

CITY OF KALAMAZOO, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019

Prepared by:
Management Services Department, Budget & Accounting Division

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INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

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

June 29, 2020

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, 2019.

This financial report consists of management's representations concerning the finances of the City of Kalamazoo. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Kalamazoo's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Maner Costerisan, Certified Public Accounts, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2019. The independent auditor's report is located at the front of the financial sections of this report (page 10).

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

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

Profile of the Government

The City of Kalamazoo, incorporated in 1884, is located between Chicago and Detroit in the southwest corner of Michigan and encompasses an area of approximately 26 square miles. The current population of the City is approximately 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.

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

In addition to these TIF districts, a portion of the City has been designated as a Renaissance Zone by the State of Michigan, which allows residents and businesses within that zone to enjoy exemption from property taxes and certain state taxes.

In addition, the City of Kalamazoo has three other legally separate component units, the Economic Development Corporation, the Hospital Finance Authority, and the Kalamazoo Building Authority, entities for which the government is considered to be financially accountable. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

Transportation services are no longer provided by the City of Kalamazoo. Citizens are now served by the Central County Transportation Authority (CCTA), a separate authority which provides mass-transportation services throughout the City, including Western Michigan University, and outlying areas.

Budgeting Control

The annual budget serves as the foundation for the City of Kalamazoo's financial planning and control. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and expenditures for the following fiscal year by December 1st. By February 1st of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The budget is adopted at the fund level; Department directors may transfer resources within a department as they see fit, and the City Manager may approve transfers between departments. Transfers between funds, however, need special approval from the City Commission. Legislative actions by the City Commission to issue bonds, accept grants and authorize special assessment projects are considered authority to expend funds for those purposes. Unexpended capital project appropriations may be carried forward to the next fiscal year with management approval. All other appropriations lapse at year-end, except for those specifically approved to be carried forward by the City Commission.

The City Commission adopts budgets in accordance with GAAP for the General Fund and all special revenue funds, as required by Michigan statute. The Commission also adopts budgets for capital projects, enterprise funds, and the administrative portion of the pension fund, although not required by the State of Michigan.

SEC Disclosure under Rule 15c2-12

Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities undertake to provide certain annual financial information to various information repositories. In recognition that a Comprehensive Annual Financial Report (CAFR) is an appropriate disclosure document for providing information useful to existing and potential investors in the secondary market, and in order to meet our obligation to provide periodic disclosure for the secondary market, as required by Rule 15c2-12, the City of Kalamazoo has elected to include in this CAFR tables providing quantitative data on those activities which require such disclosure. Those tables can be found in the statistical section of the CAFR.

Local Economy

Kalamazoo has a diverse regional economy, anchored by major employers in the pharmaceutical (Pfizer), health care product (Stryker Corp.), health services (Bronson and Borgess regional hospitals), banking (PNC), and higher education (Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College) industries. Kalamazoo's workforce is as diverse as its economy, ranging from those skilled in manufacturing and business services to research scientists. According to the Bureau of Labor Statistics, the December 2019 unemployment rate for the city was 3.0%, which was lower than the state unemployment rate of 3.9% and the national average of 3.5%. At the same time, enrollment in local universities and colleges exceeds 37,000 full and part-time students, creating a base of potential employees that is highly attractive to business and industry.

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

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

The Kalamazoo Promise established in 2005 is a trust funded by anonymous public and private donors. All Kalamazoo Public School (KPS) graduates are eligible to receive four years funding for college tuition and mandatory fees at Michigan community colleges and universities. This program has resulted in over 2500 new students enrolled at KPS, an increase in state financial support for the district, and a substantial increase in the number of firms asking about possible business locations to enhance their capacity to attract and retain a well-educated workforce. Approximately 90% of promise eligible students have started college since its inception, as compared to 56% of ineligible students. Promise eligible students receiving bachelor’s degrees in six years is approximately 31% as compared to 28% of ineligible students.

Foundation for Excellence

Initial Phase (2017 - 2019)

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

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

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

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

Secondary Phase (2020 - 2022)

The major donors of the FFE have extended the MOU to include and additional \$57.7 million over a three-year period (2020 - 2022). This secondary infusion of \$57.7 million stabilizes the City’s budget and allows for the City property tax rate to continue to be reduced from 19.2705 mills to 12 mills. An additional agreement of \$28.2 million is being negotiated to continue to allow for substantially more investment in programs that fulfill the City’s Imagine Kalamazoo Strategic Vision and Master Plan, which include programs for youth, streets and infrastructure, affordable housing, economic development and other initiatives.

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 2019 with less than budgeted General Fund expenditures and more General Fund revenues than originally expected; resulting in a fund balance increase of \$2,098,770.

The City's Fiscal Year 2020 budget and 5-year Fiscal Plan for the years 2020-2024 project exceeding the target fund balance of 15% of General Fund revenues. The plan projects the continuation of support from the Foundation for Excellence (FFE) to sustain a reduced property tax millage of 12.0000 mills, saving the average resident over \$300 per year. The 5-year Fiscal Plan projects a rise in revenues between 2% and 3% annually. Expenditures are generally anticipated to rise 2%.

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, 2018. This was the twenty second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized comprehensive annual finance report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



James K. Ritsema
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kalamazoo
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

**CITY OF KALAMAZOO
LIST OF CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2019**

CITY COMMISSION

David Anderson, Mayor
Patrese Griffin, Vice Mayor
Erin Knott Jack Urban
Eric Cunningham Jeanne Hess
Chris Praedel

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore, Operations Jeff Chamberlain, Strategic Planning
Laura Lam, Chief Innovation Officer

ASSISTANT CITY MANAGERS

Jerome Kisscorni, Economic Development

MANAGEMENT SERVICES DEPARTMENT

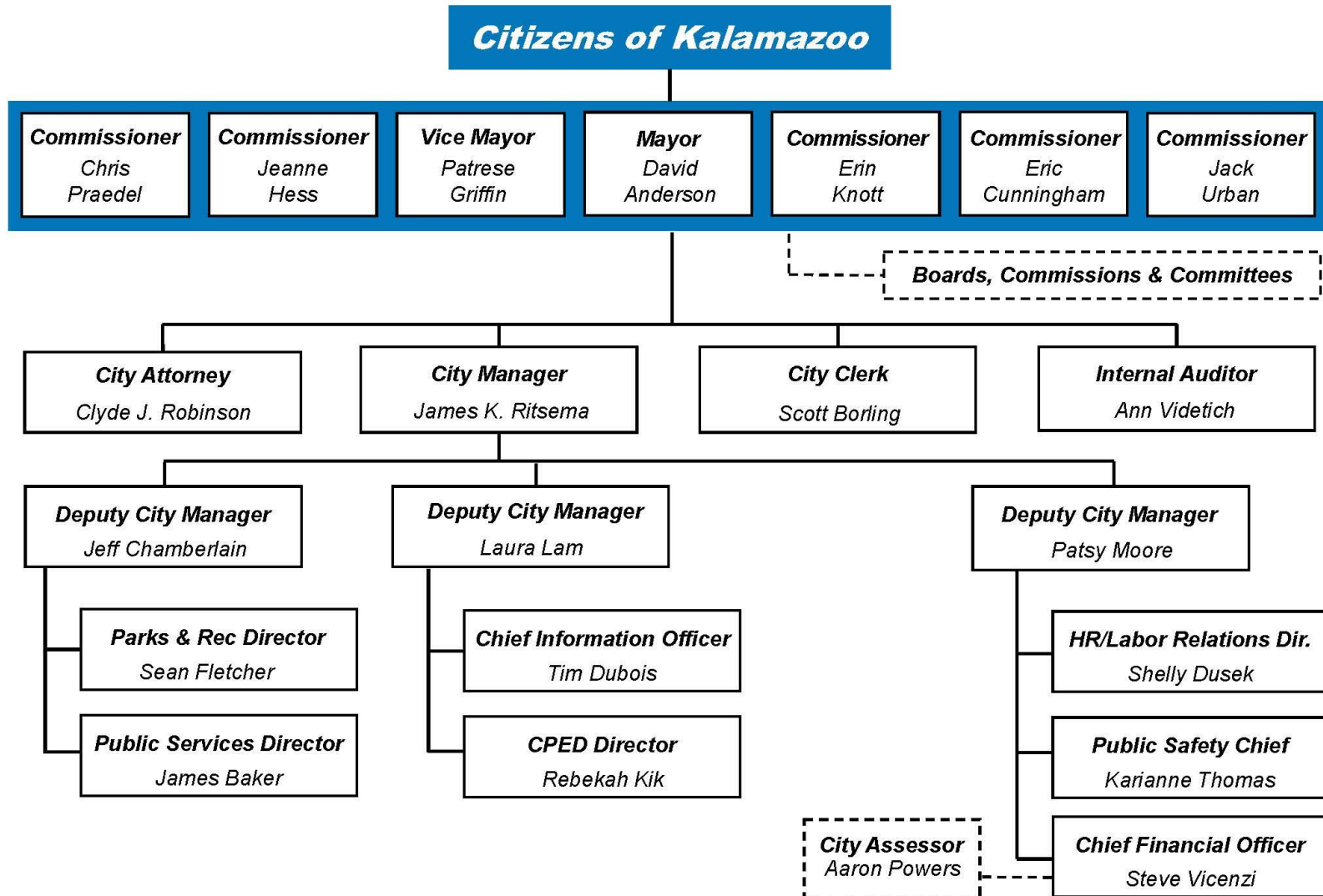
Steve Vicenzi, Management Services Director/CFO
Melissa Fuller, Management Services Deputy Director/Purchasing Agent
Stephanie Barr, City Treasurer Aaron Powers, City Assessor
Jennifer Clark, Accounting and Budget Manager

CITY COMMISSION APPOINTEES

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

City of Kalamazoo

2019 Organizational Chart



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, 2019, 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 and the Downtown Economic Growth Authority, which represent 43%, 39%, and 64%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Downtown Development Authority and Downtown Economic Growth Authority, are based solely on the reports of the other auditors. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and FFE Aspirational Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 15 to the financial statements, the City implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, a statement of changes in fiduciary net position is presented for the tax collector's custodial fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maney Costeiran PC

June 29, 2020

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, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have furnished in our letter of transmittal (pages 1-6).

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$352.88 million (*net position*);
- The government's total net position decreased by \$1.37 million or <1%. This net decrease was a combination of a \$3.3 million increase in governmental activities net position and a \$4.7 million decrease in business-type activities net position.
- The City's balance of bonded debt increased by \$18.8 million during the current fiscal year. The City issued \$8.6 million in General Obligation Bonds and \$19.870 million in Revenue Bonds. The City made scheduled bond principal payments totaling \$9.685 million.
- As of the close of the 2019 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$62.75 million, an increase of \$19.25 million in comparison of the prior year. Approximately 19% of the combined fund balances, or \$11.77 million was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund balance was \$13.92 million, or 21% of the total General Fund budgetary revenues and other financing sources. Of the total \$13.92 million fund balance, \$1.59 million was nonspendable, leaving \$12.33 million, or 18.57% of budgetary revenues and other financing sources. The unassigned fund balance for the General Fund was \$11.77 million, or 17.73% of total General Fund revenues and other financing sources.
- Combined enterprise funds net position decreased \$4.7 million. This included a decrease of \$4.93 million of net position in the Wastewater Fund, due to an increase in operating expenses that exceeded the growth in revenues. The net position of the Water Fund increased \$232,416 as a result of favorable operating income and increased capital contributions.
- The City received almost \$27 million under the Foundation for Excellence memorandum of understanding in 2019. Of the total donations, \$16.4 million is included in Donations and Contributions in the General Fund to support operations, including a reduction of the General Fund operations property tax millage from 19.2705 mills to 12.0000 mills. This reduction saves property owners \$7.2705 per \$1,000 of assessed value. The remaining \$10.15 million is in the Special Revenue Aspirational Project Fund, and is restricted for aspirational projects targeted to reduce poverty, enhance youth development, and support other community and economic development within the City.

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 and water enterprise operations.

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

The government-wide financial statements can be found on pages 35-38 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains approximately 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's General Fund and FFE Aspirational Projects Fund, which are considered to be major funds of the City. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 39-52 of this report.

Proprietary Funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

Fiduciary Funds

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

The basic fiduciary funds financial statements can be found on pages 61-63 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 67-129 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 130-138 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 139-175 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$352,876,494 at the close of the most recent fiscal year.

A significant portion of the City's net position, \$272,257,343, reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$50,901,937, 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 \$29,717,214, representing the amount of resources that the City could utilize to promptly satisfy all accrued future liabilities.

Generally accepted accounting principles (GAAP) require that the City show our liability for pension benefits promised in the future as an asset on our entity-wide financial statements. An actuarial valuation as of December 31, 2018, provided a total pension liability of \$508,700,773. The City had plan fiduciary net position of \$677,139,268 as of year end, exceeding the total pension obligation by \$168,438,495. The resulting net pension asset of \$168 million was allocated to the Governmental Activities and Business-type Activities.

