73,750,808	72,858,556	73,732,666	77,183,522	86,105,126
(6,259,006)	(6,970,678)	(5,095,410)	(4,588,707)	(4,694,160)	(409,128)
11,821,576	11,376,270	11,702,851	13,303,995	13,901,129	14,184,803
(9,887,596)	(10,485,854)	(9,389,594)	(12,778,406)	(13,901,129)	(14,407,084)
-	-	-	-	-	-
4,400,000	4,000,000	5,510,000	21,035,000	7,135,000	7,895,000
-	-	-	-	-	3,780,000
-	-	-	66,995,633	-	-
-	-	(1,336,964)	(16,821,549)	(2,156,567)	(3,722,683)
31,550	80,115	21,930	933,117	751,105	794,961
6,365,530	4,970,531	6,508,223	72,667,790	5,729,538	8,524,997
-	-	-	(66,965,712)	-	-
\$ 106,524	\$ (2,000,147)	\$ 1,412,813	\$ 1,113,371	\$ 1,035,378	\$ 8,115,869
10.9%	12.1%	11.4%	15.6%	15.6%	15.8%

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				
2008	\$ 1,502,840,795	\$ 218,611,900	\$ 31,002,494	\$ 1,752,455,189	21.8205	\$ 4,016,038,212	43.6%
2009	1,484,940,414	228,339,500	34,292,423	1,747,572,337	20.8205	3,795,628,106	46.0%
2010	1,407,653,177	226,482,900	55,290,258	1,689,426,335	21.4205	3,653,847,390	46.2%
2011	1,363,745,396	225,838,500	57,115,455	1,646,699,351	21.4205	3,528,848,624	46.7%
2012	1,275,001,407	221,212,200	56,471,112	1,552,684,719	21.4205	3,224,039,828	48.2%
2013	1,260,004,911	223,183,160	45,132,312	1,528,320,383	21.4205	3,160,534,680	48.4%
2014	1,269,889,280	202,698,640	53,340,534	1,525,928,454	21.4205	3,227,882,104	47.3%
2015	1,293,261,250	209,982,700	53,831,794	1,557,075,744	21.4205	3,310,022,160	47.0%
2016	1,309,987,962	153,133,500	32,866,275	1,495,987,737	21.0705	3,216,646,530	46.5%
2017	1,321,157,164	156,804,200	30,651,422	1,508,612,786	13.8000	3,379,206,496	44.6%

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, 2017. These values do not reflect adjustments for real estate taxes cancelled through foreclosure, or personal property taxes cancelled by the Circuit Court. These adjustments decreased the 2017 roll by \$189,000.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years
(Unaudited)

Year Ended December 31,	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Transportation (D)	Total City Millage (A)	Kalamazoo Public Schools (B)	County (D)	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
2008	19.2705	1.5500	1.0000	21.8205	23.3500	6.3312	6.0000	4.8316	2.8135	3.9583	69.1051	51.1051
2009	19.2705	1.5500	0.0000	20.8205	23.3500	6.7212	6.0000	4.8316	2.8135	3.9583	68.4951	50.4951
2010	19.2705	1.5500	0.6000	21.4205	23.3500	6.7412	6.0000	4.8566	2.8135	3.9583	69.1401	51.1401
2011	19.2705	1.5500	0.6000	21.4205	23.3500	6.7555	6.0000	4.8616	2.8135	3.9583	69.1594	51.1594
2012	19.2705	1.5500	0.6000	21.4205	24.2500	6.7596	6.0000	4.8666	2.8135	3.9583	70.0685	52.0685
2013	19.2705	1.5500	0.6000	21.4205	24.9500	6.7695	6.0000	4.8916	2.8135	3.9583	70.8034	52.8034
2014	19.2705	1.5500	0.6000	21.4205	24.9500	6.7695	6.0000	4.8916	2.8135	3.9583	70.8034	52.8034
2015	19.2705	1.5500	0.6000	21.4205	24.9500	6.8890	6.0000	6.4066	2.8135	3.9583	72.4379	54.4379
2016	19.2705	1.8000	0.0000	21.0705	24.9500	7.6163	6.0000	6.4066	2.8135	3.9583	72.8152	54.8152
2017	12.0000	1.8000	0.0000	13.8000	24.8204	7.5920	6.0000	6.4028	2.8089	3.9487	65.3728	47.3728

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, 2017 ranged from \$23.0000 to 27.0100 for each \$1,000 of Taxable Value. The total tax rates for property owners in these other school districts would differ accordingly.
- (C) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or entity. Homestead also includes certain agricultural property, registered life care facilities, and property owned by a cooperative housing corporation and occupied as a Homestead.
- (D) Transportation millage rate is now issued under the County via the Central County Transportation Authority (CCTA).

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago
(Unaudited)

Taxpayer	Industry	2017					2007 (C)		
		Taxable Value of Property			Rank	(B) Percent of Total	Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Consumer's Energy	Utility	\$ 54,452,223	\$ -	\$ 54,452,223	1	3.61%	\$ 26,301,016	3	1.53%
Zoetis	Pharmaceuticals	42,498,297	-	42,498,297	2	2.82%	121,105,642	1	7.06%
Catalyst Development	Real Estate	25,906,243	-	25,906,243	3	1.72%	26,141,073	4	1.52%
MIMG LXVI Drakes Pond, LLC	Apartment Complexes	19,095,409	-	19,095,409	4	1.27%	13,016,511	5	0.76%
Graphic Packaging	Paper Products	9,305,960	8,591,800	17,897,760	5	1.19%	28,190,492	2	0.00%
Plaza Corp Properties	Real estate development, property holdings	14,876,649	-	14,876,649	6	0.99%			0.64%
Bronson Hospital	Healthcare services, property holdings	14,146,719	-	14,146,719	7	0.94%	11,012,328	7	0.59%
Lifecare (Friendship Village)	Retirement Community	10,796,906	-	10,796,906	8	0.72%	10,163,771	8	0.59%
Fabri-Kal Corporation	Plastics production, design	2,370,782	7,665,118	10,035,900	9	0.67%			0.00%
Zeus Associates & Hera Associates	Apartment Complexes	9,606,677	-	9,606,677	10	0.64%			0.00%
Former Top 10 Taxpayers	various						29,534,295	6,9,10	1.72%
		<u>\$ 203,055,865</u>	<u>\$ 16,256,918</u>	<u>\$ 219,312,783</u>		<u>14.54%</u>	<u>\$ 265,465,128</u>		<u>15.47%</u>

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

- (A) Represents equivalent taxable value of property granted tax abatement under Acts 198.
- (B) The City's total taxable value of \$1495,987,737 for the year ending December 31, 2017 includes the taxable value of property granted tax abatement under Act 198 and adjustments due to Tax Tribunal Judgements and Board of Review decisions. See Table 5 for data on taxable values.
- (C) Values are the basis for the 2007 Assessment Roll and the 2007 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,715,917,653.

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
2008	\$ 32,525,352	\$ 28,058,610	86.27%	\$ 4,391,795	\$ 32,450,405	99.77%
2009	33,379,476	30,786,313	92.23%	2,524,205	33,310,518	99.79%
2010	31,984,275	29,781,694	93.11%	2,147,388	31,929,082	99.83%
2011	31,198,694	29,212,109	93.63%	1,933,122	31,145,231	99.83%
2012	29,256,743	27,505,148	94.01%	1,687,249	29,192,397	99.78%
2013	28,847,614	27,356,314	94.83%	1,414,475	28,770,789	99.73%
2014	28,827,524	27,525,133	95.48%	1,052,663	28,577,796	99.13%
2015	29,455,095	28,435,803	96.54%	965,227	29,401,030	99.82%
2016	28,478,647	27,466,876	96.45%	940,793	28,407,669	99.75%
2017	17,919,973	17,441,490	97.33%	447,199	17,888,689	99.83%

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

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

(B) Data totals for Tax Years 2005 through 2008 are frozen as of 12-31-09 due to a change in methodology for collecting these delinquent taxes. All real property taxes (excluding Buildings on Leased Land) for these years were turned over to the County of Kalamazoo for collection rather than continuing to be retained by the city for that purpose. Data totals for Tax Year 2017 are current through 12-31-17 including amounts settled with the County Treasurer for the 2017 Tax Year.

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			
2008	\$ 48,765,000	\$ 11,090,000	\$ 80,000	\$ 235,000	\$ -	\$ 22,755,000	\$ -	\$ 82,925,000	4.35%	1,142
2009	49,590,000	9,735,000	-	185,000	-	31,490,000	-	91,000,000	5.10%	1,250
2010	48,785,000	8,325,000	-	140,000	-	29,800,000	-	87,050,000	4.78%	1,172
2011	49,640,000	6,905,000	-	95,000	-	28,155,000	-	84,795,000	4.66%	1,142
2012	49,750,000	5,595,000	-	45,000	-	32,500,000	-	87,890,000	6.41%	1,176
2013	48,368,335	4,240,000	-	-	951,665	30,405,000	-	83,965,000	6.08%	1,118
2014	48,167,205	3,035,000	-	-	972,795	28,105,000	-	80,280,000	5.75%	1,063
2015	120,078,542	2,305,000	-	-	19,816,696	28,655,000	-	170,855,238	11.80%	2,250
2016	119,915,640	1,920,000	-	-	19,477,081	26,755,000	-	168,067,721	11.49%	2,210
2017	122,372,761	1,615,000	-	-	19,117,993	29,820,000	-	172,925,754	11.42%	2,281

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

- (A) Special assessment bonds were issued in 1999.
- (B) The long term debt in the Statement of Net Position is reported net of premiums and discounts. Premiums and discounts are generally associated with the cost of financing (interest rate).
- (C) See the Schedule of Demographic and Economic Statistics at Table 14 for personal income and population data.
- (D) During 2015 a General Obligation Bond was issued in the amount of \$90,955,000 for Other Post Employment Benefits

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years
(Unaudited)

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
2008	\$ 48,765,000	\$ 48,270	\$ 48,716,730	1.33%	\$ 671
2009	49,590,000	127,942	49,462,058	1.29%	679
2010	48,775,000	49,257	48,725,743	1.23%	656
2011	49,640,000	61,469	49,578,531	1.23%	668
2012	49,750,000	237,326	49,512,674	1.30%	662
2013	49,320,000	61,851	49,258,149	1.35%	656
2014	49,140,000	62,266	49,077,734	1.36%	650
2015	139,895,238	59,966	139,835,272	4.06%	1,842
2016	139,392,721	58,232	139,334,489	4.33%	1,832
2017	141,490,754	62,961	141,427,793	4.19%	1,866

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

(A) The net position of the special assessment debt service fund are not available to general obligation bonds and are excluded from the amounts available in debt service funds.