GAAP also require that the City show our liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a liability on our entity-wide financial statements. An actuarial valuation as of January 1, 2018 provided the City's share of total OPEB liability of \$235,426,100. The City's share of plan fiduciary net position was \$84,514,327. The resulting net OPEB liability of \$150,911,773 was allocated to the Governmental Activities and Business-type Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Kalamazoo's Net Position December 31, 2018 and December 31, 2019

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 174,642,584	\$ 234,916,980	\$ 66,791,537	\$ 80,403,109	\$ 241,434,121	\$ 315,320,089
Capital assets, net	<u>176,602,399</u>	<u>179,145,926</u>	<u>182,486,578</u>	<u>196,063,551</u>	<u>359,088,977</u>	<u>375,209,477</u>
Total assets	351,244,983	414,062,906	249,278,115	276,466,660	600,523,098	690,529,566
Deferred outflows of resources	80,329,770	60,095,120	20,518,989	16,563,628	100,848,759	76,658,748
Current liabilities	18,604,478	20,111,929	7,755,887	9,777,500	26,360,365	29,889,429
Noncurrent liabilities	<u>220,875,527</u>	<u>245,085,210</u>	<u>89,069,634</u>	<u>112,508,532</u>	<u>309,945,161</u>	<u>357,593,742</u>
Total liabilities	<u>239,480,005</u>	<u>265,197,139</u>	<u>96,825,521</u>	<u>122,286,032</u>	<u>336,305,526</u>	<u>387,483,171</u>
Deferred inflows of resources	9,336,682	22,880,712	1,482,315	3,947,937	10,818,997	26,828,649
Net position						
Investment in capital assets	122,213,595	124,191,725	145,972,507	148,065,618	268,186,102	272,257,343
Restricted	29,541,823	46,788,941	2,811,148	4,112,996	32,352,971	50,901,937
Unrestricted	<u>31,002,648</u>	<u>15,099,509</u>	<u>22,705,613</u>	<u>14,617,705</u>	<u>53,708,261</u>	<u>29,717,214</u>
Total net position	<u>\$ 182,758,066</u>	<u>\$ 186,080,175</u>	<u>\$ 171,489,268</u>	<u>\$ 166,796,319</u>	<u>\$ 354,247,334</u>	<u>\$ 352,876,494</u>

The government's total net position decreased by \$1.37 million or less than 1%. This net decrease was a combination of a \$3.3 million increase in governmental activities net position and a \$4.7 million decrease in business-type activities net position.

Current and other assets increased \$60.3 million or 34.5% in governmental activities and \$13.6 million or 20.4% in business-type activities. Current liabilities increased in governmental activities by \$1.5 million or 8.1% and \$2 million or 26.1% in business type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2018 and December 31, 2019

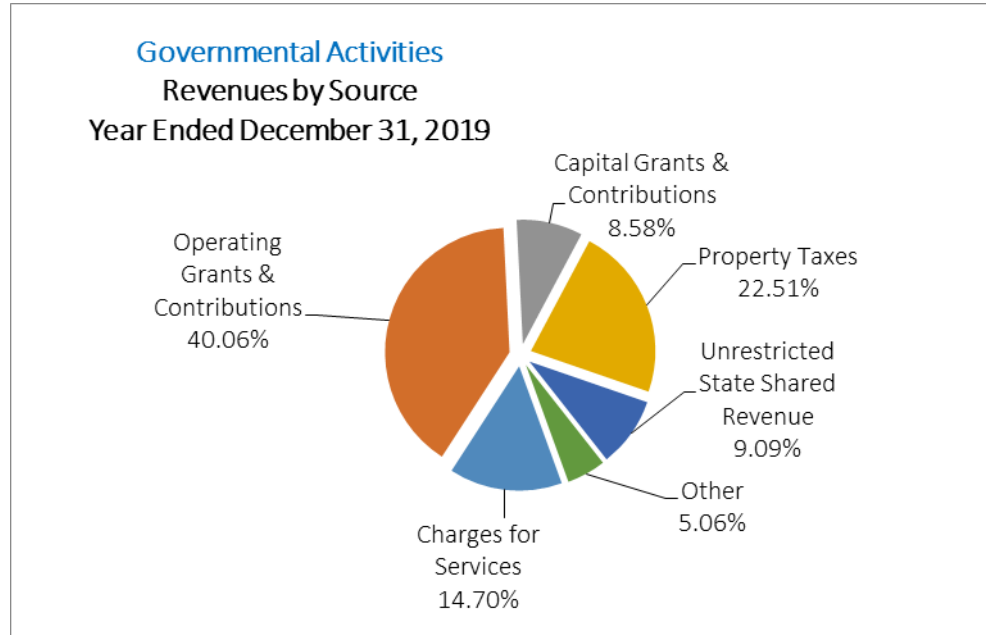
	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenue						
Program revenue						
Charges for services	\$ 13,659,569	\$ 15,344,064	\$ 38,308,182	\$ 42,421,366	\$ 51,967,751	\$ 57,765,430
Operating grants and contributions	45,961,378	41,823,581	1,646,220	860,080	47,607,598	42,683,661
Capital grants and contributions	9,077	8,958,293	2,734,745	1,857,181	2,743,822	10,815,474
General revenue						
Property taxes	22,927,422	23,498,110	-	-	22,927,422	23,498,110
State shared revenues - unrestricted	9,208,199	9,492,449	-	-	9,208,199	9,492,449
Other	2,952,287	5,285,593	636,050	868,165	3,588,337	6,153,758
Total revenue	<u>94,717,932</u>	<u>104,402,090</u>	<u>43,325,197</u>	<u>46,006,792</u>	<u>138,043,129</u>	<u>150,408,882</u>
Expenses						
General government	14,756,851	13,337,417	-	-	14,756,851	13,337,417
Public safety	48,251,573	44,946,326	-	-	48,251,573	44,946,326
Public works	8,312,495	8,465,745	-	-	8,312,495	8,465,745
Streets	8,743,623	12,968,356	-	-	8,743,623	12,968,356
Community and economic development	11,683,998	9,779,012	-	-	11,683,998	9,779,012
Parks and recreation	4,039,342	6,299,389	-	-	4,039,342	6,299,389
Interest on long-term debt	4,700,844	4,630,744	-	-	4,700,844	4,630,744
Wastewater	-	-	26,827,856	29,961,234	26,827,856	29,961,234
Water	-	-	19,978,024	21,391,499	19,978,024	21,391,499
Total expenses	<u>100,488,726</u>	<u>100,426,989</u>	<u>46,805,880</u>	<u>51,352,733</u>	<u>147,294,606</u>	<u>151,779,722</u>
Change in net position before transfers	(5,770,794)	3,975,101	(3,480,683)	(5,345,941)	(9,251,477)	(1,370,840)
Transfers (out) in	<u>(831,618)</u>	<u>(652,992)</u>	<u>831,618</u>	<u>652,992</u>	<u>-</u>	<u>-</u>
Change in net position	(6,602,412)	3,322,109	(2,649,065)	(4,692,949)	(9,251,477)	(1,370,840)
Net position - beginning of year	<u>189,360,478</u>	<u>182,758,066</u>	<u>174,138,333</u>	<u>171,489,268</u>	<u>363,498,811</u>	<u>354,247,334</u>
Net position - end of year	<u>\$ 182,758,066</u>	<u>\$ 186,080,175</u>	<u>\$ 171,489,268</u>	<u>\$ 166,796,319</u>	<u>\$ 354,247,334</u>	<u>\$ 352,876,494</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

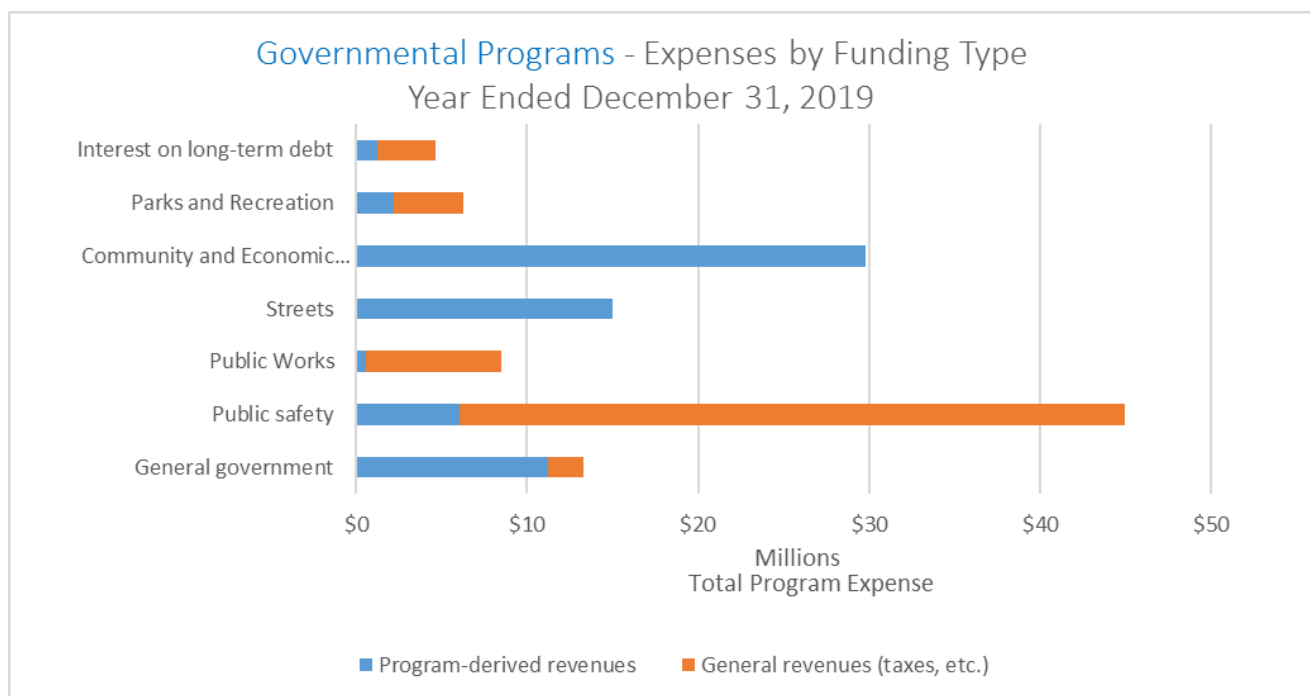
Governmental activities increased the City's net position \$3.3 million in 2019 as compared to a net reduction of \$6.6 million in 2018. Governmental revenues increased by \$9.7 million or 10.22% due to primarily to an increase in capital grants and contributions, including revenues of \$7.0 million from the State of Michigan for the capital improvements of Major Streets that were transferred to the City in 2019. There was a slight reduction of total governmental expenditures as compared to 2018.

While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and intergovernmental aid. In 2019, 37% of governmental revenues were funded from general sources that consisted of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and other miscellaneous revenues. The remaining 63% of revenues were derived from charges or restricted to specific programs as depicted on the following chart.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses in governmental activities exceeded charges for services, grants, and contributions by \$34 million in 2019 and \$40 million in 2018. The following chart depicts the total expenses for each governmental program for the City of Kalamazoo and the degree to which they are self-supporting or subsidized.