(B) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property at Table 5 for property value data.

(C) Population data can be found in the Schedule of Demographic and Economic Statistics at Table 14.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2017
(Unaudited)**Overlapping:**

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Comstock School District	\$ 6,290,000	12.06%	\$ 758,574
Kalamazoo School District	173,010,000	57.01%	98,633,001
Parchment School District	33,899,670	1.00%	338,997
Portage School District	141,350,000	1.60%	2,261,600
Kalamazoo County	29,065,000	18.20%	5,289,830
Kalamazoo Intermediate School District	8,085,000	20.01%	1,617,809
Kalamazoo Community College	8,200,000	18.07%	1,481,740
Total overlapping debt	\$ 399,899,670		\$ 110,381,551

Direct:

	Gross Debt
General obligation bonds:	
Building Authority	\$ 15,639,140
Downtown Development	450,000
Capital improvement	36,240,424
OPEB	67,233,197
Revenue bonds	
Michigan Transportation Fund	1,615,000
Total direct debt	\$ 121,177,761

Total net direct and overlapping debt of governmental activities**\$ 231,559,312**

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

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

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2017
(Unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,673,354,196
Tax abated property	17,058,500
Revenue Sharing	<u>406,437,911</u>
Total State Equalized Value (SEV)	<u>\$ 2,096,850,607</u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
Legal Limitation	<u>\$ 209,685,061</u>
Debt Obligations of the Primary Government (B)	\$ 172,925,754
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (29,820,000)
Michigan Transportation Fund Bonds	<u>(1,615,000)</u>
	<u>(31,435,000)</u>
Total Debt of the City Subject to Limitation	<u>\$ 141,490,754</u>
LEGAL DEBT MARGIN	<u>\$ 68,194,307</u>

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

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

(A) State equalized assessed property values are assessed at December 31, 2016 for the basis of the year ending December 31, 2017 tax levy. See supplemental Schedule of State Equalized Value at Table 22 for property value data.

(B) See the Schedule of Ratios of Outstanding Debt by Type at Table 9 for the outstanding debt of the primary government.

LEGAL DEBT MARGIN HISTORICAL INFORMATION

Last Ten Years
(Unaudited)

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2008	\$ 198,924,061	\$ 48,845,000	\$ 150,079,061	24.6%
2009	195,978,550	49,590,000	146,388,550	25.3%
2010	178,041,985	48,775,000	129,266,985	27.4%
2011	172,045,531	49,640,000	122,405,531	28.9%
2012	152,641,528	49,750,000	102,891,528	32.6%
2013	150,241,644	49,320,000	100,921,644	32.8%
2014	197,332,997	49,140,000	148,192,997	24.9%
2015	202,333,982	137,575,000	64,758,982	68.0%
2016	199,808,878	139,392,721	60,416,157	69.8%
2017	209,685,061	141,490,754	68,194,307	67.5%

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

PLEDGED-REVENUE COVERAGE

Last Ten Years
(Unaudited)

Michigan Transportation Revenue Bonds (A)					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
2008	\$ 5,017,964	\$ 1,390,000	\$ 540,732	\$ 1,930,732	2.60
2009	4,868,269	1,355,000	445,145	1,800,145	2.70
2010	4,880,147	1,410,000	388,805	1,798,805	2.71
2011	4,983,054	1,480,000	319,935	1,799,935	2.77
2012	5,104,738	1,310,000	222,420	1,532,420	3.33
2013	5,210,499	1,355,000	176,264	1,531,264	3.40
2014	5,314,650	1,205,000	132,808	1,337,808	3.97
2015	5,562,139	730,000	104,293	834,293	6.67
2016	5,718,839	465,000	77,508	542,508	10.54
2017	7,454,420	305,000	28,947	333,947	22.32

Special Assessment Bonds (B)					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
2008	\$ 18,848	\$ 50,000	\$ 14,380	\$ 64,380	0.29
2009	14,591	50,000	11,980	61,980	0.24
2010	16,334	45,000	9,530	54,530	0.30
2011	38,955	45,000	7,280	52,280	0.75
2012	4,122	50,000	4,985	54,985	0.07
2013	2,438	45,000	2,385	47,385	0.05
2014	237	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-

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

(A) Gas and weight tax revenues are reported in the Major and Local Streets funds. Amounts required for debt service are transferred to the Michigan Transportation Bond debt service fund for payment.

(B) Special assessment bonds were issued in 1999.

PLEDGED-REVENUE COVERAGE - CONCLUDED

Last Ten Years
(Unaudited)

Wastewater System Revenue Bonds										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues (B)										
Operating Revenues	\$ 21,202,678	\$ 18,302,929	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376	\$ 21,113,101	\$ 20,758,450	\$ 19,819,546	\$ 19,599,234	\$ 15,748,201
Interest Revenue	288,958	155,562	(4,039)	20,167	30,564	36,474	41,072	82,258	84,217	105,670
Intergovernmental	-	-	-	50,628	50,044	46,020	55,906	13,521	-	-
Total Revenues	17,491,460	20,368,388	20,667,651	18,277,881	20,568,984	21,195,595	20,855,428	19,915,325	19,683,451	15,853,871
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	15,588,587	17,932,573	18,852,129	18,947,736	17,199,488	17,260,718	17,305,246	16,261,847	16,036,230	15,822,715
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	-	-	224,196	204,414	207,162
Interest	-	-	-	-	-	-	-	342,432	397,269	427,638
Add: OPEB Contributions Made (D)	-	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)	(642,212)	(404,370)	(1,358,067)	(350,037)	78,839
Less:										
Payment in Lieu of Taxes	(627,809)	(659,336)	(649,932)	(656,772)	(680,148)	(691,464)	(703,596)	(718,176)	(719,064)	(722,952)
Total Direct Operating Expenses	14,960,778	15,883,114	16,481,249	16,437,346	15,751,206	15,927,042	16,197,280	14,752,232	15,926,512	16,171,102
Net Available Revenue	2,530,682	4,485,274	4,186,402	1,840,535	4,817,778	5,268,553	4,658,148	5,163,093	3,756,939	(317,231)
Debt Service										
Principal	210,000	220,000	330,000	310,000	295,000	495,000	595,000	660,000	675,000	680,000
Interest	170,010	161,610	254,199	302,267	211,699	494,608	355,092	352,909	295,345	247,449
Total Debt Service	380,010	381,610	584,199	612,267	506,699	989,608	950,092	1,012,909	970,345	927,449
Coverage (A)	6.66	11.75	7.17	3.01	9.51	5.32	4.90	5.10	3.87	-0.34

Water System Revenue Bonds										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues (B)										
Operating Revenues	\$ 11,675,879	\$ 12,018,699	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342	\$ 13,560,159	\$ 12,976,357	\$ 14,402,391	\$ 15,451,374	\$ 16,755,588
Interest Revenue	91,418	6,710	28,312	11,916	11,179	12,316	15,160	29,280	39,851	77,031
Intergovernmental	-	-	-	187,605	216,885	165,991	99,309	76,986	131,334	36,855
Total Revenues	11,767,297	12,025,409	12,900,339	12,725,708	14,837,406	13,738,466	13,090,826	14,508,657	15,622,559	16,869,474
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	10,546,477	10,500,491	10,888,856	10,877,839	9,802,781	9,715,638	10,565,861	11,791,040	11,468,537	11,028,537
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	-	-	205,428	187,302	189,820
Interest	-	-	-	-	-	-	-	313,767	364,013	391,840
Less: Pension and OPEB (E)	-	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)	(565,523)	(427,422)	(1,085,887)	(315,810)	256,436
Add: OPEB Contributions Made (D)	-	-	-	-	-	-	-	-	298,200	298,200
Less:										
Payment in Lieu of Taxes	(520,110)	(546,229)	(538,440)	(544,104)	(563,472)	(572,844)	(582,900)	(584,724)	(595,716)	(598,188)
Total Direct Operating Expenses	10,026,367	8,730,146	8,835,002	8,701,480	8,562,824	8,577,271	9,555,539	10,639,624	11,406,526	11,566,645
Net Available Revenue	1,740,930	3,295,263	4,065,337	4,024,228	6,274,582	5,161,195	3,535,287	3,869,033	4,216,033	5,302,829
Debt Service										
Principal	1,250,000	1,315,000	1,360,000	1,425,000	1,351,351	1,600,000	1,675,000	1,825,000	1,225,000	1,335,000
Interest	918,596	859,744	1,150,010	1,247,232	1,255,318	968,005	798,448	651,950	676,511	720,214
Total Debt Service	2,168,596	2,174,744	2,510,010	2,672,232	2,606,669	2,568,005	2,473,448	2,476,950	1,901,511	2,055,214
Coverage	0.80	1.52	1.62	1.51	2.41	2.01	1.43	1.56	2.22	2.58

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

- (A) The Wastewater coverage is artificially low in 2017 due to a true-up adjustment of \$3,155,000 accrued for the 2013-2016 true up settlement to be returned to customers through rate reductions in future years. If this is factored in, the debt service coverage would be 3.08 in 2017.
- (B) Includes charges for services, operating revenues, operating grants and subsidies, and interest earned, excluding capital grant revenues, interest earned on construction bond monies, and capital contributions.
- (C) For the purpose of computing debt service coverage, direct operating expenses exclude non-cash elements including depreciation, amortization, and accrual of other post employment benefits. Operating expenses also exclude payment in lieu of taxes (PILOT) paid to the General Fund, which is subordinate to the payment of debt service. Debt service for the OPEB bond and contributions made to the OPEB Trust are included as expenses for the purpose of calculating debt service coverage.
- (D) In 2015, the City issued a general obligation bond for the purpose of funding OPEB liabilities. For the purpose of debt service coverage, the bond proceeds and associated contribution from proceeds are excluded from this calculation. The City did not have any contractually obligated contributions in 2015. Contributions made prior to 2015 are not considered operating expenses for the purpose of calculating debt service coverage.
- (E) The reduction for Pension and Post Employment benefits was restated in 2016 to include pension adjustment and remove employer contribution from OPEB adjustment. In 2017, this is a positive adjustment as the pension adjustment reduced operating expenses due to a favorable change in the net pension benefit.