Business-type Activities

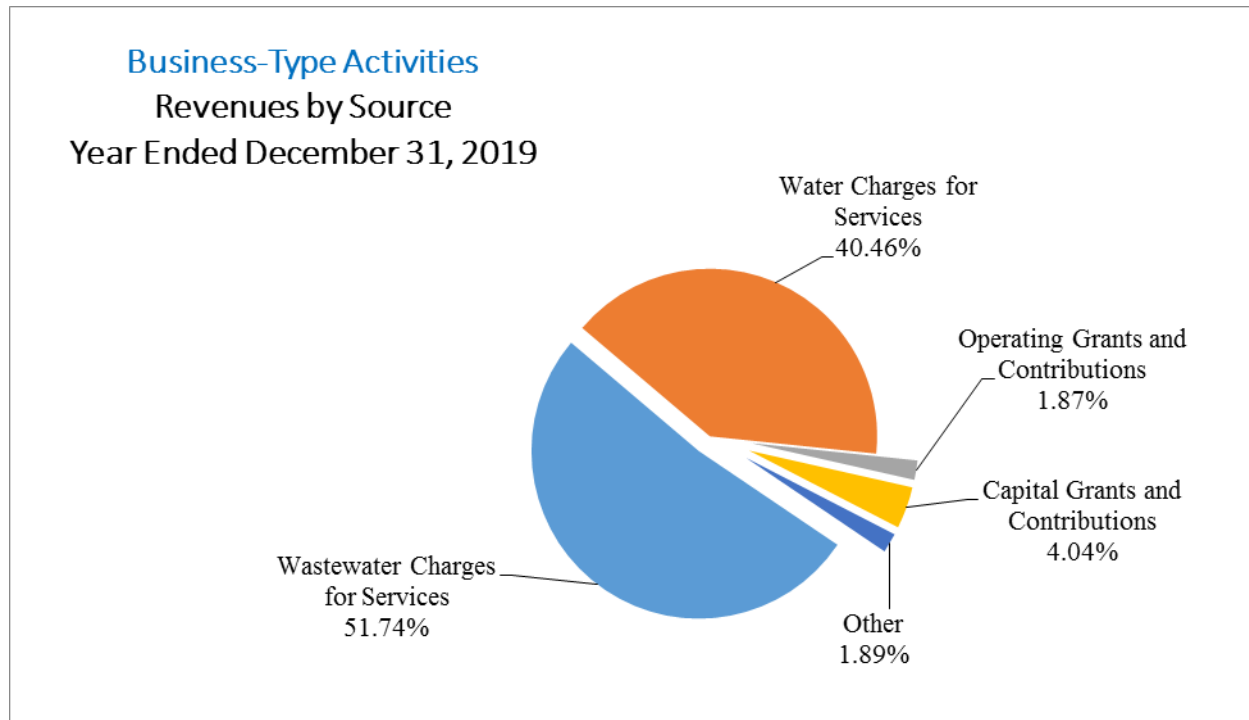
Business-type activities decreased the City's net position by \$4.7 million. The key elements of this decrease are as follows:

- Wastewater system operating revenues increased \$3 million due to increased billing rates and volumes billed, while operation and maintenance expenses increased \$2.9 million from 2018.
- Water system operating revenues increased \$1.1 million due to increased billing rates offset by a reduction in water volume, while operation and maintenance expenses increased \$1.15 million.
- The Wastewater and Water systems report OPEB expense under GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which increased by \$606 thousand as compared to 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

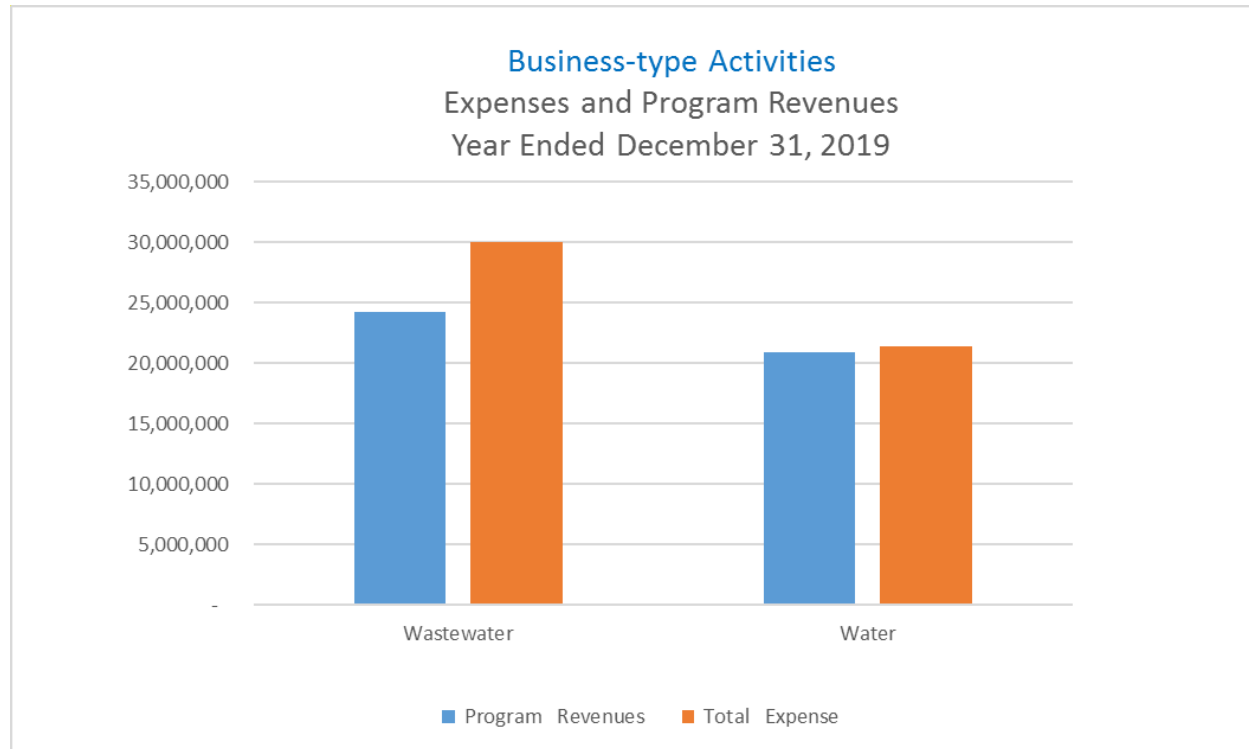
- The Wastewater and Water systems report pension expense under GASB 68, *Accounting and Financial Reporting for Pensions*, which decreased \$342 thousand as compared to 2018.
- Capital infrastructure contributions of \$1.8 million for water infrastructure represented a major revenue source for the Water system in 2019. 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 \$4.9 million were due primarily to a planned use of reserves in 2019.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart depicts the total expenses for each business-type activity for the City of Kalamazoo and the degree to which they are self-supporting. In 2019, the Wastewater system used \$4.9 million of existing reserves while the Water system added \$232 thousand to existing reserves.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$62,754,946, an increase of \$19,251,843 in comparison of the prior year. Approximately 19% of the combined fund balances, or \$11,770,620 was available for spending at the government's discretion ("*unassigned fund balance*").

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

General Fund

The general fund is the chief operating fund of the City of Kalamazoo. Property tax collections not collected in the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP) are included in deferred inflows of resources as unavailable revenues. At December 31, 2019, the amount of unavailable property taxes was \$622,295, a \$580 thousand decrease from 2018. Other unavailable revenues totaling \$621,003 is primarily due to other receivables not collected within 60 days after year-end.

The City's budget policies target undesignated reserves to be 15% of general fund operating revenues. The General Fund balance was \$13,921,560, or 22% of the total General Fund revenues. Of the total, \$13.92 million fund balance, \$1.59 million was nonspendable or committed, and \$560,245 was assigned, leaving \$11.8 million of unassigned fund balance, or 18.2% of revenues.

The General Fund favorably increased the fund balance a total of \$3.1 million over the amended budget. Revenues favorably exceeded budget by \$8.3 million due primarily to favorable intergovernmental revenue due to increased State of Michigan revenue sharing and fire reimbursement revenues, in addition to favorable tax, license and permits, and interest in rents over final amended budget. The savings in General Fund operating expenses of \$772 thousand was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$709,038 in general government, and \$112,381 in public services.

During the year, there was a decrease of \$457 thousand in appropriations between the original and final amended General Fund expenditure budget adopted by the City Commission. The reduction was primarily due to moving planned personnel and service expenditures for Foundation for Excellence Aspirational projects directly to the FFE Aspirational Projects fund.

FFE Aspirational Projects

The FFE Aspirational Projects Fund is used to account for revenues received from private donors to fund aspirational projects based on the results of the Imagine Kalamazoo 2025 plan including generational poverty, youth development, employment, capital and human infrastructure, economic development and inviting public spaces. During the year, the FFE Aspirational Projects Fund received \$10.15 million of contributions. The fund balance increased by \$3.46 million to \$11.83 million during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The final amended budget of the FFE Aspirational Projects fund reflects a change to directly charge the fund with personnel, service, supply, and capital expenditures funded by the Foundation for Excellence Aspirational program. This change allows for timely reporting of Aspirational initiatives. The savings in actual expenditures as compared to the final amended budget is largely due to the timing of planned project expenditures. Projects and initiatives not completed at the end of the year are carried forward into the next year by approval of the City Commission.

Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds increased by \$13.7 million in 2019. The combined \$37 million fund balance is attributable to capital projects funds (\$11.7 million), special revenue funds (\$18.1 million), debt service funds (\$58,847), and endowments held for recreational and cemetery perpetual care purposes (\$7 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

Nonmajor governmental revenues increased \$9.5 million or 45% from 2018. Of this increase, \$7.0 million in intergovernmental revenue was funds received from the State of Michigan as part of a jurisdictional transfer of Major Streets. The funds were the first payment of a total \$11.7 million agreement to fund capital improvements on the transferred streets. The remaining \$4.7 million will be paid when the City has completed 60% of the planned capital improvements or in six years, whichever comes first.

Nonmajor governmental expenditures increased \$1.5 million or 4.1%. The special revenue funds expenditures increased \$2.5 million, debt service decreased \$45 thousand, capital projects decreased \$900 thousand, and permanent funds decreased \$10 thousand. For further information on capital expenditures in 2019, 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 \$8.3 million as of December 31, 2019. The fund had a decrease in total net position for the year of \$4.9 million.

The Wastewater Fund experienced an operating loss of \$5.1 million.

- Wastewater operating revenues increased \$3 million due to a combination of rate and volume increases. In 2019, there was a \$1 million true-up settlement adjusted to revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Operating expenses increased \$2.8 million as compared to 2018. The increase was due to various increases in the cost of operations including a 20% increase in services associated with an increase in disposal costs and preventative maintenance services for the system, a 15% increase in the cost of payroll, a 5% increase in the cost of pension and OPEB expenses, and a 5% increase in the cost of services.
- Operating expenses includes an adjustment of \$2.23 million of net OPEB expense, which was an increase of \$300 thousand over the net OPEB expense adjustment recognized in 2018. The Fund made contributions of \$423,390 to the OPEB trust in 2019. The Fund had a net OPEB liability of \$18.76 million, deferred outflows of resources related to OPEB of \$6.9 million, and deferred inflows of resources related to OPEB of \$2,883 included in the Statement of Net Position at December 31, 2019. The portion of the 2015 OPEB bond reported in the Wastewater Fund at December 31, 2019 was \$8.9 million.
- Operating expenses includes an adjustment \$688 thousand of net pension expense, which was a decrease of \$194 thousand from the net pension expense recognized in 2018. The Fund was not required and did not make contributions to the pension system in 2019. The Fund had a net pension asset of \$16.1 million, deferred outflows of resources related to pensions of \$2.2 million, and deferred inflows of resources related to pensions of \$2.1 million included in the Statement of Net Position at December 31, 2019.

Water Fund

Unrestricted net position (the amount available for future spending) of the City's Water fund amounted to \$6.3 million as of December 31, 2019. The fund had an increase in total net position for the year of \$232,416.

In 2019, the City's Water Fund purchased certain capital assets of the City of Parchment municipal water system in the amount of \$492,137, bringing former City of Parchment customers to the City of Kalamazoo's inside city customer classification. This was done as a part of an emergency response due to high levels of contaminants found in the City of Parchment's water system.

- Water system operating revenues increased \$1.1 million due to increased billing rates offset by decreased volumes billed as compared to 2018.
- Operating expenses increased \$1.15 million as compared to 2018. The increase was due to various increases in the cost of operations including a 12% increase in supplies, an 8% increase in payroll expenses, a 4% in pension and OPEB expenses, a 6% increase in the cost of services, and an 8% increase in depreciation expense.
- Operating expenses includes an adjustment of \$1.77 million of net OPEB expense, which was an increase of \$229 thousand over the net OPEB expense recognized in 2018. The Fund made contributions of \$315,080 to the OPEB trust in 2019. The Fund had a net OPEB liability of \$14.79 million, deferred outflows of resources related to OPEB of \$5.4 million, and deferred inflows of resources related to OPEB of \$2,273 included in the Statement of Net Position at December 31, 2019. The portion of the 2015 OPEB bond reported in the Water Fund at December 31, 2019 was \$8.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Operating expenses includes \$473,900 of net pension expense which was a decrease of \$148 thousand over the net pension expense recognized in 2018. The Fund was not required to and did not make contributions to the pension system in 2019. The Fund had a net pension asset of \$13.09 million, deferred outflows of resources related to pensions of \$1.9 million, and deferred inflows of resources related to pensions of \$1.8 million included in the Statement of Net Position at December 31, 2018.
- Capital contributions of \$1.8 million represented a major revenue source for the Water system during the current fiscal year. Contributions consist primarily of infrastructure improvements in the form of water mains, service connections, and hydrants paid by various users of the water system. Total contributions decreased by \$867,514 from 2018 as less projects were completed by users of the system in 2019 as compared to 2018.