DOWNTOWN DEVELOPMENT AUTHORITY

PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE

December 31, 2017
(Unaudited)

Year	Tax Increment Revenues Available for Operations and the Bonds	2011 Downtown Development Refunding Bonds			Total Authority Debt Service	Debt Service Coverage
		PRINCIPAL (4/1)	RATE	INTEREST (4/1 & 10/1)		
2014	\$ 1,251,946	\$ 385,000	2.50%	\$ 67,513	\$ 452,513	2.77
2015	1,344,871	400,000	3.00%	56,700	456,700	2.94
2016	1,398,580	420,000	3.50%	43,350	463,350	3.02
2017	787,418	450,000	4.00%	27,000	477,000	1.65
2018	-	450,000	4.00%	9,000	459,000	-
		<u>\$ 2,105,000</u>		<u>\$ 203,563</u>	<u>\$ 2,308,563</u>	

Source: City of Kalamazoo

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years
(Unaudited)

Fiscal Year	(A) Population	(A) Per Capita Income	Personal Income	(A) Median Age	(B) School Enrollment	(C) Unemployment Rate
2008	72,637	\$ 26,241	\$ 1,906,069,914	26.2	16,688	8.6%
2009	72,825	24,517	1,785,459,351	26.2	15,851	13.4%
2010	74,262	24,517	1,820,690,455	24.7	15,598	13.9%
2011	74,262	24,517	1,820,690,455	24.7	15,964	11.3%
2012	74,743	18,348	1,371,384,564	26.2	12,216	7.7%
2013	75,092	18,402	1,381,842,984	26.2	12,216	7.3%
2014	75,548	18,468	1,395,220,464	26.2	12,216	7.4%
2015	75,922	19,064	1,447,377,008	26.2	12,538	5.2%
2016	76,041	19,242	1,463,180,922	25.7	12,764	4.9%
2017	75,807	19,968	1,513,714,176	25.8	12,759	5.1%

Data Sources:

- (A) United States Census Bureau. Based on 2016 Census estimates.
- (B) City of Kalamazoo, Management Services Department. Michigan.gov
- (C) Michigan Department of Labor and Economic Growth - Office of Labor Market Information
See the Schedule of Employment Statistics at Table 27 for employment data.

Note: Population and median age are based on the most current available census data. Personal income information is an estimate based on the per capita income of the Kalamazoo County. Unemployment rate information is an unadjusted annual rate for the City of Kalamazoo as included in Table 27. School enrollment is based on student counts in fall 2017.

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago
(Unaudited)

Company	Principal Product or Service	2017			2007		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Bronson Healthcare Group	Health Care	8,600	1	6.5%	3,729	3	2.8%
Borgess Medical Center	Pharmaceuticals	1,399	4	1.1%	4,642	1	3.4%
Western Michigan University	Education	4,237	2	3.2%	4,045	2	3.0%
Pfizer Corporation	Pharmaceuticals	2,202	5	1.7%	3,200	4	2.4%
Kalamazoo Public Schools	Education	1,750	6	1.3%	2,200	5	1.6%
Stryker Corporation	Medical Equipment	3,300	3	2.5%	1,792	6	1.3%
Portage Public Schools	Education	1,400	7	1.1%	1,229	10	0.9%
Kalamazoo Valley CC	Education	1,000	8	0.8%	N/A		N/A
Kalamazoo County	Government	1,000	9	0.8%	N/A		N/A
Zoetis	Pharmaceuticals	1,000	10	0.8%	N/A		N/A
Total		25,888		19.8%	20,837		15.4%

Sources:

Kalamazoo Regional Chamber of Commerce

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

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

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

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years
(Unaudited)

Function/Program	Full-time Equivalent Employees (A)									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	74	75	65	75	65	60	60	59	61	74
Public safety	301	301	287	287	290	262	257	259	259	270
Economic development	6	6	6	6	5	4	4	4	6	6
Community development and planning	40	40	39	40	37	36	30	30	30	33
Parks and recreation	19	19	18	18	22	14	14	14	13	14
Public works	49	44	43	42	47	39	37	37	39	41
Streets	33	33	30	35	28	27	23	25	25	30
Wastewater	90	94	87	87	84	64	67	68	67	75
Water	85	79	76	61	63	50	51	47	46	57
Total	<u>697</u>	<u>691</u>	<u>651</u>	<u>651</u>	<u>641</u>	<u>556</u>	<u>543</u>	<u>543</u>	<u>546</u>	<u>600</u>

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

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

OPERATING INDICATORS BY FUNCTION

Last Ten Years
(Unaudited)

	2008	2009	2010
General Government:			
Assessors:			
Number of real property parcels	22,848	23,430	23,987
Cost to assess real property - per parcel	\$17.29	\$21.90	\$18.29
Revenue gained per real property parcel for new development	\$11.00	(\$9.70)	(\$85.14)
Number of personal property accounts	3,180	3,632	3,322
Cost to assess personal property - per parcel	\$37.18	\$49.89	\$43.71
New personal property accounts	150	292	184
Cost savings due to office realignment - per period			
Treasury:			
Percent of City operation tax collected at year end	84%	92%	93%
Average rate of return on investments	T-Bill + 22 basis poi	T-Bill + 203 basis points	T-Bill + 63 basis points
Public Safety:			
Fire safety:			
Number of residential fires/Number of fatal fires	140 / 1	140 / 2	140 / 0
Number of fire inspections completed	2,700	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):			
Number of investigations	989	989	909
Number of arrests (includes warrants)	704	783	729
Operations:			
Number of calls for service	96,603	97,100	94,100
Number of persons arrested	8,975	8,672	8,900
Traffic citations issued	30,567	28,058	25,000
Traffic accidents / OUIL Arrests	3,001 / 373	3,069 / 393	3,069 / 400
Economic development:			
Number of tax exempt acres redeveloped	34.4	34.4	0
Private investment leveraged / jobs created	\$17,000,000 / 82	\$17,000,000 / 82	\$6,100,000 / 120
New taxable value added to the City	\$4,200,000	\$4,200,000	\$2,400,000
Community development and planning:			
Number of housing inspections	14,357	13,654	14,089
Number of rental units inspected/reinspected	N/A	N/A	N/A
Number of rental units certified	N/A	N/A	N/A
Zoning enforcement actions	216	235	568
Number of persons impacted by housing-related grant award activities	2,452	2,063	2,702
Parks and recreation:			
Number of park reservations and public events	196	194	211
Number of family programs	12	12	7
Number of people served through family programs	7,311	9,083	7,212
Number of youth development programs	56	57	54
Number of people served through youth development programs	9,520	10,818	12,566
Number of youth served through grant programs	-	-	-

OPERATING INDICATORS BY FUNCTION - CONTINUED

Last Ten Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017 (A)
	23,350	23,380	23,256	23,788	23,275	23,300	23,840
	\$22.09	\$21.49	\$18.38	\$18.38	\$17.27	\$17.46	N/A
	(\$0.36)	\$0.60	\$3.11	\$0.00	\$0.00	(\$0.19)	N/A
	3,064	2,935	2,985	3,243	3,064	3,200	3,073
	\$42.08	\$42.79	\$23.93	\$23.79	\$23.15	\$22.43	N/A
N/A		N/A	N/A	N/A	N/A	N/A	N/A
	(3)	(\$0.71)	\$18.86	\$0.14	\$0.78	\$0.72	N/A
	94%	94%	95%	95%	95%	95%	97%
T-Bill +22 basis points		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
	N/A	N/A	N/A	N/A	N/A	N/A	69 / 2
N/A		N/A	N/A	N/A	N/A	N/A	2,231
	975	871	640	871	1,000	1,100	404
	790	871	660	871	800	900	354
	73,433	101,000	101,000	101,000	102,000	102,000	107,797
	7,800	8,836	8,500	8,836	8,500	8,200	5,346
	12,348	17,537	15,000	17,537	15,000	12,000	6,491
	2,917	2,700	3,000	2,700	3,000	3,000	3,283 / 280
	2.19	0.98	2.62	2.62	2.23	7.133	0.21
\$16,800,000 / 114		\$12,500,000/28	\$12,900,000/47	\$12,900,000/47	\$10,100,000/128	\$23,000,000/182	\$8,900,000/45
\$2,199,000		\$822,000	\$727,000	\$727,000	\$4,400,000	\$4,400,000	\$1,330,918
	12,802	7,364	10,100	10,310	12,900	13,000	1,681
	N/A	N/A	N/A	N/A	N/A	N/A	7,461
	N/A	N/A	N/A	N/A	N/A	N/A	6,318
N/A		147	268	N/A	N/A	N/A	171
N/A		510	428	N/A	N/A	N/A	1,027
	225	225	170	180	180	185	1,750
	9	9	N/A	N/A	N/A	N/A	30
	6,788	3,851	N/A	N/A	N/A	N/A	N/A
	48	48	50	N/A	N/A	N/A	41
	2,440	6,245	4,883	N/A	N/A	N/A	N/A
	-	-	-	-	-	N/A	N/A

OPERATING INDICATORS BY FUNCTION - CONTINUED

Last Ten Years
(Unaudited)

	2008	2009	2010
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	127	85	87
Volume of leaves collected (cubic yards)	67,879	70,000	90,000
Volume of material recycled (tons)	2,224	2,350	2,400
Number of housing units participating in recycling activities	20,000	21,000	21,500
Volume of solid waste collected (cubic yards)	9,972	9,975	9,845
Streets:			
Number of repairs on major streets	105	181	185
Value of Repairs per staff hour on major streets	\$326	\$295	\$300
Number of repairs on local streets	307	484	475
Value of Repairs per staff hour on local streets	\$226	\$245	\$255
Water:			
Cubic meters of water billed (millions)	22.8	22.4	22.6
Average operating cost to produce one cubic meter of water	\$0.438	\$0.440	\$0.460
Number of utility bills mailed	225,961	251,449	252,780
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.2	36.2
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.440	\$0.440
Number of sanitary main line stoppages	26	14	14

Source: City of Kalamazoo Adopted Budget

(A)

The City is undergoing a review of its performance measures in conjunction with priority based budgeting and data transparency efforts. Data previously presented in the years 2008 - 2016 were captured in the City's budgeting process. With the current initiatives, the historic data is no longer being tracked in the same manner and new performance measures have not been identified. We anticipate new performance measures to be available in 2018.

OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Ten Years
(Unaudited)

2011	2012	2013	2014	2015	2016	2017 (A)
92	N/A	N/A	N/A	N/A	N/A	N/A
90,000	90,500	90,500	90,000	90,000	90,000	90,000
2,400	2,510	2,510	2,550	2,550	2,550	588
21,500	21,575	21,575	21,700	8,200	8,200	9,500
9,958	9,989	9,989	10,000	17,451	15,625	3,572
180	N/A	N/A	N/A	N/A	N/A	N/A
\$315	N/A	N/A	N/A	N/A	N/A	N/A
450	N/A	N/A	N/A	N/A	N/A	N/A
\$265	N/A	N/A	N/A	N/A	N/A	N/A
22.6	22.4	22.4	22.9	21.36	20.19	22.24
\$0.460	\$0.550	\$0.520	\$0.510	\$0.500	\$0.800	\$0.496
252,780	N/A	N/A	N/A	N/A	N/A	N/A
34.9	35.6	35.5	35.2	35.58	35.95	36.054
\$0.550	\$0.650	\$0.620	\$0.610	\$0.500	\$0.660	\$0.572
28	N/A	N/A	N/A	N/A	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years
(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	8	8	8	7	7	7	4	4	4	4
Parking lots	7	7	7	7	7	7	7	7	12	12
Parking ramps	3	3	3	3	3	3	3	3	3	3
Public safety:										
Public safety headquarters building	1	1	1	1	1	1	1	1	1	1
Public safety stations	7	7	7	7	7	6	6	6	6	5
Training facility	1	1	1	1	1	1	1	1	1	1
Vehicles	193	198	196	191	192	204	165	162	163	163
Community development and planning:										
Vehicles	26	27	27	27	27	24	15	13	13	13
Parks and recreation:										
Administration building	1	1	1	1	1	1	1	1	1	1
Youth development center	1	1	1	1	1	1	1	1	1	1
Acreage of parks:										
Mini-parks	8.9	8.9	8.9	8.9	8.9	4.8	5.7	5.7	5.71	5.71
Neighborhood parks and playgrounds	111.5	111.5	111.5	111.5	111.5	87.1	86.5	86.5	86.5	86.5
Major community parks	728.5	728.5	728.5	728.5	728.5	n/a	n/a	n/a	N/A	N/A
Open green space and preserves	137.0	137.0	137.0	137.0	137.0	n/a	n/a	n/a	N/A	N/A
Community parks	n/a	n/a	n/a	n/a	n/a	161.7	188.2	158.2	158.2	158.2
Large urban parks	n/a	n/a	n/a	n/a	n/a	181.0	181.0	181.0	181	181
Small urban parks	n/a	n/a	n/a	n/a	n/a	6.2	6.2	6.1	6.14	6.14
Sports complex	n/a	n/a	n/a	n/a	n/a	93.1	93.1	93.1	93.1	93.1
Natural resources areas	n/a	n/a	n/a	n/a	n/a	89.2	89.2	92.6	92.61	92.61
Green spaces	n/a	n/a	n/a	n/a	n/a	6.0	6.0	25.9	25.88	25.88
Islands and right of ways	n/a	n/a	n/a	n/a	n/a	16.2	16.2	182.2	182.23	182.23
Number of parks (C):										
Mini-parks	9	9	9	9	9	7	8	8	8	8
Neighborhood parks and playgrounds	14	14	14	14	14	15	14	14	14	14
Major community parks	8	8	8	8	8	n/a	n/a	n/a	N/A	N/A
Open green space and preserves	17	17	17	17	17	n/a	n/a	n/a	N/A	N/A
Community parks	n/a	n/a	n/a	n/a	n/a	6.0	6	6	6	6
Large urban parks	n/a	n/a	n/a	n/a	n/a	1.0	1	1	1	1
Small urban parks	n/a	n/a	n/a	n/a	n/a	4.0	4	4	4	4
Sports complex	n/a	n/a	n/a	n/a	n/a	1.0	1	1	1	1
Natural resources areas	n/a	n/a	n/a	n/a	n/a	1.0	1	2	2	2
Green spaces	n/a	n/a	n/a	n/a	n/a	6.0	6	10	10	10
Islands and right of ways	n/a	n/a	n/a	n/a	n/a	28.0	28	40	40	40
Festival site	1	1	1	1	1	1	1	1	1	1
Farmers market	1	1	1	1	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Swimming pool	1	1	1	1	1	1	1	1	1	1
Beach	1	1	1	1	1	1	1	1	1	1
Golf courses	3	3	3	3	3	3	3	3	3	3
Vehicles	2	2	3	3	3	3	2	3	3	3
Public works:										
Gravel pit	1	1	1	1	1	1	1	1	1	1
Salt storage building	1	1	1	1	1	1	1	1	1	1
Streets:										
Local streets (miles)	166.29	166.29	166.29	166.29	166.29	166.38	166.38	166.38	166.24	166.25
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	83.62	83.62	83.62	83.62	83.62
Traffic signals	135	135	135	135	136	85	85	85	84	84

CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Ten Years
(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Wastewater:										
Sanitary sewers (miles)	293	293	293	293	293	294	294	294	295	295
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	188.0	188.1	188.7	188.9	188.9
Number of lift stations maintained	54	54	54	54	59	60	60	60	62	62
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.3	53.3
Water:										
Water facility	1	1	1	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	16	16	16	16	16
Booster/bleeder stations	13	13	13	13	15	17	17	17	19	22
Water mains (miles)	665	665	665	807	812	753	755	756	761	768
Wells in Service	99	99	99	99	99	99	99	99	98	98
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	66.79	60.00	60.00	60.00	71.86	77.00
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	17.80	15.10	15.10	15.10	15.10	15.10
Internal service:										
Public works equipment (A)										
Utility and other vehicles	93	90	91	95	76	112	107	99	103	103
Public utilities equipment (B)										
Utility and other vehicles	136	136	136	130	115	89	81	79	84	84

Sources: Various city departments.

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

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

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

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

For the Year Ended December 31, 2017
(Unaudited)

REVENUES	
Building Permits	\$ 547,061
Electrical Permits	194,883
Mechanical Permits	234,964
Plumbing Permits	114,112
Other Permits & License Fees	<u>36,400</u>
TOTAL REVENUES	1,127,420
EXPENDITURES	
Wages, Salaries and Benefits	460,301
Supplies	2,464
Services	135,094
Administrative Overhead*	<u>142,622</u>
TOTAL EXPENDITURES	<u>740,481</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ 386,939</u></u>

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

**EMPLOYEES' RETIREMENT SYSTEM
REVENUE BY SOURCE AND EXPENSES BY TYPE**

Last Ten Years
(Unaudited)

Revenue by Source					
<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>
2008	1,723,718	-	-	(135,688,146)	(133,964,428)
2009	1,689,006	-	-	97,711,550	99,400,556
2010	1,689,077	-	-	76,195,624	77,884,701
2011	1,519,670	-	-	(11,039,051)	(9,519,381)
2012	1,199,113	905,746	2.48%	71,755,266	73,860,125
2013	1,110,057	905,746	2.49%	104,987,302	107,003,105
2014	1,067,029	760,912	2.05%	41,283,239	43,111,180
2015	1,084,798	1,602,053	2.05%	(9,974,518)	(7,287,667)
2016	1,085,940	-	-	72,939,990	74,025,930
2017	1,086,258	-	-	94,301,279	95,387,537

Expenses by Type				
<u>Year Ended December 31</u>	<u>Benefits</u>	<u>Administrative Expenses (A)</u>	<u>Refunds</u>	<u>Total</u>
2008	15,719,908	477,130	246,526	16,443,564
2009	16,439,540	503,138	223,634	17,166,312
2010	16,976,057	453,272	164,360	17,593,689
2011	18,140,577	426,033	249,948	18,816,558
2012	24,886,037	433,752	181,872	25,501,661
2013	27,111,793	470,974	46,718	27,629,485
2014	27,775,093	450,226	27,035	28,252,354
2015	28,156,585	300,655	200,115	28,657,355
2016	28,474,218	153,024	22,652	28,649,894
2017	28,407,023	147,099	84,357	28,638,479

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

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

TAXABLE VALUE

Last Ten Years
(Unaudited)

TOTAL TAXABLE VALUE						
Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
2007	2008	2008	\$ 1,719,463,219	\$ 15,674,097	\$ 1,735,137,316	2.02%
2008	2009	2009	1,716,496,933	35,537,323	1,752,034,256	0.97%
2009	2010	2010	1,638,373,891	29,040,285	1,667,414,176	-4.83%
2010	2011	2011	1,597,347,235	29,798,234	1,627,145,469	-2.42%
2011	2012	2012	1,496,984,718	29,430,562	1,526,415,280	-6.19%
2012	2013	2013	1,478,655,275	23,761,162	1,502,416,437	-1.57%
2013	2014	2014	1,476,212,436	27,865,273	1,504,077,709	0.11%
2014	2015	2015	1,500,947,195	28,072,053	1,529,019,248	1.66%
2015	2016	2016	1,462,099,732	17,628,144	1,479,727,876	-3.22%
2016	2017	2017	1,493,156,087	16,520,717	1,509,676,804	2.02%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2017 (3) \$ 20,329.06

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

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2017, the Taxable Value of the property located in the Zone totaled \$223,249.

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

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

TAXABLE VALUE - CONCLUDED

Last Ten Years
(Unaudited)

TOTAL TAXABLE VALUE BY USE AND CLASS

Use	Years Ended December 31									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Commercial	\$ 589,583,943	\$ 606,607,218	\$ 563,036,502	\$ 541,614,381	\$ 507,611,427	\$ 495,648,966	\$ 486,985,744	\$ 495,189,274	\$ 496,931,154	\$ 507,348,673
Industrial	289,483,928	288,393,750	267,710,185	266,864,890	256,822,892	249,610,325	258,266,381	193,572,902	137,394,270	135,331,167
Residential	856,069,445	857,033,288	836,667,489	818,666,198	761,980,961	757,157,146	758,825,584	771,446,995	782,369,508	800,965,878
	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>	<u>\$ 1,667,414,176</u>	<u>\$ 1,627,145,469</u>	<u>\$ 1,526,415,280</u>	<u>\$ 1,502,416,437</u>	<u>\$ 1,504,077,709</u>	<u>\$ 1,460,209,171</u>	<u>\$ 1,416,694,932</u>	<u>\$ 1,443,645,718</u>
Class										
Real	\$ 1,511,176,716	\$ 1,511,695,056	\$ 1,428,165,026	\$ 1,386,487,819	\$ 1,289,740,130	\$ 1,269,604,837	\$ 1,278,969,209	\$ 1,302,965,923	\$ 1,318,176,726	\$ 1,345,071,285
Personal	223,960,600	240,339,200	239,249,150	240,657,650	236,675,150	232,811,600	225,108,500	226,053,325	161,551,150	164,740,950
	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>	<u>\$ 1,667,414,176</u>	<u>\$ 1,627,145,469</u>	<u>\$ 1,526,415,280</u>	<u>\$ 1,502,416,437</u>	<u>\$ 1,504,077,709</u>	<u>\$ 1,529,019,248</u>	<u>\$ 1,479,727,876</u>	<u>\$ 1,509,812,235</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