Capital Asset and Debt Administration

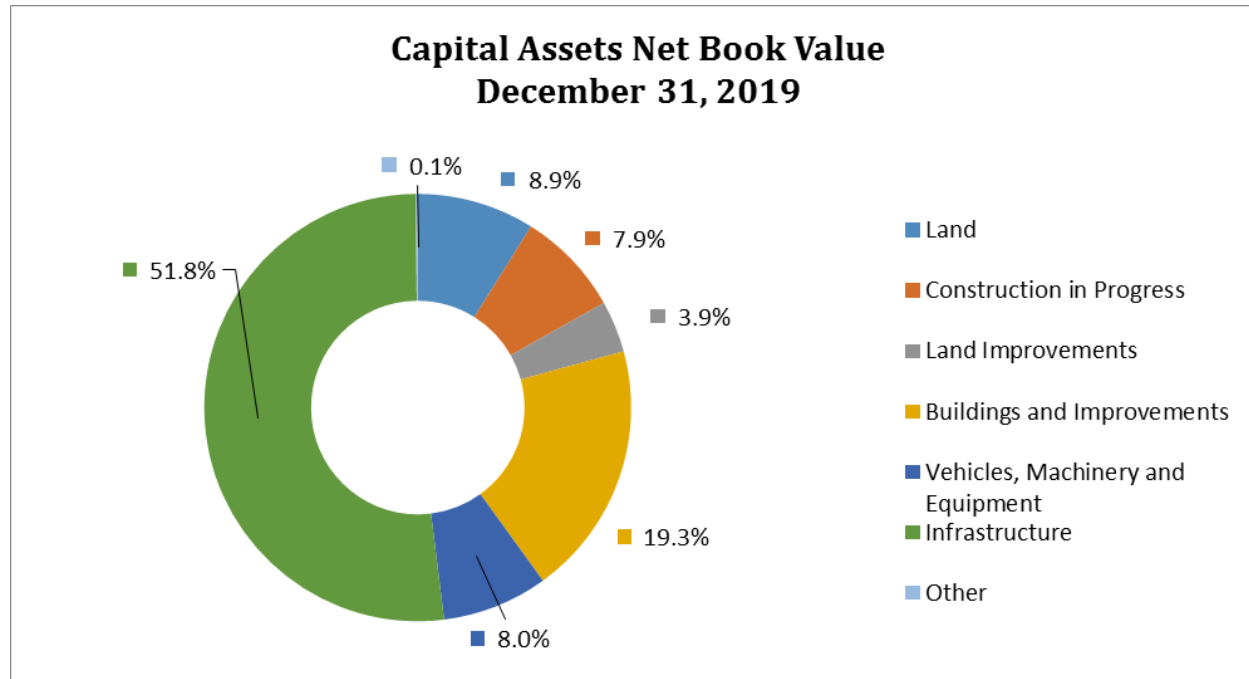
Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, totaled \$375 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, 2019 and the asset has not yet been placed into service.

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 30,109,883	\$ 30,106,606	\$ 3,293,620	\$ 3,293,620	\$ 33,403,503	\$ 33,400,226
Building and improvements	30,781,778	30,566,260	41,534,533	41,717,608	72,316,311	72,283,868
Land improvements	9,804,859	12,164,302	2,725,167	2,501,261	12,530,026	14,665,563
Machinery and equipment	3,905,794	4,023,274	15,529,623	17,049,060	19,435,417	21,072,334
Vehicles	5,475,132	5,175,314	2,917,956	3,782,222	8,393,088	8,957,536
Infrastructure	82,487,611	83,678,573	103,470,333	110,799,929	185,957,944	194,478,502
Intangible Assets	342,630	274,541	133,926	116,062	476,556	390,603
Rights to liquor license	139,200	139,200	-	-	139,200	139,200
Construction in progress	13,555,512	13,017,856	12,881,420	16,803,789	26,436,932	29,821,645
Total	<u>\$ 176,602,399</u>	<u>\$ 179,145,926</u>	<u>\$ 182,486,578</u>	<u>\$ 196,063,551</u>	<u>\$ 359,088,977</u>	<u>\$ 375,209,477</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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



Net capital assets increased \$2.54 million for governmental activities while net business-type activity capital assets increased \$13.58 million.

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

Governmental Activities:

- Construction of capital projects totaling \$9.25 million was completed in 2019 and transferred to other asset categories. Completed projects included the construction, reconstruction, widening of public streets, sidewalk improvements, and other facility and equipment improvements. Approximately \$13 million of additional improvements are in progress.
- Land additions include property purchased to address flooding on City streets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Land improvements of \$3.1 million include improvements to City parks, golf courses, the Kalamazoo River Valley Trailway, sidewalks, and street lighting.
- Building improvements of \$800 thousand include various improvements to City buildings.
- Vehicle additions of \$492 thousand included seven Utility Interceptors, Asphalt Roller and a Dump Truck.
- Machinery and Equipment additions of \$1 million include \$631 thousand for public works and streets equipment, \$154 thousand for public safety equipment, and the remaining \$215 thousand of various other equipment.
- Infrastructure additions of \$5 million include various street projects completed during 2019.
- The City disposed of assets with an original cost of \$484 thousand, and a net book value of \$28 thousand. The City disposed of various aged vehicular equipment with an original cost of \$432 thousand. Remaining disposals included aged machinery and equipment, and property that was no needed for City operations.

Business-type Activities:

Wastewater:

- Wastewater added \$7.1 million into construction in progress and transferred completed projects totaling \$3.8 million in 2019. Wastewater had \$7.6 million in construction in progress for communication system upgrades, various treatment buildings and process upgrades as well as infrastructure improvements in progress at year end.
- Wastewater added \$1.35 million of machinery and equipment that included \$725 thousand of communication system equipment and various pumps, actuators, analyzers, fine screens, and other technical equipment.
- Wastewater added \$307 thousand in vehicles that included various trucks, vans, and mobile equipment.
- Wastewater upgraded the system infrastructure consisting of various mains, interceptors, and sewer linings totaling \$1.98 million.
- Wastewater disposed of 3 trucks and a tractor with an original cost of \$136,224.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Water:

- Water added \$14.2 million into construction in progress and transferred completed projects totaling \$13.6 million in 2019. Water had \$9.2 million in construction in progress for communication system upgrades, station improvements, storage tank improvements as well as infrastructure improvements in progress at year end.
- Water upgraded the system infrastructure totaling \$9.3 million in 2019. Water purchased certain assets and infrastructure of the City of Parchment Water system in 2019. Total assets of \$501 thousand, including the City's improvements to connect the infrastructure was added to infrastructure. Additional infrastructure upgrades include \$4.9 million for the replacement of lead services and various other improvements to mains, service connections, hydrants, and meters.
- Water added \$1.8 million in machinery and equipment, consisting of communication equipment, excavators, pumps, compressors and various other equipment.
- Water added \$2 million in building improvements for upgrades to water stations and facilities.
- Water's other additions consisted of \$900 thousand in vehicles and \$17 thousand in land improvements.
- Water disposed of assets with original costs totaling \$84 thousand, with a net book value of \$8 thousand. The disposals consisted of a backhoe and hydrants.

Additional information on the City's capital assets, including detailed changes during 2019, can be found in Note 6 on pages 95-99 of this report.

Long-term debt

The City's balance of bonded debt increased by \$18.8 million during the current fiscal year. The City issued \$8.6 million in General Obligation Bonds and \$19.870 million in Revenue Bonds. The City made scheduled bond principal payments totaling \$9.685 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 2019 consisted of a \$8,600,000 par value bond issued to fund capital improvements for streets, facility improvements, park improvements, golf course improvements, and various heavy equipment. The balance of outstanding general obligation bonds as of December 31, 2019 is \$124.1 million for governmental activities and \$17.1 million for business-type activities, of which \$64.1 million for governmental activities and \$17.1 million for business type activities is due to the 2015 financing of OPEB obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City issued \$19,870,000 of revenue bonds in 2019 to fund Wastewater and Water fund capital projects. The balance of outstanding revenue bonds as of December 31, 2019 is \$975 thousand for governmental activities and \$60.5 million for business-type activities.

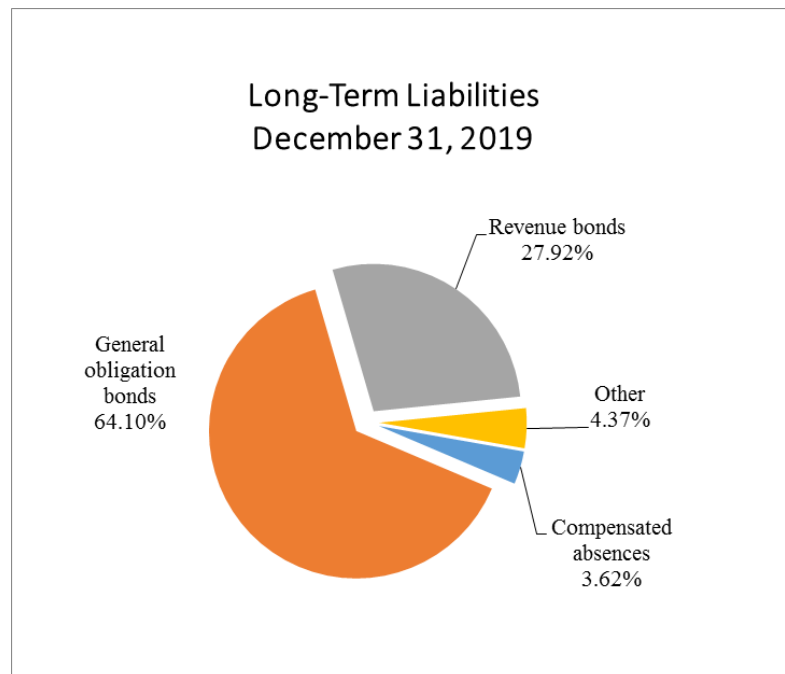
Compensated Absences

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2019 is \$8 million.

Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2019. The estimated liability to the City is \$3.85 million.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the City's long-term debt can be found in Note 7 on pages 100-109.

The following is the City's credit rating for the various outstanding debt as rated by Standard and Poor's as of December 31, 2019.

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

Economic Factors and Next Year's Budgets and Rates

The City of Kalamazoo is a mid-sized, urban Michigan municipality. Like many other urban communities, the City is "built-out", meaning its land, for the most part, is developed, and that other local units of government, which prohibits any boundary expansion, surround it. While proactive in its economic development policies (see the Transmittal Letter for a more in-depth description), the City faces challenges common of most aging urban communities.

The City is home to the main campuses of Western Michigan University and Kalamazoo College, from which the City derives immense economic and intellectual benefits. However, because of the university's location, as well as being the County seat, approximately 50% of the City's land area is considered non-taxable. Furthermore, State of Michigan has property tax growth control measures that have the effect of limiting property tax revenue growth to the rate of inflation, which has been unusually low in recent years, and normally does not reflect the inflation of the cost of doing the people's business.

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

In concert with these improvement efforts, the City Commission voted in 2016 to approve an initial agreement for the creation of a proposed Foundation For Excellence (FFE). Under this initial agreement, the FFE's lead donors will provide a donation over three years, starting in 2017, of \$70.3 million to support a reduction in the City's tax mill rate (12.0000 mills) and allocate \$10 million annually for aspirational projects targeting youth employment and development, reducing poverty, and other goal areas of the IK 2025 plan. The agreement was amended in 2019 to provide an additional \$54 million of new funds to support the budget stabilization and tax reduction in the General Fund through 2022.

In 2019, the City received \$16.3 million in the General Fund in FFE donations to support operations. In addition, \$10.1 million was received in the FFE Aspirational Projects fund. The City Commission approved \$14.0 million in the City's amended budget for FFE operations and aspirational projects including: Youth development and employment, shared prosperity, complete neighborhoods, connected city, economic vitality, and water system lead service replacements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2019, State shared revenues in the General Fund had a 3.1% or \$284 thousand increase. State revenue remains low relative to historic norms. According to the Michigan Municipal League's calculator at SaveMICity.org, Kalamazoo has lost \$60 million in State Revenue sharing from 2003-2017, assuming the statutory revenue sharing continued on the same gain or loss pattern as was the case with the constitutional revenue sharing.

In 2020 and 2021, the City is anticipating further reductions in State Revenue sharing due to the impact of the COVID-19 pandemic on the State's economy and collection of sales tax. Current estimates suggest that the City could see reductions of approximately \$600 thousand over the 2020 and 2021 State fiscal years.

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 2020 General Fund budget includes anticipated \$16.7 million of FFE funded support of operations. As further discussed in the Note 18 in the Notes to the Financial Statements, the City has received the funds to support 2020 operations as of the date of this report. The City's budgeted operating expenditures in 2020 is \$2.6 million more than the 2019 adopted budget. The General Fund will transfer \$3.3 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 2020 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 2020.

The City of Kalamazoo's General Fund Reserve Policy guides the creation, maintenance, and use of reserves. The fund balance of the General Operating Fund will be budgeted within the target range of 15% of budgeted annual operating revenues. The City has an additional reserve account of \$500 thousand for contingency reserves. The projected fund balance in 2020 is targeted to be 17.5% of operating revenues, which will exceed the City Commission Budget Policy target of 15% of revenues.

Due to the COVID-19 pandemic, the City anticipates additional losses in revenues in 2020 due to closed city services and a slowed economy. At the time of this report, management of the City is closely monitoring the situation and controlling expenditures to adjust to the changing economy.

In 2020, the City of Kalamazoo FFE Aspirational Projects fund has budgeted \$8.3 million for FFE operations (\$460 thousand) and aspirational projects. The aspirational projects include: \$1.2 million for youth development and employment, \$82 thousand for shared prosperity, \$3.2 million for complete neighborhoods, \$500 thousand for connected city, \$2.3 million for economic vitality, \$66 thousand for environmental responsibility, and \$500 thousand for water system lead services improvements. In addition to the adopted initiatives, budgets for incomplete projects will be carried forward into 2020.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**CITY OF KALAMAZOO
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 45,109,082	\$ 12,217,530	\$ 57,326,612	\$ 5,794,295
Cash and cash equivalents, restricted	12,684,454	18,389,758	31,074,212	343,137
Investments	19,075,692	11,907,721	30,983,413	855,978
Investments with agents	3,374,332	-	3,374,332	-
Current portion of receivables	4,394,884	6,401,096	10,795,980	966,071
Internal balances	(539,059)	539,059	-	-
Due from other governmental units	4,875,878	1,062,159	5,938,037	3,368
Inventories	484,576	620,568	1,105,144	-
Prepays	201,375	37,771	239,146	500,000
Total current assets	89,661,214	51,175,662	140,836,876	8,462,849
Noncurrent assets				
Advance to other governmental units	688,136	-	688,136	-
Noncurrent portion of receivables	1,502,116	-	1,502,116	1,217,054
Noncurrent portion of amounts due from other governmental units	3,854,466	-	3,854,466	-
Net pension asset	139,211,048	29,227,447	168,438,495	-
Capital assets not being depreciated	43,263,662	20,097,409	63,361,071	58,162
Capital assets, net of accumulated depreciation	135,882,264	175,966,142	311,848,406	278,559
Total noncurrent assets	324,401,692	225,290,998	549,692,690	1,553,775
TOTAL ASSETS	414,062,906	276,466,660	690,529,566	10,016,624
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	402,869	148,440	551,309	-
Deferred outflows of resources related to pensions	17,021,693	4,124,888	21,146,581	-
Deferred outflows of resources related to OPEB	42,670,558	12,290,300	54,960,858	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	60,095,120	16,563,628	76,658,748	-

See accompanying notes to financial statements.

CONTINUED

CITY OF KALAMAZOO
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,348,312	\$ 4,002,069	\$ 7,350,381	\$ 551,486
Accrued payroll	1,341,529	-	1,341,529	-
Accrued interest payable	728,477	736,647	1,465,124	67,094
Other accrued liabilities	1,651,087	97	1,651,184	-
Deposits payable	273,693	1,011,557	1,285,250	-
Due to other governmental units	2,435	317,816	320,251	7,337
Unearned revenue	697,535	-	697,535	33,835
Current portion of compensated absences	2,577,503	713,461	3,290,964	1,989
Current portion of long-term debt	7,838,206	2,995,853	10,834,059	900,433
Current portion of uninsured claim liability	1,653,152	-	1,653,152	-
Total current liabilities	20,111,929	9,777,500	29,889,429	1,562,174
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-	688,136
Noncurrent portion of compensated absences	4,373,586	304,376	4,677,962	974
Noncurrent portion of true-up settlement	-	2,103,296	2,103,296	-
Noncurrent portion of long-term debt	122,102,398	76,550,116	198,652,514	1,424,584
Noncurrent portion of uninsured claim liability	1,248,197	-	1,248,197	-
Net other post-employment benefits liability	117,361,029	33,550,744	150,911,773	-
Total noncurrent liabilities	245,085,210	112,508,532	357,593,742	2,113,694
TOTAL LIABILITIES	265,197,139	122,286,032	387,483,171	3,675,868
DEFERRED INFLOWS OF RESOURCES				
Deferred sales of future revenues	3,777,021	-	3,777,021	-
Deferred inflows of resources related to pensions	19,085,657	3,942,781	23,028,438	-
Deferred inflows of resources related to OPEB	18,034	5,156	23,190	-
TOTAL DEFERRED INFLOWS OF RESOURCES	22,880,712	3,947,937	26,828,649	-

See accompanying notes to financial statements.

CONTINUED

CITY OF KALAMAZOO
STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 124,191,725	\$ 148,065,618	\$ 272,257,343	\$ 336,721
Restricted				
Nonexpendable	3,369,217	-	3,369,217	-
Expendable, restricted for:				
Major and local street projects	12,149,918	-	12,149,918	-
FFE aspirational projects	11,833,082	-	11,833,082	-
Solid waste program	1,297,622	-	1,297,622	-
Parks and recreation	1,266,632	-	1,266,632	-
Neighborhood and community development	1,163,175	-	1,163,175	-
Other purposes	15,709,295	4,112,996	19,822,291	386,910
Unrestricted	15,099,509	14,617,705	29,717,214	5,617,125
TOTAL NET POSITION	\$ 186,080,175	\$ 166,796,319	\$ 352,876,494	\$ 6,340,756

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 13,337,417	\$ 8,785,840	\$ 1,097,737	\$ 1,350,625	\$ (2,103,215)	\$ -	\$ (2,103,215)	\$ -
Public safety	44,946,326	1,562,334	4,484,049	8,224	(38,891,719)	-	(38,891,719)	-
Public works	8,465,745	-	375	585,446	(7,879,924)	-	(7,879,924)	-
Streets	12,968,356	115,911	7,863,549	7,013,998	2,025,102	-	2,025,102	-
Community and economic development	9,779,012	2,072,539	27,710,652	-	20,004,179	-	20,004,179	-
Parks and recreation	6,299,389	2,119,057	118,674	-	(4,061,658)	-	(4,061,658)	-
Interest on long-term debt	4,630,744	688,383	548,545	-	(3,393,816)	-	(3,393,816)	-
Total governmental activities	100,426,989	15,344,064	41,823,581	8,958,293	(34,301,051)	-	(34,301,051)	-
Business-type activities								
Wastewater	29,961,234	23,805,086	394,098	21,425	-	(5,740,625)	(5,740,625)	-
Water	21,391,499	18,616,280	465,982	1,835,756	-	(473,481)	(473,481)	-
Total business-type activities	51,352,733	42,421,366	860,080	1,857,181	-	(6,214,106)	(6,214,106)	-
Total primary government	<u>\$ 151,779,722</u>	<u>\$ 57,765,430</u>	<u>\$ 42,683,661</u>	<u>\$ 10,815,474</u>	(34,301,051)	(6,214,106)	(40,515,157)	-
Component units								
Downtown Development Authority	\$ 3,145,067	\$ 2,225,793	\$ -	\$ -	-	-	-	(919,274)
Economic Development Corporation	18,284	-	41,770	-	-	-	-	23,486
Brownfield Redevelopment Authority	1,491,463	-	207,888	-	-	-	-	(1,283,575)
Local Development Finance Authority	-	-	-	-	-	-	-	-
Kalamazoo Foundation For Excellence	562	-	6,889	-	-	-	-	6,327
Downtown Economic Growth Authority	486,236	-	150,000	-	-	-	-	(336,236)
Total component units	<u>\$ 5,141,612</u>	<u>\$ 2,225,793</u>	<u>\$ 406,547</u>	<u>\$ -</u>	-	-	-	(2,509,272)
General revenues								
Property taxes					23,498,110	-	23,498,110	1,450,000
Unrestricted state shared revenues					9,492,449	-	9,492,449	-
Local community stabilization					1,811,392	-	1,811,392	-
Investment earnings					3,191,077	723,717	3,914,794	163,309
Gain on disposal of capital assets					69,257	29,641	98,898	197,561
Miscellaneous					213,867	114,807	328,674	117,695
Transfers					(652,992)	652,992	-	-
Total general revenues and transfers					37,623,160	1,521,157	39,144,317	1,928,565
Change in net position					3,322,109	(4,692,949)	(1,370,840)	(580,707)
Net position, beginning of the year					182,758,066	171,489,268	354,247,334	6,921,463
Net position, end of the year					<u>\$ 186,080,175</u>	<u>\$ 166,796,319</u>	<u>\$ 352,876,494</u>	<u>\$ 6,340,756</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

	General	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 7,251,416	\$ 12,207,206	\$ 9,812,451	\$ 29,271,073
Cash and cash equivalents - restricted	-	-	12,684,454	12,684,454
Investments	2,529,766	1,000,000	11,202,964	14,732,730
Investments with agents	-	-	3,261,492	3,261,492
Receivables				
Accounts	1,316,193	-	386,188	1,702,381
Interest	105,933	12,426	53,067	171,426
Special assessments	2,212	-	-	2,212
Taxes	1,299,078	-	154,670	1,453,748
Notes	953,782	-	814,766	1,768,548
Due from other funds	3,586,409	-	1,284,928	4,871,337
Due from other governmental units	635,648	-	8,089,917	8,725,565
Advances to other funds	340,000	-	-	340,000
Advances to other governmental units	-	-	688,136	688,136
Inventories	95,538	-	389,038	484,576
Prepays	201,375	-	-	201,375
	<u>\$ 18,317,350</u>	<u>\$ 13,219,632</u>	<u>\$ 48,822,071</u>	<u>\$ 80,359,053</u>
TOTAL ASSETS	<u>\$ 18,317,350</u>	<u>\$ 13,219,632</u>	<u>\$ 48,822,071</u>	<u>\$ 80,359,053</u>

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
BALANCE SHEET (CONCLUDED)
DECEMBER 31, 2019**

	General	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
LIABILITIES				
Accounts payable	\$ 707,801	\$ 668,728	\$ 1,916,980	\$ 3,293,509
Accrued liabilities	60,400	-	19,513	79,913
Due to other funds	2,331,987	717,822	4,642,403	7,692,212
Due to other governmental units	2,304	-	131	2,435
Deposits payable	50,000	-	223,693	273,693
Unearned revenue	-	-	697,535	697,535
TOTAL LIABILITIES	3,152,492	1,386,550	7,500,255	12,039,297
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,243,298	-	4,321,512	5,564,810
FUND BALANCES				
Nonspendable	1,590,695	-	3,758,255	5,348,950
Restricted	-	11,833,082	31,256,551	43,089,633
Committed	-	-	1,985,498	1,985,498
Assigned	560,245	-	-	560,245
Unassigned	11,770,620	-	-	11,770,620
TOTAL FUND BALANCES	13,921,560	11,833,082	37,000,304	62,754,946
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,317,350	\$ 13,219,632	\$ 48,822,071	\$ 80,359,053

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total fund balance - governmental funds \$ 62,754,946

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	\$ 382,617,686	
Accumulated depreciation is	<u>(203,471,760)</u>	
Capital assets, net		179,145,926

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

Net pension asset	139,211,048	
Deferred outflows of resources related to pensions	17,021,693	
Deferred outflows of resources related to OPEB	42,670,558	
Deferred inflows of resources related to pensions	(19,085,657)	
Deferred inflows of resources related to OPEB	(18,034)	
Deferred charges on refunding	<u>402,869</u>	
		180,202,477

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 5,564,810

CITY OF KALAMAZOO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2019

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	\$ 13,393,215
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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	\$ (125,177,629)	
Net other post-employment benefits liability	(117,361,029)	
Environmental matters liability	(946,040)	
Unamortized deferred amounts on debt issuance	(3,816,935)	
Accrued interest payable	(728,477)	
Compensated absences	<u>(6,951,089)</u>	
		<u>(254,981,199)</u>
Net position of governmental activities		<u><u>\$ 186,080,175</u></u>

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	General	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 20,967,456	\$ -	\$ 2,826,203	\$ 23,793,659
Special assessments	42,786	-	-	42,786
Licenses and permits	2,786,500	-	-	2,786,500
Intergovernmental	14,041,004	-	21,415,563	35,456,567
Charges for services	9,353,548	-	2,202,770	11,556,318
Fines and forfeits	7,651	-	59,075	66,726
Interest and rents	571,793	791,408	1,829,219	3,192,420
Net investment earnings	-	-	643,463	643,463
Other				
Donations and contributions	16,406,800	10,154,180	692,786	27,253,766
Other	513,916	-	901,275	1,415,191
TOTAL REVENUES	64,691,454	10,945,588	30,570,354	106,207,396
EXPENDITURES				
Current				
General government	10,963,210	-	136,020	11,099,230
Public safety	31,450,956	-	2,037,570	33,488,526
Public works	4,953,848	-	3,175,556	8,129,404
Streets	-	-	9,588,959	9,588,959
Community and economic development	2,712,345	3,660,356	3,489,312	9,862,013
Parks and recreation	2,414,898	-	3,404,835	5,819,733
Other	3,882,174	-	-	3,882,174
Debt service				
Principal	-	-	6,928,137	6,928,137
Interest and fiscal charges	-	-	4,804,497	4,804,497
Capital outlay	-	500,000	4,947,404	5,447,404
TOTAL EXPENDITURES	56,377,431	4,160,356	38,512,290	99,050,077
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,314,023	6,785,232	(7,941,936)	7,157,319