Use	Years Ended December 31									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Commercial	33.98%	34.62%	33.77%	33.29%	33.26%	32.99%	32.38%	33.91%	35.08%	35.14%
Industrial	16.68%	16.46%	16.06%	16.40%	16.83%	16.61%	17.17%	13.26%	9.70%	9.37%
Residential	49.34%	48.92%	50.18%	50.31%	49.92%	50.40%	50.45%	52.83%	55.22%	55.48%
	<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>44.5%</u>
Class										
Real	87.09%	86.28%	85.65%	85.21%	84.49%	84.50%	85.03%	85.22%	89.08%	89.08%
Personal	12.91%	13.72%	14.35%	14.79%	15.51%	15.50%	14.97%	14.78%	10.92%	10.92%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

STATE EQUALIZED VALUATION

Last Ten Years
(Unaudited)

Total State Equalized Value (SEV)						
Assessed Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem SEV Value (1)	Abated SEV Value (2)	Total SEV Value	Percent Increase
2007	2008	2008	\$ 1,973,015,306	\$ 16,225,300	\$ 1,989,240,606	1.50%
2008	2009	2009	1,876,466,814	36,568,300	1,913,035,114	-3.83%
2009	2010	2010	1,750,636,695	29,783,150	1,780,419,845	-6.93%
2010	2011	2011	1,690,093,209	30,362,100	1,720,455,309	-3.37%
2011	2012	2012	1,546,057,614	29,826,350	1,575,883,964	-8.40%
2012	2013	2013	1,525,084,602	24,156,950	1,549,241,552	-1.69%
2013	2014	2014	1,549,376,700	28,283,050	1,577,659,750	1.83%
2014	2015	2015	1,595,505,852	28,476,200	1,623,982,052	2.94%
2015	2016	2016	1,573,619,120	18,031,750	1,591,650,870	-1.99%
2016	2017	2017	1,673,354,196	17,058,500	1,690,412,696	6.20%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2017 (3)					\$	22,762.82

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2017, the State Equalized Value of the property located in the Zone totaled \$227,100.

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

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

STATE EQUALIZED VALUATION - CONCLUDED

Last Ten Years
(Unaudited)

Total SEV by Use and Class										
Years Ended December 31										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Use										
Commercial	\$ 655,406,800	\$ 659,635,900	\$ 594,185,500	\$ 572,537,400	\$ 525,231,000	\$ 509,014,740	\$ 517,882,600	\$ 528,394,800	\$ 528,941,500	\$ 582,129,960
Industrial	297,254,500	295,190,600	272,429,550	270,606,100	259,257,328	251,795,650	260,347,050	264,425,400	46,079,516	171,329,300
Residential	1,036,579,306	958,208,614	913,804,795	877,311,809	791,395,636	788,431,162	799,430,100	831,161,852	859,518,620	907,877,736
	<u>\$ 1,989,240,606</u>	<u>\$ 1,913,035,114</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>	<u>\$ 1,549,241,552</u>	<u>\$ 1,577,659,750</u>	<u>\$ 1,623,982,052</u>	<u>\$ 1,434,539,636</u>	<u>\$ 1,661,336,996</u>
Class										
Real	\$ 1,765,280,006	\$ 1,672,739,514	\$ 1,541,173,395	\$ 1,479,786,159	\$ 1,339,202,714	\$ 1,316,663,802	\$ 1,353,057,350	\$ 1,398,629,102	\$ 1,430,195,920	\$ 1,539,350,196
Personal	223,960,600	240,295,600	239,246,450	240,669,150	236,681,250	232,577,750	224,602,400	225,352,950	161,454,950	121,986,800
	<u>\$ 1,989,240,606</u>	<u>\$ 1,913,035,114</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>	<u>\$ 1,549,241,552</u>	<u>\$ 1,577,659,750</u>	<u>\$ 1,623,982,052</u>	<u>\$ 1,591,650,870</u>	<u>\$ 1,661,336,996</u>
Percent of Total SEV by Use and Class										
Years Ended December 31										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Use										
Commercial	32.95%	34.48%	33.37%	33.28%	33.33%	32.86%	32.83%	32.54%	36.87%	35.04%
Industrial	14.94%	15.43%	15.30%	15.73%	16.45%	16.25%	16.50%	16.28%	3.21%	10.31%
Residential	52.11%	50.09%	51.33%	50.99%	50.22%	50.89%	50.67%	51.18%	59.92%	54.65%
	<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	88.74%	87.44%	86.56%	86.01%	84.98%	84.99%	85.76%	86.12%	89.86%	92.66%
Personal	11.26%	12.56%	13.44%	13.99%	15.02%	15.01%	14.24%	13.88%	10.14%	7.34%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

MAXIMUM AND ACTUAL TAX RATES

December 31, 2017
(Unaudited)

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction (A)</u>	<u>Maximum Allowable Millage</u>	<u>Actual Millage Levied</u>
Operating	20.0000	0.9616	19.2319	12.0000
Refuse Collection and Disposal	<u>3.0000</u>	0.9616	<u>2.8848</u>	<u>1.8000</u>
	<u>23.0000</u>		<u>22.1167</u>	<u>13.8000</u>

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

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

REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Ten Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Constitutional	\$ 5,342,525	\$ 5,038,645	\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666	\$ 5,591,705	\$ 5,650,526	\$ 6,113,479
Statutory	4,625,220	4,625,220	3,597,688	2,828,982	2,517,264	2,517,264	2,855,788	2,913,327	2,913,324	2,933,365
Total payments received	9,967,745	9,663,865	8,595,042	8,063,444	7,893,905	7,969,012	8,475,454	8,505,032	8,563,850	9,046,844
Disbursement to other governmental units (1)	-	-	-	-	-	-	-	-	-	-
Net revenue sharing	<u>\$ 9,967,745</u>	<u>\$ 9,663,865</u>	<u>\$ 8,595,042</u>	<u>\$ 8,063,444</u>	<u>\$ 7,893,905</u>	<u>\$ 7,969,012</u>	<u>\$ 8,475,454</u>	<u>\$ 8,505,032</u>	<u>\$ 8,563,850</u>	<u>\$ 9,046,844</u>
% of General Fund revenue (2)	18.5%	18.6%	16.8%	15.0%	16.1%	16.1%	16.6%	16.0%	16.0%	15.6%

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

- (1) The City receives revenue sharing payments on behalf of the Kalamazoo Library, Parchment Library, Metro Transit, and Downtown Development Authority.
- (2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues through 2015. The City converted its budget to GAAP in 2016.

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Ten Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash Basis										
Major Streets	\$ 4,444,710	\$ 3,785,194	\$ 3,800,114	\$ 3,856,427	\$ 3,970,573	\$ 4,058,818	\$ 4,142,990	\$ 4,305,689	\$ 4,364,625	\$ 5,681,289
Local Streets	1,193,602	1,073,035	1,076,285	1,089,278	1,119,306	1,144,434	1,170,270	1,216,344	1,233,421	1,605,587
	<u>\$ 5,638,312</u>	<u>\$ 4,858,229</u>	<u>\$ 4,876,399</u>	<u>\$ 4,945,705</u>	<u>\$ 5,089,879</u>	<u>\$ 5,203,252</u>	<u>\$ 5,313,260</u>	<u>\$ 5,522,033</u>	<u>\$ 5,598,046</u>	<u>\$ 7,286,876</u>
Accrual Basis										
Major Streets	\$ 3,912,153	\$ 3,792,932	\$ 3,803,492	\$ 3,885,881	\$ 3,982,120	\$ 4,064,225	\$ 4,144,079	\$ 4,336,895	\$ 4,458,804	\$ 5,811,846
Local Streets	1,105,811	1,075,337	1,076,655	1,097,173	1,122,618	1,146,275	1,170,571	1,225,244	1,260,035	1,642,573
	<u>\$ 5,017,964</u>	<u>\$ 4,868,269</u>	<u>\$ 4,880,147</u>	<u>\$ 4,983,054</u>	<u>\$ 5,104,738</u>	<u>\$ 5,210,500</u>	<u>\$ 5,314,650</u>	<u>\$ 5,562,139</u>	<u>\$ 5,718,839</u>	<u>\$ 7,454,419</u>

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

LABOR CONTRACTS

December 31, 2017
(Unaudited)

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

Source: City of Kalamazoo, Human Resources

EMPLOYMENT STATISTICS

Last Ten Years
(Unaudited)

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
2008	37,369	3,517	40,886	8.6%	4,554,000	412,000	4,966,000	8.3%
2009	34,829	5,409	40,238	13.4%	4,211,000	648,000	4,859,000	13.3%
2010	34,176	5,512	39,688	13.9%	4,193,000	597,000	4,790,000	12.5%
2011	33,469	4,255	37,724	11.3%	4,178,000	480,000	4,658,000	10.3%
2012	34,327	2,872	37,199	7.7%	4,245,000	364,000	4,609,000	7.9%
2013	37,631	2,976	40,607	7.3%	4,667,000	357,000	5,024,000	7.1%
2014	35,718	2,853	38,571	7.4%	4,420,000	317,000	4,737,000	6.7%
2015	35,088	1,910	36,998	5.2%	4,493,000	258,000	4,751,000	5.4%
2016	35,616	1,820	37,436	4.9%	4,599,000	238,000	4,837,000	4.9%
2017	35,396	1,917	37,313	5.1%	4,657,000	227,000	4,884,000	4.6%

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

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

WATER SUPPLY SYSTEM

Water Supply Franchises
(Unaudited)

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

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

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

WATER SUPPLY SYSTEM

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

Customer Location and Classification	2013		2014		2015		2016		2017	
City:										
Residential	17,291	37.47%	17,279	37.38%	17,289	37.08%	17,352	37.03%	17,399	36.17%
Commercial / Industrial	6,050	13.11%	6,029	13.04%	6,047	12.97%	6,039	12.89%	6,053	12.58%
Total City	23,341	50.58%	23,308	50.43%	23,336	50.04%	23,391	49.91%	23,452	48.76%
Out City:										
Residential	16,862	36.54%	17,072	36.94%	17,225	36.94%	17,444	37.22%	18,178	37.79%
Commercial / Industrial	5,946	12.88%	5,841	12.64%	6,070	13.02%	6,030	12.87%	6,467	13.45%
Total Out City	22,808	49.42%	22,913	49.57%	23,295	49.96%	23,474	50.09%	24,645	51.24%
Total System:										
Residential	34,153	74.01%	34,351	74.32%	34,514	74.02%	34,796	74.25%	35,577	73.97%
Commercial / Industrial	11,996	25.99%	11,870	25.68%	12,117	25.98%	12,069	25.75%	12,520	26.03%
Total System	46,149	100.00%	46,221	100.00%	46,631	100.00%	46,865	100.00%	48,097	100.00%