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019**

	General	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ -	\$ -	\$ 8,688,665	\$ 8,688,665
Bond premium	-	-	1,580,851	1,580,851
Transfers in	1,700,004	-	19,330,153	21,030,157
Transfers out	<u>(7,915,073)</u>	<u>(3,326,300)</u>	<u>(7,963,776)</u>	<u>(19,205,149)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,215,069)</u>	<u>(3,326,300)</u>	<u>21,635,893</u>	<u>12,094,524</u>
NET CHANGE IN FUND BALANCES	2,098,954	3,458,932	13,693,957	19,251,843
Fund balances, beginning of year	<u>11,822,606</u>	<u>8,374,150</u>	<u>23,306,347</u>	<u>43,503,103</u>
Fund balances, end of year	<u><u>\$ 13,921,560</u></u>	<u><u>\$ 11,833,082</u></u>	<u><u>\$ 37,000,304</u></u>	<u><u>\$ 62,754,946</u></u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
RECONCILIATION OF THE CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances - total governmental funds	\$ 19,251,843
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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	\$ 9,942,111	
Depreciation expense	(7,370,375)	
Net effect of disposal of capital assets	(28,209)	
Excess of capital outlay over depreciation expense and other items		2,543,527

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,041,308)
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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	4,613,336
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CITY OF KALAMAZOO
RECONCILIATION OF THE CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019

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 and loan proceeds	\$ (8,688,665)	
Debt principal retirement	<u>6,928,137</u>	
		\$ (1,760,528)

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	37,748,771	
(Decrease) in deferred outflows of resources related to pensions	(22,778,713)	
Increase in deferred outflows of resources related to OPEB	2,606,231	
(Increase) in deferred inflows of resources related to pensions	(18,130,387)	
Decrease in deferred inflows of resources related to OPEB	4,503,194	
(Decrease) in deferred charges on refunding	(62,168)	
(Increase) in deferred amounts on debt issuance	(1,364,407)	
Decrease in accrued interest payable	19,485	
(Increase) in compensated absences	(299,251)	
(Increase) in environmental matters liability	(455,641)	
(Increase) in net OPEB liability	<u>(21,071,875)</u>	
		<u>(19,284,761)</u>

Change in net position of governmental activities	<u><u>\$ 3,322,109</u></u>
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**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 20,531,669	\$ 20,531,669	\$ 20,967,456	\$ 435,787
Special assessments	41,536	41,536	42,786	1,250
Licenses and permits	2,391,659	2,391,659	2,786,500	394,841
Intergovernmental	12,461,120	12,461,120	14,041,004	1,579,884
Charges for services	9,561,308	9,561,308	9,353,548	(207,760)
Fines and forfeits	8,050	8,050	7,651	(399)
Interest and rents	187,800	187,800	571,793	383,993
Other				
Donations and contributions	16,320,149	16,333,549	16,406,800	73,251
Other	389,050	389,050	513,916	124,866
TOTAL REVENUES	61,892,341	61,905,741	64,691,454	2,785,713
EXPENDITURES				
Current				
General government				
Commission	84,892	84,892	90,897	(6,005)
Manager	1,786,336	1,564,047	1,563,043	1,004
Attorney	838,197	854,482	717,414	137,068
Clerk				
Administration	347,859	352,192	285,658	66,534
Election	228,087	229,594	192,515	37,079
Records management	241,928	244,216	222,014	22,202
Internal audit	93,834	96,574	95,606	968
Human resources	953,341	967,916	850,411	117,505
Customer service	602,250	607,790	584,775	23,015

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Current (continued)				
General government (concluded)				
Management services				
Administration	\$ 381,244	\$ 382,422	\$ 304,360	\$ 78,062
Budget and accounting	652,908	659,058	632,502	26,556
Financial services	512,073	517,940	542,184	(24,244)
Assessor	485,676	486,718	459,455	27,263
Treasurer	1,392,072	1,398,972	1,296,766	102,206
Purchasing	396,277	400,332	404,279	(3,947)
Information technology	2,795,153	2,825,103	2,721,331	103,772
Total general government	11,792,127	11,672,248	10,963,210	709,038
Public safety				
Administration	1,398,590	1,426,348	1,308,006	118,342
K-Vet drug enforcement	2,448,893	2,451,731	2,279,854	171,877
Operations division	16,897,094	16,897,094	17,169,591	(272,497)
Criminal investigations	3,156,670	3,156,670	3,230,577	(73,907)
Service division	7,299,723	7,307,803	7,462,928	(155,125)
Total public safety	31,200,970	31,239,646	31,450,956	(211,310)

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Current (continued)				
Public services				
Public works				
Forestry, creek, and environmental inspections	\$ 501,648	\$ 633,048	\$ 615,411	\$ 17,637
Sidewalks and pedestrian mall maintenance	378,748	378,748	374,871	3,877
Equipment maintenance	2,871,246	2,674,959	2,737,538	(62,579)
Emergency recovery	-	13,400	32,340	(18,940)
City maintenance	1,397,433	1,366,074	1,193,688	172,386
Total public services	5,149,075	5,066,229	4,953,848	112,381
Community and economic development				
Community development	-	-	6,356	(6,356)
Economic development	315,740	319,568	308,459	11,109
Code administration	1,705,756	1,690,853	1,674,424	16,429
Planning	972,079	821,018	723,106	97,912
Total community and economic development	2,993,575	2,831,439	2,712,345	119,094
Parks and recreation				
Parks maintenance	1,358,410	1,362,636	1,215,163	147,473
Recreation	1,136,875	1,116,992	1,199,735	(82,743)
Total parks and recreation	2,495,285	2,479,628	2,414,898	64,730

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES (CONCLUDED)				
Current (concluded)				
Nondepartmental				
Street lighting	\$ 1,359,600	\$ 1,359,600	\$ 1,302,441	\$ 57,159
Contribution to OPEB trust	2,445,800	2,445,800	2,356,917	(88,883)
Other	347,189	232,315	222,816	9,499
Total nondepartmental	4,152,589	4,037,715	3,882,174	(22,225)
TOTAL EXPENDITURES	57,783,621	57,326,905	56,377,431	771,708
EXCESS OF REVENUES OVER EXPENDITURES	4,108,720	4,578,836	8,314,023	3,735,187
OTHER FINANCING SOURCES (USES)				
Transfers in	2,130,698	1,700,000	1,700,004	4
Transfers out	(7,028,449)	(7,461,449)	(7,915,073)	(453,624)
TOTAL OTHER FINANCING SOURCES (USES)	(4,897,751)	(5,761,449)	(6,215,069)	(453,620)
NET CHANGE IN FUND BALANCE	(789,031)	(1,182,613)	2,098,954	3,281,567
Fund balance, beginning of year	11,822,606	11,822,606	11,822,606	-
Fund balance, end of year	\$ 11,033,575	\$ 10,639,993	\$ 13,921,560	\$ 3,281,567

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
FFE ASPIRATIONAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 791,408	\$ 791,408
Donations and contributions	10,078,442	10,088,000	10,154,180	66,180
TOTAL REVENUES	10,078,442	10,088,000	10,945,588	857,588
EXPENDITURES				
Current				
Community and economic development				
Operations	-	546,590	336,889	209,701
Youth development and employment	-	32,649	64,700	(32,051)
Shared prosperity	-	2,080,661	408,480	1,672,181
Complete neighborhoods	-	2,385,991	1,240,680	1,145,311
Inviting public spaces	-	366,722	109,607	257,115
Economic vitality	2,750,000	2,750,000	1,500,000	1,250,000
Capital outlay	-	500,000	500,000	-
TOTAL EXPENDITURES	2,750,000	8,662,613	4,160,356	4,502,257
EXCESS OF REVENUES OVER EXPENDITURES	7,328,442	1,425,387	6,785,232	5,359,845

**CITY OF KALAMAZOO
FFE ASPIRATIONAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
OTHER FINANCING (USES)				
Transfers out for:				
FFE aspirational operations	\$ (202,912)	\$ -	\$ -	\$ -
Youth development and employment	(1,298,297)	(1,095,337)	(962,006)	133,331
Shared prosperity	(2,080,662)	-	-	-
Complete neighborhoods	(2,755,662)	(2,218,904)	(1,450,489)	768,415
Connected city	-	(250,000)	(126,164)	123,836
Economic vitality	(500,000)	(1,681,299)	(787,641)	893,658
Capital improvements	(500,000)	-	-	-
TOTAL OTHER FINANCING (USES)	(7,337,533)	(5,245,540)	(3,326,300)	1,919,240
NET CHANGE IN FUND BALANCE	(9,091)	(3,820,153)	3,458,932	7,279,085
Fund balance, beginning of year	8,374,150	8,374,150	8,374,150	-
Fund balance, end of year	<u>\$ 8,365,059</u>	<u>\$ 4,553,997</u>	<u>\$ 11,833,082</u>	<u>\$ 7,279,085</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,530,470	\$ 5,687,060	\$ 12,217,530	\$ 15,838,009
Cash and cash equivalents - restricted	9,220,406	9,169,352	18,389,758	-
Investments	6,562,216	5,345,505	11,907,721	4,342,962
Investments with agents	-	-	-	112,840
Receivables				
Customers	3,352,409	2,957,168	6,309,577	798,685
Interest	90,311	-	90,311	-
Special assessment	1,208	-	1,208	-
Due from other funds	2,376,924	145,617	2,522,541	2,634,918
Due from other governmental units	324,546	737,613	1,062,159	4,779
Inventories	150,230	470,338	620,568	-
Prepays	14,182	23,589	37,771	-
Total current assets	28,622,902	24,536,242	53,159,144	23,732,193
Noncurrent assets				
Net pension asset	16,138,092	13,089,355	29,227,447	-
Capital assets not being depreciated	8,264,666	11,832,743	20,097,409	-
Capital assets, net of accumulated depreciation	68,923,518	107,042,624	175,966,142	-
Total noncurrent assets	93,326,276	131,964,722	225,290,998	-
TOTAL ASSETS	121,949,178	156,500,964	278,450,142	23,732,193

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts on refunding	\$ 25,785	\$ 122,655	\$ 148,440	\$ -
Deferred outflows of resources related to pensions	2,235,575	1,889,313	4,124,888	-
Deferred outflows of resources related to OPEB	6,898,746	5,391,554	12,290,300	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,160,106	7,403,522	16,563,628	-
LIABILITIES				
Current liabilities				
Accounts payable	2,821,357	1,180,712	4,002,069	54,803
Accrued payroll	-	-	-	1,341,529
Other accrued liabilities	-	97	97	1,571,174
Accrued interest payable	235,751	500,896	736,647	-
Deposit payable	-	1,011,557	1,011,557	-
Due to other funds	709,347	1,274,135	1,983,482	353,102
Due to other governmental units	35,910	281,906	317,816	-
Current portion of compensated absences	396,426	317,035	713,461	-
Current portion of long-term debt	1,340,487	1,655,366	2,995,853	-
Current portion of uninsured claim liability	-	-	-	1,653,152
Total current liabilities	5,539,278	6,221,704	11,760,982	4,973,760

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
LIABILITIES (CONCLUDED)				
Noncurrent liabilities				
Advances from other funds	\$ -	\$ -	\$ -	\$ 340,000
Net other post-employment benefits liability	18,761,267	14,789,477	33,550,744	-
Noncurrent portion of compensated absences	189,646	114,730	304,376	-
Noncurrent portion of true-up settlement	2,103,296	-	2,103,296	-
Noncurrent portion of long-term debt	30,079,214	46,470,902	76,550,116	-
Noncurrent portion of uninsured claim liability	-	-	-	1,248,197
Total noncurrent liabilities	51,133,423	61,375,109	112,508,532	1,588,197
TOTAL LIABILITIES	56,672,701	67,596,813	124,269,514	6,561,957
DEFERRED INFLOWS OF RESOURCES				
Deferred sales of future revenues	-	-	-	3,777,021
Deferred inflows of resources related to pensions	2,162,199	1,780,582	3,942,781	-
Deferred inflows of resources related to OPEB	2,883	2,273	5,156	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,165,082	1,782,855	3,947,937	3,777,021
NET POSITION				
Net investment in capital assets	62,366,331	85,699,287	148,065,618	-
Restricted for bond reserves	1,583,763	2,529,233	4,112,996	-
Unrestricted	8,321,407	6,296,298	14,617,705	13,393,215
TOTAL NET POSITION	<u>\$ 72,271,501</u>	<u>\$ 94,524,818</u>	<u>\$ 166,796,319</u>	<u>\$ 13,393,215</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
OPERATING REVENUES				
Charges for services	\$ 23,805,086	\$ 18,616,280	\$ 42,421,366	\$ 17,142,828
Other	47,259	40,264	87,523	83,163
TOTAL OPERATING REVENUES	23,852,345	18,656,544	42,508,889	17,225,991
OPERATING EXPENSES				
Operation and maintenance	24,525,759	16,033,733	40,559,492	-
Risk management	-	-	-	10,370,657
Depreciation	4,392,759	3,722,630	8,115,389	-
TOTAL OPERATING EXPENSES	28,918,518	19,756,363	48,674,881	10,370,657
OPERATING INCOME (LOSS)	(5,066,173)	(1,099,819)	(6,165,992)	6,855,334