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

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

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

WATER SUPPLY SYSTEM

Approximate Number of Water Customers by Location
and Size of Meter or Fire Protection Line/HydrantLast Three Years
(Unaudited)

		2015		2016		2017	
<u>Meter Location and Size</u>							
City:							
	5/8" - 3/4"	16,401	35.29%	16,427	35.07%	16,440	34.97%
	1"	2,452	5.28%	2,472	5.28%	2,494	5.31%
	1 1/2"	248	0.53%	249	0.53%	253	0.54%
	2"	1,062	2.29%	1,063	2.27%	1,061	2.26%
	3"	204	0.44%	205	0.44%	208	0.44%
	4"	102	0.22%	102	0.22%	103	0.22%
	6"	0	0.00%	0	0.00%	0	0.00%
	8"	0	0.00%	0	0.00%	0	0.00%
Total City		20,469	44.05%	20,518	43.80%	20,559	43.73%
Out City:							
	5/8" - 3/4"	8,394	18.06%	8,422	17.98%	8,406	17.88%
	1"	9,618	20.70%	9,824	20.97%	9,839	20.93%
	1 1/2"	366	0.79%	367	0.78%	361	0.77%
	2"	965	2.08%	972	2.08%	939	2.00%
	3"	118	0.25%	120	0.26%	115	0.24%
	4"	53	0.11%	56	0.12%	50	0.11%
	6"	13	0.03%	13	0.03%	12	0.03%
	8"	0	0.00%	0	0.00%	0	0.00%
Total Out City		19,527	42.02%	19,774	42.22%	19,722	41.95%
Total Meters		39,996	86.07%	40,292	86.02%	40,281	85.69%
<u>Location and Size of Fire Protection Line/Hydrant</u>							
City:							
	4"	213	0.46%	226	0.48%	218	0.46%
	6"	164	0.35%	167	0.36%	169	0.36%
	8"	85	0.18%	86	0.18%	85	0.18%
	10"	2	0.00%	2	0.00%	2	0.00%
	Hydrants	2,392	5.15%	2,415	5.16%	2,418	5.14%
Total City		2,856	6.15%	2,896	6.18%	2,892	6.15%
Out City:							
	4"	198	0.43%	200	0.43%	184	0.39%
	6"	98	0.21%	101	0.22%	97	0.21%
	8"	72	0.15%	72	0.15%	68	0.14%
	10"	5	0.01%	5	0.01%	5	0.01%
	Hydrants	3,245	6.98%	3,274	6.99%	3,483	7.41%
Total Out City		3,618	7.79%	3,652	7.80%	3,837	8.16%
Total Fire Protection		6,474	13.93%	6,548	13.98%	6,729	14.31%
Total Service Connections		46,470	100.00%	46,840	100.00%	47,010	100.00%

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

WATER SUPPLY SYSTEM

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

Last Five Years
(Unaudited)

Meter Location and Size	2013	2014	2015	2016	2017
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 20.70	\$ 20.35	\$ 20.35	\$ 20.35	\$ 21.98
1" Meter	27.48	27.02	27.02	27.02	29.18
1-1/2" Meter	34.25	33.69	33.69	33.69	36.39
2" Meter	52.87	52.03	52.03	52.03	56.19
City (Monthly Billed Accounts):					
5/8" Meter	9.41	9.23	9.23	9.23	9.97
1" Meter	11.67	11.45	11.45	11.45	12.37
1-1/2" Meter	13.93	13.68	13.68	13.68	14.77
2" Meter	20.14	19.79	19.79	19.79	21.37
3" Meter	65.86	64.81	64.81	64.81	69.99
4" Meter	82.79	81.49	81.49	81.49	88.01
6" Meter	122.30	120.40	120.40	120.40	130.03
8" Meter	167.45	164.86	164.86	164.86	178.05
City (Monthly Fire Protection Charge):					
4" Detector Check	23.63	21.59	21.59	21.59	23.32
6" Detector Check	28.03	26.93	26.93	26.93	29.08
8" Detector Check	37.12	37.58	37.58	37.58	40.59
10" Detector Check	77.33	80.05	80.05	80.05	86.45
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	24.48	27.95	27.95	27.95	30.19
1" Meter	32.76	37.66	37.66	37.66	40.67
1-1/2" Meter	41.04	47.37	47.37	47.37	51.16
2" Meter	63.82	74.08	74.08	74.08	80.01
Out City (Monthly Billed Accounts):					
5/8" Meter	10.67	11.76	11.76	11.76	12.70
1" Meter	13.43	15.00	15.00	15.00	16.20
1-1/2" Meter	16.19	18.24	18.24	18.24	19.70
2" Meter	23.79	27.14	27.14	27.14	29.31
3" Meter	79.70	92.70	92.70	92.70	100.12
4" Meter	100.41	116.98	116.98	116.98	126.34
6" Meter	148.72	173.63	173.63	173.63	187.52
8" Meter	203.94	238.38	238.38	238.38	257.45
Out City (Monthly Fire Protection Charge):					
4" Detector Check	46.32	33.93	33.93	33.93	36.64
6" Detector Check	60.00	41.42	41.42	41.42	44.73
8" Detector Check	88.61	56.16	56.16	56.16	60.65
10" Detector Check	218.99	112.72	112.72	112.72	121.74
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

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

WATER SUPPLY SYSTEM

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

<u>Meter Location and Classification</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City:					
Residential	\$0.284	\$0.270	\$0.270	\$0.270	\$0.292
Multifamily	0.255	0.244	0.244	0.244	0.264
Commercial/Industrial	0.286	0.272	0.272	0.272	0.294
Fire Protection - First 15 M3	0.275	0.267	0.267	0.267	0.288
Fire Protection - Over 15 M3	0.825	0.801	0.801	0.801	0.864
Seasonal Uses	0.537	0.421	0.421	0.421	0.451
Out City:					
Residential	\$0.516	\$0.554	\$0.554	\$0.554	\$0.598
Multifamily	0.343	0.371	0.371	0.371	0.401
Commercial/Industrial	0.385	0.416	0.416	0.416	0.449
Fire Protection - First 15 M3	0.377	0.409	0.409	0.409	0.442
Fire Protection - Over 15 M3	1.131	1.227	1.227	1.227	1.326
Seasonal Uses	1.019	0.863	0.863	0.863	0.932

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

(1) per cubic meter

WATER SUPPLY SYSTEM

History of System Rate Increases
(Unaudited)

<u>Date Increase Effective</u>	<u>Percent Increase (1)</u>
January 1, 1984	5.00%
February 8, 1985	7.60%
March 2, 1987	5.00%
January 1, 1991	8.00%
January 1, 1993	8.00%
January 1, 1995	5.00%
March 3, 1997	5.00%
February 1, 1998	4.90%
March 15, 1999	2.00%
July 1, 2001	2.00%
February 1, 2002	2.00%
April 30, 2004	3.00%
March 4, 2005	3.00%
March 16, 2006	4.50%
July 1, 2007	3.50%
March 1, 2008	4.00%
March 1, 2009	5.00%
February 1, 2010	5.00%
March 1, 2011	3.50%
March 1, 2012	5.00%
June 1, 2014	3.00%
July 1, 2017	8.00%

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

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

WATER SUPPLY SYSTEM

Water Supply Volume as Pumped and Billed (1)

Last Five Years
(Unaudited)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Pumped	25,374,999	23,169,006	24,493,351	25,220,179	26,237,085
Billed	<u>21,364,279</u>	<u>19,771,279</u>	<u>20,279,855</u>	<u>20,913,093</u>	<u>22,238,541</u>
Unaccounted (2)	<u>4,010,720</u>	<u>3,397,727</u>	<u>4,213,496</u>	<u>4,307,086</u>	<u>3,998,544</u>
Unaccounted as a Percent of Pumped	<u>15.81%</u>	<u>14.66%</u>	<u>17.20%</u>	<u>17.08%</u>	<u>15.24%</u>

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

(1) Measured in Cubic Meters

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

WATER SUPPLY SYSTEM

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

<u>Meter Location and Classification</u>	<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>	
City:										
Residential	4,205,806	19.69%	3,862,677	19.54%	3,944,462	19.45%	3,931,399	18.80%	4,067,472	18.29%
Multifamily	1,829,866	8.57%	1,655,786	8.38%	1,712,698	8.45%	1,682,894	8.05%	1,704,537	7.66%
Commercial/Industrial	5,077,562	23.77%	4,837,405	24.47%	4,841,171	23.87%	4,886,681	23.37%	4,961,615	22.31%
Fire Protection	13,935	0.07%	4,985	0.03%	4,241	0.02%	13,178	0.06%	5,959	0.03%
Seasonal Uses (1)	478,802	2.24%	488,857	2.47%	393,133	1.94%	579,154	2.77%	551,001	2.48%
Total City	<u>11,605,971</u>	<u>54.32%</u>	<u>10,849,710</u>	<u>54.88%</u>	<u>10,895,705</u>	<u>53.73%</u>	<u>11,093,306</u>	<u>53.04%</u>	<u>11,290,584</u>	<u>50.77%</u>
Out City:										
Residential	5,189,733	24.29%	4,646,594	23.50%	4,737,107	23.36%	5,247,726	25.09%	5,730,535	25.77%
Multifamily	1,555,241	7.28%	1,420,177	7.18%	1,647,921	8.13%	1,552,244	7.42%	1,619,700	7.28%
Commercial/Industrial	2,638,061	12.35%	2,543,260	12.86%	2,700,515	13.32%	2,647,074	12.66%	2,976,469	13.38%
Fire Protection	1,170	0.01%	2,432	0.01%	2,575	0.01%	3,330	0.02%	1,743	0.01%
Seasonal Uses (1)	374,103	1.75%	307,645	1.56%	296,032	1.46%	369,413	1.77%	619,510	2.79%
Total Out City	<u>9,758,308</u>	<u>45.68%</u>	<u>8,920,108</u>	<u>45.12%</u>	<u>9,384,150</u>	<u>46.27%</u>	<u>9,819,787</u>	<u>46.96%</u>	<u>10,947,957</u>	<u>49.23%</u>
Total System:										
Residential	9,395,539	43.98%	8,509,271	43.04%	8,681,569	42.81%	9,179,125	43.89%	9,798,007	44.06%
Multifamily	3,385,107	15.84%	3,075,963	15.56%	3,360,619	16.57%	3,235,138	15.47%	3,324,237	14.95%
Commercial/Industrial	7,715,623	36.11%	7,380,665	37.33%	7,541,686	37.19%	7,533,755	36.02%	7,938,084	35.70%
Fire Protection	15,105	0.07%	7,417	0.04%	6,816	0.03%	16,508	0.08%	7,702	0.03%
Seasonal Uses (2)	852,905	3.99%	796,502	4.03%	689,165	3.40%	948,567	4.54%	1,170,511	5.26%
Total System	<u>21,364,279</u>	<u>100.00%</u>	<u>19,769,818</u>	<u>100.00%</u>	<u>20,279,855</u>	<u>100.00%</u>	<u>20,913,093</u>	<u>100.00%</u>	<u>22,238,541</u>	<u>100.00%</u>

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

(1) Water volume is measured in cubic meters.

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

WATER SUPPLY SYSTEM

Average and Peak Daily Water Supply Volume (1)

Last Five Years
(Unaudited)

	2013	2014	2015	2016	2016
Average Daily Water Supply	20.018	18.430	17.730	18.260	18.970
Peak Daily Water Supply	36.130	29.400	29.950	31.620	37.220
Peak as a Percent of Average	180.49%	159.52%	168.92%	173.17%	196.20%

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

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

WATER SUPPLY SYSTEM

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

Meter Location and Classification	2013		2014		2015		2016		2017	
City:										
Residential	\$ 2,658,128	20.40%	\$ 2,515,121	19.86%	\$ 2,507,911	19.18%	\$ 2,510,012	18.58%	\$ 2,755,750	17.90%
Multifamily	670,952	5.15%	615,002	4.86%	620,474	4.75%	613,546	4.54%	669,148	4.35%
Commercial/Industrial	1,911,231	14.67%	1,815,035	14.33%	1,788,986	13.68%	1,799,505	13.32%	1,975,748	12.83%
Fire Protection	163,612	1.26%	162,133	1.28%	151,119	1.16%	160,931	1.19%	170,342	1.11%
Seasonal Uses	291,039	2.23%	241,911	1.91%	198,832	1.52%	275,712	2.04%	286,083	1.86%
Total City	5,694,962	43.70%	5,349,202	42.24%	5,267,322	40.29%	5,359,706	39.68%	5,857,071	38.05%
Out City:										
Residential	4,610,290	35.38%	4,635,360	36.60%	4,888,888	37.40%	5,204,737	38.53%	5,943,255	38.61%
Multifamily	771,364	5.92%	768,138	6.07%	879,118	6.72%	849,589	6.29%	947,815	6.16%
Commercial/Industrial	1,404,193	10.77%	1,454,260	11.48%	1,576,503	12.06%	1,566,763	11.60%	1,840,893	11.96%
Fire Protection	157,676	1.21%	173,753	1.37%	186,327	1.43%	188,782	1.40%	206,255	1.34%
Seasonal Uses	393,780	3.02%	283,749	2.24%	274,769	2.10%	337,685	2.50%	598,942	3.89%
Total Out City	7,337,303	56.30%	7,315,260	57.76%	7,805,605	59.71%	8,147,556	60.32%	9,537,160	61.95%
Total System:										
Residential	7,268,418	55.77%	7,150,481	56.46%	7,396,799	56.58%	7,714,749	57.12%	8,699,005	56.51%
Multifamily	1,442,315	11.07%	1,383,141	10.92%	1,499,592	11.47%	1,463,135	10.83%	1,616,963	10.50%
Commercial/Industrial	3,315,424	25.44%	3,269,295	25.81%	3,365,489	25.74%	3,366,268	24.92%	3,816,641	24.79%
Fire Protection	321,288	2.47%	335,887	2.65%	337,446	2.58%	349,713	2.59%	376,597	2.45%
Seasonal Uses	684,820	5.25%	525,659	4.15%	473,601	3.62%	613,397	4.54%	885,025	5.75%
Total System	\$ 13,032,265	100.00%	\$ 12,664,463	100.00%	\$ 13,072,927	100.00%	\$ 13,507,262	100.00%	\$ 15,394,231	100.00%

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

WATER SUPPLY SYSTEM

Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2017
(Unaudited)

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	833,290	3.7%	\$ 306,651	2.0%
Western Michigan University	Higher Education	804,076	3.6%	295,900	1.9%
Pfizer Corporation/Zoetis	Pharmaceuticals	486,568	2.2%	179,057	1.2%
Kalamazoo Brewing	Beer Brewing	429,416	1.9%	103,489	0.7%
Borgess Medical Center	Hospital	363,304	1.6%	133,696	0.9%
Kalsec Inc.	Food Grade Flavoring	283,724	1.3%	68,377	0.4%
Bronson Methodist Hospital	Hospital	269,292	1.2%	99,099	0.6%
Continental Linen	Uniform Cleaning	177,390	0.8%	65,280	0.4%
Kalamazoo College	Higher Education	120,800	0.5%	44,454	0.3%
Concord Place Apartments	Apartments	120,718	0.5%	44,424	0.3%
		<u>3,888,578</u>	<u>17.5%</u>	<u>\$ 1,340,427</u>	<u>8.7%</u>

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

(1) Based on water volume of 22,238,541 cubic meters.

(2) Based on Water System billed revenue of \$15,394,231.

WASTEWATER SYSTEM

Wastewater Service Agreements
(Unaudited)

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

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

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

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

WASTEWATER SYSTEM

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

Customer Location and Classification	2013		2014		2015		2016		2017	
<u>Retail Customers</u>										
<i>In-City Retail Customers</i>										
Residential	16,876	50.98%	16,861	50.73%	16,883	50.41%	16,952	50.17%	17,000	50.43%
Commercial	2,521	7.62%	2,536	7.63%	2,520	7.52%	2,519	7.46%	2,427	7.20%
Industrial	297	0.90%	313	0.94%	310	0.93%	307	0.91%	92	0.27%
Sub-Total	19,694	59.49%	19,710	59.30%	19,713	58.86%	19,778	58.53%	19,519	57.90%
<i>Out-City Retail Customers</i>										
Residential	10,321	31.18%	10,456	31.46%	10,645	31.79%	10,847	32.10%	11,029	32.72%
Commercial	1,519	4.59%	1,515	4.56%	1,530	4.57%	1,552	4.59%	1,531	4.54%
Industrial	29	0.09%	32	0.10%	29	0.09%	29	0.09%	26	0.08%
Sub-Total	11,869	35.85%	12,003	36.11%	12,204	36.44%	12,428	36.78%	12,586	37.34%
Total Retail Customers	31,563	95.34%	31,713	95.41%	31,917	95.31%	32,206	95.32%	32,105	95.24%
<u>Wholesale Customers</u>										
Industries	2	0.01%	2	0.01%	2	0.01%	2	0.01%	2	0.01%
Wholesale Municipal Customers	8	0.02%	8	0.02%	8	0.02%	8	0.02%	8	0.02%
Dewatering Accounts	4	0.01%	4	0.01%	4	0.01%	4	0.01%	4	0.01%
Septage Haulers	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sub-Total	14	0.04%	14	0.04%	14	0.04%	14	0.04%	14	0.04%
Flat Rate Customers	1,528	4.62%	1,510	4.54%	1,558	4.65%	1,569	4.64%	1,591	4.72%
Total Sewer Customers	33,105	100.00%	33,237	100.00%	33,489	100.00%	33,789	100.00%	33,710	100.00%

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

WASTEWATER SYSTEM

Number of Retail Customers by Meter Size

Last Five Years
(Unaudited)

Meter Size	2013		2014		2015		2016		2017	
5/8" - 3/4"	22,429	71.08%	22,432	70.73%	22,420	70.24%	22,503	69.87%	22,517	70.13%
1"	6,579	20.85%	6,714	21.17%	6,912	21.65%	7,101	22.05%	7,263	22.62%
1-1/2"	470	1.49%	468	1.48%	471	1.48%	482	1.50%	460	1.43%
2"	1,622	5.14%	1,635	5.16%	1,650	5.17%	1,648	5.12%	1,497	4.66%
3"	292	0.93%	297	0.94%	298	0.93%	307	0.95%	254	0.79%
4"	144	0.46%	149	0.47%	150	0.47%	149	0.46%	103	0.32%
6"	19	0.06%	20	0.06%	19	0.06%	19	0.06%	12	0.04%
	<u>31,555</u>	<u>100.00%</u>	<u>31,715</u>	<u>100.00%</u>	<u>31,920</u>	<u>100.00%</u>	<u>32,209</u>	<u>100.00%</u>	<u>32,106</u>	<u>100.00%</u>

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

WASTEWATER SYSTEM

Wastewater Ready-to-Serve Charges by
Water Meter Location and SizeLast Five Years
(Unaudited)

Meter Location and Size	2013		2014		2015		2016		2017	
	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly
City:										
5/8"	\$ 6.14	\$ 6.77	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41
3/4"	6.16	6.86	6.43	7.56	6.43	7.56	6.43	7.56	6.43	7.56
1"	6.26	7.15	6.59	8.03	6.59	8.03	6.59	8.03	6.59	8.03
1-1/2"	6.39	7.52	6.8	8.65	6.80	8.65	6.80	8.65	6.80	8.65
2"	6.73	8.57	7.36	10.34	7.36	10.34	7.36	10.34	7.36	10.34
3"	9.30	16.25	11.52	22.82	11.52	22.82	11.52	22.82	11.52	22.82
4"	10.24	19.09	13.06	27.45	13.06	27.45	13.06	27.45	13.06	27.45
6"	12.45	25.72	16.66	38.24	16.66	38.24	16.66	38.24	16.66	38.24
Flat Rate	-	36.84	-	42.69	-	42.69	-	42.69	-	42.69
Dewatering	5.38	-	5.52	-	5.52	-	5.52	-	5.52	-
Septage	5.38	-	5.52	-	5.52	-	5.52	-	5.52	-
Out City:										
5/8"	\$ 7.03	\$ 10.50	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56
3/4"	7.21	11.02	7.32	11.07	7.32	11.07	7.32	11.07	7.32	11.07
1"	7.73	12.59	7.84	12.6	7.84	12.6	7.84	12.6	7.84	12.60
1-1/2"	8.42	14.66	8.52	14.65	8.52	14.65	8.52	14.65	8.52	14.65
2"	10.33	20.39	10.39	20.27	10.39	20.27	10.39	20.27	10.39	20.27
3"	24.38	62.51	24.19	61.68	24.19	61.68	24.19	61.68	24.19	61.68
4"	29.58	78.12	29.31	77.02	29.31	77.02	29.31	77.02	29.31	77.02
6"	41.71	114.52	41.24	112.81	41.24	112.81	41.24	112.81	41.24	112.81
Flat Rate	-	75.43	-	74.15	-	41.15	-	74.15	-	74.15
Municipalities	5.38	-	5.52	-	5.52	-	5.52	-	5.52	-
Dewatering	5.38	-	5.52	-	5.52	-	5.52	-	5.52	-
Septage	5.38	-	5.52	-	5.52	-	5.52	-	5.52	-