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	\$ 394,098	\$ 465,982	\$ 860,080	\$ -
Interest revenue	374,336	349,381	723,717	236,002
Other	2,192	-	2,192	-
Gain on sale of capital assets	12,200	17,441	29,641	-
Amortization of:				
Bond defeasance expenses	(9,314)	(15,801)	(25,115)	-
Bond premiums and discounts	6,277	18,815	25,092	-
Interest expense and fiscal charges	(1,033,402)	(1,619,335)	(2,652,737)	-
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (253,613)	 (783,517)	 (1,037,130)	 236,002
 NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	 (5,319,786)	 (1,883,336)	 (7,203,122)	 7,091,336
 CAPITAL CONTRIBUTIONS	 21,425	 1,835,756	 1,857,181	 -
TRANSFERS IN	372,996	279,996	652,992	-
TRANSFERS OUT	-	-	-	(2,478,000)
 CHANGE IN NET POSITION	 (4,925,365)	 232,416	 (4,692,949)	 4,613,336
 Net position, beginning of year	 77,196,866	 94,292,402	 171,489,268	 8,779,879
 Net position, end of year	 \$ 72,271,501	 \$ 94,524,818	 \$ 166,796,319	 \$ 13,393,215

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 21,723,208	\$ 19,174,596	\$ 40,897,804	\$ -
Cash received from interfund services provided	-	-	-	18,256,260
Cash paid to suppliers	(13,226,632)	(7,706,898)	(20,933,530)	-
Cash paid to employees	(4,515,793)	(4,197,462)	(8,713,255)	-
Cash paid for employee benefits	(2,369,826)	(1,946,448)	(4,316,274)	(10,407,162)
Cash received for interfund services provided	302,374	1,516,486	1,818,860	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,913,331	6,840,274	8,753,605	7,849,098
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental grant	394,098	465,982	860,080	-
Tax liens and reimbursements	2,192	-	2,192	-
Interest paid on OPEB bonds	(387,589)	(355,143)	(742,732)	-
Payments on OPEB bonds	(214,305)	(196,365)	(410,670)	-
Advance to other fund	-	-	-	287,000
Transfer in	372,996	279,996	652,992	-
Transfer out	-	-	-	(2,478,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	167,392	194,470	361,862	(2,191,000)

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	\$ (7,121,945)	\$ (12,965,656)	\$ (20,087,601)	\$ -
Contributions received	21,425	223,206	244,631	-
Cash received for disposal of capital assets	12,200	25,230	37,430	-
Interest paid	(566,250)	(1,155,512)	(1,721,762)	-
Proceeds from debt issuance	10,118,916	11,060,664	21,179,580	-
Payments on borrowings	(850,000)	(1,525,000)	(2,375,000)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,614,346	(4,337,068)	(2,722,722)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(6,562,216)	(5,345,505)	(11,907,721)	(4,455,802)
Maturity of investments	8,451,441	6,330,869	14,782,310	4,438,689
Interest received	370,584	349,381	719,965	236,002
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,259,809	1,334,745	3,594,554	218,889
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,954,878	4,032,421	9,987,299	5,876,987
Cash and cash equivalents, beginning of year	9,795,998	10,823,991	20,619,989	9,961,022
Cash and cash equivalents, end of year	<u>\$ 15,750,876</u>	<u>\$ 14,856,412</u>	<u>\$ 30,607,288</u>	<u>\$ 15,838,009</u>

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (5,066,173)	\$ (1,099,819)	\$ (6,165,992)	\$ 6,855,334
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	4,392,759	3,722,630	8,115,389	-
(Increase) decrease in:				
Accounts receivable	(895,872)	(195,172)	(1,091,044)	1,499,717
Due from other funds	181,006	817,857	998,863	(277,672)
Due from other governmental units	(181,561)	588,025	406,464	9,209
Inventories	3,133	(78,719)	(75,586)	-
Prepays	(11,742)	12,336	594	-
Net pension asset	(4,207,510)	(3,346,888)	(7,554,398)	-
Deferred outflows of resources related to pensions	2,801,043	2,176,830	4,977,873	-
Deferred outflows of resources related to OPEB	(639,525)	(408,102)	(1,047,627)	-
Increase (decrease) in:				
Accounts payable	1,419,470	(252,125)	1,167,345	(134,833)
Accrued liabilities	-	(438)	(438)	434,234
Due to other funds	121,368	698,629	819,997	(200,985)
Due to other governmental units	7,646	258,176	265,822	-
Deposits payable	-	125,199	125,199	-
Compensated absences	71,811	1,223	73,034	(83,163)
Uninsured claim liability	-	-	-	(252,743)
Net other post-employment benefits liability	3,584,020	2,740,172	6,324,192	-
True-up settlement	(1,051,704)	-	(1,051,704)	-
Deferred inflows of resources related to pensions	2,094,922	1,643,958	3,738,880	-
Deferred inflows of resources related to OPEB	(709,760)	(563,498)	(1,273,258)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,913,331	\$ 6,840,274	\$ 8,753,605	\$ 7,849,098
NONCASH FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ 1,612,550	\$ 1,612,550	\$ -

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Pension and Other Post-Employment Benefits Trusts	General Private Purpose Trust Fund	Tax Collector's Custodial Fund
ASSETS			
Cash and cash equivalents	\$ 192,982	\$ 144,549	\$ 15,625,067
Investments			
U.S. Treasuries	52,504,853	-	-
Corporate bonds	64,491,878	-	-
Collateralized mortgage obligations	70,169,117	-	-
Equity mutual funds	550,947,529	-	-
Real estate mutual funds	38,306,675	-	-
Receivables			
Interest and dividends	1,016,081	-	-
Investments sold	2,401,043	-	-
Other	-	18,910	-
TOTAL ASSETS	780,030,158	163,459	15,625,067
LIABILITIES			
Accounts payable	785,505	-	-
Undistributed tax collections	-	-	15,625,067
Due to individuals and agencies	-	54,667	-
TOTAL LIABILITIES	785,505	54,667	15,625,067
NET POSITION			
Restricted for:			
Pension	677,139,268	-	-
OPEB	102,105,385	-	-
Individuals, organizations, and other governments	-	108,792	-
TOTAL NET POSITION	\$ 779,244,653	\$ 108,792	\$ -

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Pension and Other Post-Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Custodial Fund
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 113,890,700	\$ -	\$ -
Interest	5,190,821	2,440	-
Dividends	12,832,554	-	-
	<hr/>	<hr/>	<hr/>
Total investment income	131,914,075	2,440	-
Less investment expense	(2,309,241)	-	-
	<hr/>	<hr/>	<hr/>
Net investment income	129,604,834	2,440	-
Contributions			
Employer	3,500,000	-	-
Plan members	2,216,430	-	-
Other	-	18,910	-
	<hr/>	<hr/>	<hr/>
Total contributions	5,716,430	18,910	-
	<hr/>	<hr/>	<hr/>
Other additions			
Tax collections for other governments	-	-	70,857,841
	<hr/>	<hr/>	<hr/>
TOTAL ADDITIONS TO NET POSITION	135,321,264	21,350	70,857,841

**CITY OF KALAMAZOO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019**

	Pension and Other Post-Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Custodial Fund
DEDUCTIONS FROM NET POSITION			
Benefits	\$ 40,377,739	\$ -	\$ -
Refunds of contributions	179,863	-	-
Administrative expenses	826,667	21,807	-
Payment of taxes collected for other governments	-	-	70,857,841
Miscellaneous expenses	-	-	-
TOTAL DEDUCTIONS	41,384,269	21,807	70,857,841
CHANGE IN NET POSITION	93,936,995	(457)	-
Net position, beginning of year	685,307,658	109,249	-
Net position, end of year	\$ 779,244,653	\$ 108,792	\$ -

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
COMPONENT UNITS
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Kalamazoo Foundation For Excellence	Downtown Economic Growth Authority	Total Component Units
ASSETS							
Current assets							
Cash and cash equivalents	\$ 2,465,717	\$ 426,100	\$ 2,801,775	\$ -	\$ 16,655	\$ 84,048	\$ 5,794,295
Cash and cash equivalents - restricted	343,137	-	-	-	-	-	343,137
Investments	-	-	855,978	-	-	-	855,978
Accounts receivable	108,167	-	-	-	28,119	-	136,286
Taxes receivable	15,276	-	401,542	7,978	-	48,350	473,146
Due from other governmental units	-	816	2,552	-	-	-	3,368
Prepays	-	-	500,000	-	-	-	500,000
Current portion of notes receivable	300,000	-	56,639	-	-	-	356,639
Total current assets	3,232,297	426,916	4,618,486	7,978	44,774	132,398	8,462,849
Noncurrent assets							
Noncurrent portion of notes receivable	576,799	-	640,255	-	-	-	1,217,054
Capital assets not being depreciated	58,162	-	-	-	-	-	58,162
Capital assets, net of accumulated depreciation	278,559	-	-	-	-	-	278,559
Total noncurrent assets	913,520	-	640,255	-	-	-	1,553,775
TOTAL ASSETS	4,145,817	426,916	5,258,741	7,978	44,774	132,398	10,016,624

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
COMPONENT UNITS
STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2019**

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Kalamazoo Foundation For Excellence	Downtown Economic Growth Authority	Total Component Units
LIABILITIES							
Current liabilities							
Accounts payable	\$ 152,383	\$ 35	\$ 356,310	\$ -	\$ 501	\$ 42,257	\$ 551,486
Accrued interest payable	67,094	-	-	-	-	-	67,094
Due to other governmental units	-	-	6,837	-	500	-	7,337
Unearned revenue	2,673	-	30,000	-	-	1,162	33,835
Current portion of compensated absences	-	-	1,989	-	-	-	1,989
Current portion of long-term debt	900,433	-	-	-	-	-	900,433
Total current liabilities	1,122,583	35	395,136	-	1,001	43,419	1,562,174
Noncurrent liabilities							
Noncurrent portion of compensated absences	-	-	974	-	-	-	974
Noncurrent portion of long-term debt	330,649	-	793,935	-	-	300,000	1,424,584
Noncurrent portion of advances from other governmental units	-	-	688,136	-	-	-	688,136
Total noncurrent liabilities	330,649	-	1,483,045	-	-	300,000	2,113,694
TOTAL LIABILITIES	1,453,232	35	1,878,181	-	1,001	343,419	3,675,868
NET POSITION							
Net investment in capital assets	336,721	-	-	-	-	-	336,721
Restricted	343,137	-	-	-	43,773	-	386,910
Unrestricted	2,012,727	426,881	3,380,560	7,978	-	(211,021)	5,617,125
TOTAL NET POSITION	\$ 2,692,585	\$ 426,881	\$ 3,380,560	\$ 7,978	\$ 43,773	\$ (211,021)	\$ 6,340,756

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
COMPONENT UNITS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Kalamazoo Foundation For Excellence	Downtown Economic Growth Authority	Total Component Units
Governmental Activities										
Downtown Development Authority	\$ 3,145,067	\$ 2,225,793	\$ -	\$ (919,274)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (919,274)
Economic Development Corporation	18,284	-	41,770	-	23,486	-	-	-	-	23,486
Brownfield Redevelopment Authority	1,491,463	-	207,888	-	-	(1,283,575)	-	-	-	(1,283,575)
Local Development Finance Authority	-	-	-	-	-	-	-	-	-	-
Kalamazoo Foundation For Excellence	562	-	6,889	-	-	-	-	6,327	-	6,327
Downtown Economic Growth Authority	486,236	-	150,000	-	-	-	-	-	(336,236)	(336,236)
TOTALS	\$ 4,655,376	\$ 2,225,793	\$ 406,547	(919,274)	23,486	(1,283,575)	-	6,327	(336,236)	(2,509,272)
General revenues										
Property taxes				271,310	-	1,130,340	-	-	48,350	1,450,000
Investment earnings				83,251	1,668	77,405	-	-	985	163,309
Gain on sale				-	-	197,561	-	-	-	197,561
Miscellaneous				41,815	-	-	-	-	75,880	117,695
Total general revenues				396,376	1,668	1,405,306	-	-	125,215	1,928,565
Change in net position				(522,898)	25,154	121,731	-	6,327	(211,021)	(580,707)
Net position, beginning of year				3,215,483	401,727	3,258,829	7,978	37,446	-	6,921,463
Net position, end of year				<u>\$ 2,692,585</u>	<u>\$ 426,881</u>	<u>\$ 3,380,560</u>	<u>\$ 7,978</u>	<u>\$ 43,773</u>	<u>\$ (211,021)</u>	<u>\$ 6,340,756</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalamazoo (the City) is the county seat for Kalamazoo County, Michigan, and has a population of approximately 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.