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

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

WASTEWATER SYSTEM

Wastewater Treatment Charges by Customer Classification (1)

Last Five Years
(Unaudited)

Commodity Charges (per cubic meter) (1)					
Fiscal Years Ended December 31	2013	2014 (9)	2015	2016	2017
In-City Retail Customers	0.358	0.420	0.420	0.420	0.420
Out-City Retail Customers	0.773	0.757	0.757	0.757	0.757
Wholesale Municipal Customers	0.504	0.492	0.492	0.492	0.492
City of Galesburg (3)	0.542	0.547	0.547	0.547	0.547
Septage Haulers	270.408	n/a (10)	n/a (10)	n/a (10)	n/a (10)
In-City Dewatering Customers	0.331	0.395	0.395	0.395	0.395
Out-City Dewatering Customers	0.785	0.764	0.764	0.764	0.764

Additional Quantity and Quality Wastewater Treatment (2)					
Fiscal Years Ended December 31	2013	2014 (9)	2015	2016	2017
Additional Quantity Charge \$/CM					
Pfizer	0.185	0.165	0.165	0.165	0.165
Graphic Packaging	0.067	0.070	0.070	0.070	0.070
Dewater - Industrial Outside City	0.447	0.433	0.433	0.433	0.433
In-City Industrial	0.080	0.130	0.130	0.130	0.130
Out-City Industrial	0.440	0.430	0.430	0.430	0.430
BOD Charge (4) \$/KG					
Pfizer	0.508	0.511	0.511	0.511	0.511
Graphic Packaging	0.418	0.468 (11)	0.468 (11)	0.468 (11)	0.468 (11)
In-City Industrial	0.441	0.468	0.468	0.468	0.468
Out-City Industrial	0.521	0.531	0.531	0.531	0.531
SS Charge \$/KG (5)					
Pfizer	0.607	0.565	0.565	0.565	0.565
Graphic Packaging	0.470	0.506 (11)	0.506 (11)	0.506 (11)	0.506 (11)
In-City Industrial	0.495	0.506	0.506	0.506	0.506
Out-City Industrial	0.622	0.576	0.576	0.576	0.576
NH3 Charge \$/KG (6)					
Pfizer	2.522	2.609	2.609	2.609	2.609
Graphic Packaging	2.261	2.518 (11)	2.518 (11)	2.518 (11)	2.518 (11)
In-City Industrial	2.385	2.518	2.518	2.518	2.518
Out-City Industrial	2.584	2.715	2.715	2.715	2.715

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

- (1) The charge for wastewater treatment service is the sum of the availability fee (determined by the size of meter) plus the commodity charge (determined by the amount of water used). Commodity rates vary depending on customer class. The rates above represent the commodity fee which is determined by the Operating, Maintenance, and Replacement cost with a capital expense charge. See Table 42 for more information on the availability fee.
- (2) Additional quantity and quality charges are fees charged to large industrial customers.
- (3) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.
- (4) The Biochemical Oxygen Demand (BOD) is the indicator of strength of the wastewater and how much aeration (oxygen) is required to break down wastewater.
- (5) The Suspended Solids (SS) is the amount of sludge or biosolids that required treatment process and disposal.
- (6) The ammonia (NH3) is broken down in treatment by aeration.
- (7) Rate change effective March 1, 2011.
- (8) Rate change effective March 1, 2012.
- (9) Rate change effective June 1, 2014.
- (10) The City had no septage customers in 2014 or 2015.
- (11) Charged Inside City Rates starting in 2014.

WASTEWATER SYSTEM

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

Retail Customers	2013		2014		2015		2016		2017	
Residential	5,599,749	20.28%	5,149,458	19.61%	5,347,569	19.98%	5,221,793	19.39%	5,341,135	19.44%
Commercial	7,688,211	27.84%	7,024,938	26.75%	7,249,851	27.09%	7,278,305	27.03%	7,458,072	27.15%
Industrial	1,544,487	5.59%	1,672,179	6.37%	1,905,754	7.12%	1,940,705	7.21%	2,050,196	7.46%
Sub-Total	14,832,447	53.71%	13,846,575	52.74%	14,503,174	54.19%	14,440,803	53.63%	14,849,403	54.06%
<u>Wholesale Customers</u>										
Industries	4,681,049	16.95%	4,272,441	16.27%	4,446,124	16.61%	4,435,586	16.47%	4,310,417	15.69%
Wholesale Municipal	8,002,142	28.98%	7,981,699	30.40%	7,646,332	28.57%	7,926,786	29.44%	8,110,055	29.52%
Dewatering Accounts	99,344	0.36%	155,991	0.59%	169,963	0.64%	121,315	0.45%	198,662	0.72%
Septage Haulers	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total	12,782,535	46.29%	12,410,131	47.26%	12,262,419	45.81%	12,483,687	46.37%	12,619,134	45.94%
Total Wastewater Billed	27,614,982	100.00%	26,256,706	100.00%	26,765,593	100.00%	26,924,490	100.00%	27,468,537	100.00%

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

(1) Measured in Cubic Meters.

WASTEWATER SYSTEM

Wastewater Volume as Treated and Billed (1)

Last Five Years
(Unaudited)

	2013	2014	2015	2016	2017
Metered Wastewater Volume	35,580,924	36,260,219	34,584,027	36,020,893	38,410,863
Wastewater Consumption as Billed	27,614,982	26,256,706	26,765,592	26,924,490	27,468,537
Difference (2)	7,965,942	10,003,513	7,818,435	9,096,403	10,942,326
Difference as a % of Metered Wastewater Volume	22.4%	27.6%	22.6%	25.3%	28.5%

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

(1) Measured in Cubic Meters.

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

WASTEWATER SYSTEM

Average and Peak Daily Wastewater Treatment Volume (1)

Last Five Years
(Unaudited)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Average Daily Sewage Disposal Volume	25.8	26.3	25.0	26.0	27.8
Peak Daily Sewage Disposal Volume	37.3	34.6	31.9	47.3	63.7
Peak as a Percent of Average	144.82%	131.81%	127.57%	182.04%	229.06%

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

(1) Measured in millions of gallons per day.

WASTEWATER SYSTEM

Ten Largest Customers
by Wastewater System Revenue and Volume as BilledYear Ended December 31, 2017
(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	Pharmaceutical	\$ 3,276,154	11.9%	\$ 593,094	\$ 3,432,603	\$ 4,025,697	21.3%
City of Portage	Municipality	5,251,131	19.1%	2,546,465	-	2,546,465	13.5%
Graphics Packaging	Paper Products	935,139	3.4%	49,657	1,024,862	1,074,519	5.7%
Gull Lake Sewer Auth Dist	Municipality	1,013,830	3.7%	491,775	-	491,775	2.6%
Kalsec	Food Grade Flavorings	103,695	0.4%	43,421	363,033	406,454	2.2%
JR 7 (Graphic Packaging)	Paper Products	55,855	0.2%	3,335	254,169	257,504	1.4%
Pfizer Farms	Research	-	0.0%	-	252,600	252,600	1.3%
Western Michigan University	Higher Education	652,155	2.4%	238,443	-	238,443	1.3%
Mattawan	Municipality	396,634	1.4%	192,364	-	192,364	1.0%
Cytec	Chemicals	273,052	1.0%	16,628	160,159	176,787	0.9%
		<u>\$ 11,957,645</u>	<u>43.5%</u>	<u>\$ 4,175,182</u>	<u>\$ 5,487,426</u>	<u>\$ 9,662,608</u>	<u>51.2%</u>

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

(1) Based on wastewater treatment volume of 27,468,537 cubic meters.

(2) Based on Wastewater System billed revenue of \$18,891,705.

WASTEWATER SYSTEM

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

<u>Meter Location and Classification</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City:					
Residential	\$ 1,668,898	\$ 1,723,861	\$ 1,852,612	\$ 1,810,863	\$ 1,848,364
Commercial	1,866,677	1,876,170	2,019,025	2,039,603	2,064,670
Industrial	213,798	256,867	320,843	321,575	328,629
Industrial Monitored	267,904	340,117	303,443	277,945	297,402
Contract	1,033,681	1,282,199	1,290,631	1,233,420	1,346,269
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	33,077	57,696	62,629	43,914	71,090
Total City	<u>5,084,035</u>	<u>5,536,910</u>	<u>5,849,183</u>	<u>5,727,320</u>	<u>5,956,424</u>
Out City:					
Residential	2,601,406	2,427,624	2,534,197	2,546,740	2,572,651
Commercial	2,266,612	2,129,952	2,248,614	2,236,474	2,329,114
Industrial	140,549	147,523	146,765	136,849	144,729
Industrial Monitored	1,565,531	1,571,709	163,222	187,438	242,830
Contract	5,143,946	5,153,793	3,902,303	3,696,017	4,325,343
Municipalities	4,038,334	3,977,811	3,820,535	3,907,320	3,236,659
Septage Haulers	-	-	-	-	-
Dewatering	2,278	5,119	5,743	4,989	8,770
Total Out City	<u>15,758,656</u>	<u>15,413,531</u>	<u>12,821,379</u>	<u>12,715,827</u>	<u>12,860,096</u>
Total System:					
Residential	4,270,304	4,151,484	4,386,809	4,357,603	4,421,015
Commercial	4,133,289	4,006,123	4,267,638	4,276,077	4,393,784
Industrial	354,347	404,390	467,608	458,424	473,358
Industrial Monitored	1,833,435	1,911,826	466,665	465,383	540,232
Contract	6,177,627	6,435,992	5,192,934	4,929,437	5,671,612
Municipalities	4,038,334	3,977,811	3,820,535	3,907,320	3,236,659
Septage Haulers	-	-	-	-	-
Dewatering	35,355	62,815	68,372	48,903	79,860
Total System	<u>\$ 20,842,691</u>	<u>\$ 20,950,441</u>	<u>\$ 18,670,561</u>	<u>\$ 18,443,147</u>	<u>\$ 18,816,520</u>

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

WASTEWATER SYSTEM

History of System Rate Increases
(Unaudited)

<u>Date Increase Effective</u>	<u>Percent Increase</u>
March 2, 1987	2.40%
January 1, 1991	-7.50%
1999*	0.00%
July 1, 2001	4.00%
April 30, 2004	6.75%
July 1, 2007	20.00%
March 1, 2008	5.00%
February 1, 2010	3.00%
March 1, 2011	5.00%
March 1, 2012	5.00%
June 1, 2014	2.00%

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

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