Reporting Entity

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

Blended Component Unit

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units

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

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

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

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

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2019.

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 uncollected tax receivables and associated deferred inflows are held in the LDFA fund until the property tax can be collected or adjusted.

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units (concluded)

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

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

Fiduciary Component Units

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

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

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Foundation For Excellence (FFE) Aspirational Projects Fund is used to account for revenues received from private donors to fund aspirational projects based on the results of the Imagine Kalamazoo 2025 plan including generational poverty, youth development, employment, capital and human infrastructure, economic development and inviting public spaces.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (CONTINUED)

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (concluded)

FUND FINANCIAL STATEMENTS (CONCLUDED)

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

Measurement Focus

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

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

Basis of Accounting

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (concluded)

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

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

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

If/when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (concluded)

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

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

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

Cash, Cash Equivalents, and Investments

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. The United States government or federal agency obligations repurchase agreements.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments (concluded)

- d. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Receivables

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

Inventories

Inventories are valued at cost using the first in-first out method. Inventories in the enterprise funds consist of wastewater and water system supplies. Inventories in the governmental funds consist of fuel, parts, and supplies and are reported using the consumption method.

Prepays

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

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

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

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

Unearned Revenue

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

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (concluded)

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

Net Pension Asset

A net pension liability is calculated by subtracting the pension net position from the total pension liability. Because net position is greater than the total pension liability, this results in a net pension asset to the City. The net pension asset is deemed to be a noncurrent asset and is recognized in the government-wide financial statements as well as the enterprise funds. The General Fund, nonmajor governmental, Wastewater, and Water funds contribute to the Employees' Retirement System, as necessary.

Net OPEB Liability

A net OPEB liability is calculated by subtracting the OPEB net position from the total OPEB liability. Because net position is less than the total OPEB liability, this results in a net OPEB liability to the City. The net OPEB liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements as well as the enterprise funds. The General Fund, nonmajor governmental, Wastewater, and Water funds contribute to the Other Post-Employment Benefits Trust, as necessary.

Property Taxes

The City of Kalamazoo bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (concluded)

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for waste collection. For the year ended December 31, 2019, the City levied 12.0000 mills for general governmental services and 1.8000 mills for waste collection. The total taxable value for the 2019 levy for property within the City was \$1,584,587,542.

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

Notes Receivable

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

Advances to Other 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.

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance:

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

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

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

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

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

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

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

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Restricted Net Position

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

Federal Programs

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

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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, 2019, the carrying amount of the City's deposits was \$101,164,042 and the bank balance was \$104,587,324. The financial statements include \$5,600 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, 2019, the City accounts were insured by the Federal Deposit Insurance Corporation for \$2,471,641 and the amount of \$102,115,683 was uninsured and uncollateralized.

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - 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 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, 2019, the carrying amounts and fair 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	\$ 6,497,848	\$ -	\$ -	\$ 6,497,848	AA+	417 days
Fannie Mae	499,431	-	-	499,431	AA+	1,187 days
Freddie Mac	1,500,228	-	-	1,500,228	AA+	950 days
Treasury bills	1,017,758	-	-	1,017,758	AA+	29 days
Municipal bonds	-	9,886,622	-	9,886,622	Not Rated	733 days
Commercial paper	1,472,887	-	-	1,472,887	Not Rated	30 days
Equity mutual funds	3,890,624	-	-	3,890,624	Not Rated	N/A
	<u>\$ 14,878,776</u>	<u>\$ 9,886,622</u>	<u>\$ -</u>	<u>\$ 24,765,398</u>		

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments in Entities that Calculate Net Asset Value Per Share

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

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

At the year ended December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency if Eligible</u>	<u>Redemption Notice Period</u>
Michigan Class	<u>\$ 16,212,223</u>	<u>\$ -</u>	No restrictions	None

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 \$3,261,492 and \$112,840, respectively, as of December 31, 2019, 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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, 2019, 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 18 months. As of December 31, 2019, the City's investment in the MI Class investments had a weighted average maturity of 44 days.

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, 2019, the City investment in the MI Class investments was rated AA+ by S&P Global Ratings and the City's investments in the U.S. Agencies investments were rated AA+ by Standard and Poor's. All of the City's investments comply with its policy regarding the types of investments it may hold.

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST

The deposits and investments of the Other Post-Employment Benefits Trust (the Trust) have been pooled with those of the 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, 2019, the System's investments represented approximately 83.3% of the portfolio and the Trust's investments represented approximately 12.6% of the portfolio.

Deposits

Checking or other demand/time deposit accounts are not maintained. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2019, was \$192,982. These amounts were fully insured as of December 31, 2019.

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments (concluded)

The adopted asset allocation policy as of December 31, 2019, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Rate of Return</u>
Micro Capitalization Domestic Equity	5.00%	4.87%
Small Capitalization Domestic Equity	10.00%	4.87%
Small Capitalization Value International Equity	10.00%	5.37%
S&P Index Funds	30.00%	4.37%
Large Capitalization Domestic Equity	5.00%	4.37%
Emerging Markets Equity	10.00%	7.87%
Intermediate Fixed Income	12.50%	0.57%
Long Fixed Income	12.50%	0.57%
Real Estate Securities	2.50%	2.77%
Real Estate	2.50%	2.77%

The System's and Trust's investments are held in nine portfolios administered by five investment managers. Following is a summary of the portfolio's investments as of December 31, 2019:

U.S. Treasuries	\$ 52,504,853
Corporate bonds	64,491,878
Collateralized mortgage obligations (CMO)	70,169,117
Equity mutual funds	550,947,529
Real estate mutual funds	<u>38,306,675</u>
Total investments	<u>\$ 776,420,052</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Fair Value Measurements

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of December 31, 2019, the carrying amount and fair value for each investment are as follows:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Federal Home Loan	\$ 21,235,624	\$ -	\$ -	\$ 21,235,624
Fannie Mae	46,674,739	-	-	46,674,739
Ginnie Mae	2,258,754	-	-	2,258,754
U.S. Treasury Notes	52,504,853	-	-	52,504,853
Corporate Bonds	-	64,491,878	-	64,491,878
Equity mutual funds	550,947,529	-	-	550,947,529
Real estate mutual funds	38,306,675	-	-	38,306,675
	<u>\$ 711,928,174</u>	<u>\$ 64,491,878</u>	<u>\$ -</u>	<u>\$ 776,420,052</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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 major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2019, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard & Poor's</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ 1,915,370	\$ -
AA	6,189,090	70,169,117
A	32,506,870	-
BBB	23,880,548	-
	<u>\$ 64,491,878</u>	<u>\$ 70,169,117</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk (concluded)

<u>Moody's</u>	<u>Corporate Bonds</u>	<u>CMO</u>
Aaa	\$ 3,550,604	\$ 70,169,117
Aa	7,301,843	-
A	34,474,553	-
Baa	17,802,129	-
Not rated	1,362,749	-
	<u>\$ 64,491,878</u>	<u>\$ 70,169,117</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, 2019, 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, 2019, equity holdings accounted for 71% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2019.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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, 2019, maturities of the portfolio's debt securities were as follows:

	Fair Value	Investment Maturities (Fair Value by Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 52,504,853	\$ -	\$ 45,432,751	\$ -	\$ 7,072,102
Corporate bonds	64,491,878	1,256,435	39,931,920	6,176,023	17,127,500
Collateralized mortgage obligations	70,169,117	-	4,015,564	984,094	65,169,459
	<u>\$ 187,165,848</u>	<u>\$ 1,256,435</u>	<u>\$ 89,380,235</u>	<u>\$ 7,160,117</u>	<u>\$ 89,369,061</u>

Derivatives

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

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2019, the portfolio had no U.S. currency futures contracts.

Foreign Currency Risk

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

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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

Foreign Currency Risk (concluded)

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2019, is summarized below:

<u>Currency</u>	<u>Fixed Income</u>
Canadian Dollar	\$ 1,973,556
Euro	2,772,610
Norwegian Krone	183,914
British Pound Sterling	3,560,400
Swiss Franc	360,119
	<u>\$ 8,850,599</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 1. The following summarizes the categorization of these amounts as of December 31, 2019:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 57,326,612	\$ 5,794,295	\$ 15,962,598	\$ 79,083,505
Cash and cash equivalents - restricted	31,074,212	343,137	-	31,417,349
Investments	30,983,413	855,978	776,420,052	808,259,443
Investments with agents	3,374,332	-	-	3,374,332
	<u>\$ 122,758,569</u>	<u>\$ 6,993,410</u>	<u>\$ 792,382,650</u>	<u>\$ 922,134,629</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2019, are as follows:

Due to General Fund from:		Due to nonmajor governmental funds from:	
FFE Aspirational Projects Fund	\$ 5,389	General Fund	\$ 334,940
Wastewater Fund	385,393	FFE Aspirational Projects Fund	698,062
Water Fund	1,008,233	Internal service fund	10,417
Internal service fund	288,102	Nonmajor governmental funds	<u>241,509</u>
Nonmajor governmental funds	<u>1,899,292</u>		
	<u><u>\$ 3,586,409</u></u>		<u><u>\$ 1,284,928</u></u>
Due to Wastewater Fund from:		Due to internal service fund from:	
General Fund	\$ 129,907	General Fund	\$ 1,805,064
Water Fund	4,616	FFE Aspirational Projects Fund	14,371
Internal service fund	31,083	Wastewater Fund	303,891
Nonmajor governmental funds	<u>2,211,318</u>	Water Fund	261,286
	<u><u>\$ 2,376,924</u></u>	Nonmajor governmental funds	<u>250,306</u>
			<u><u>\$ 2,634,918</u></u>
Due to Water Fund from:			
General Fund	\$ 62,076		
Wastewater Fund	20,063		
Internal service fund	23,500		
Nonmajor governmental funds	<u>39,978</u>		
	<u><u>\$ 145,617</u></u>		

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2019:

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

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

NOTE 5 - INTERFUND TRANSFERS

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

Transfers to General Fund from:		Transfers to nonmajor governmental funds from:	
Internal service fund	<u><u>\$ 1,700,004</u></u>	General Fund	\$ 7,915,073
		FFE Aspirational Projects Fund	3,326,300
Transfer to Wastewater Fund from:		Internal service fund	125,004
Internal service fund	<u><u>\$ 372,996</u></u>	Nonmajor governmental funds	<u><u>7,963,776</u></u>
Transfers to Water Fund from:			<u><u>\$ 19,330,153</u></u>
Internal service fund	<u><u>\$ 279,996</u></u>		

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

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

Primary Government

	Balance Jan. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,109,883	\$ 21,962	\$ (25,239)	\$ 30,106,606
Rights to liquor license	139,200	-	-	139,200
Construction in progress	13,555,512	8,709,368	(9,247,024)	13,017,856
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	43,804,595	8,731,330	(9,272,263)	43,263,662
Capital assets being depreciated				
Land improvements	19,556,693	3,115,244	-	22,671,937
Buildings and improvements	50,863,934	796,999	-	51,660,933
Vehicles	16,325,782	492,153	(432,242)	16,385,693
Machinery and equipment	19,218,154	1,036,488	(27,268)	20,227,374
Intangible assets	2,891,498	30,400	-	2,921,898
Infrastructure	220,499,668	4,986,521	-	225,486,189
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	329,355,729	10,457,805	(459,510)	339,354,024

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (continued)

	Balance Jan. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2019
Governmental Activities (concluded)				
Less accumulated depreciation for:				
Land improvements	\$ (9,751,834)	\$ (755,801)	\$ -	\$ (10,507,635)
Buildings and improvements	(20,082,156)	(1,012,517)	-	(21,094,673)
Vehicles	(10,850,650)	(789,001)	429,272	(11,210,379)
Machinery and equipment	(15,312,360)	(919,008)	27,268	(16,204,100)
Intangible assets	(2,548,868)	(98,489)	-	(2,647,357)
Infrastructure	(138,012,057)	(3,795,559)	-	(141,807,616)
Subtotal	(196,557,925)	(7,370,375)	456,540	(203,471,760)
Net capital assets being depreciated	132,797,804	3,087,430	(2,970)	135,882,264
Capital assets, net	<u>\$ 176,602,399</u>	<u>\$ 11,818,760</u>	<u>\$ (9,275,233)</u>	<u>\$ 179,145,926</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 774,285
Public safety	1,620,341
Community and economic development	11,574
Parks and recreation	663,140
Streets	3,830,479
Public works	470,556
Total depreciation expense	<u>\$ 7,370,375</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (continued)

	Balance Jan. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2019
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,293,620	\$ -	\$ -	\$ 3,293,620
Construction in progress	12,881,420	21,402,842	(17,480,473)	16,803,789
Subtotal	16,175,040	21,402,842	(17,480,473)	20,097,409
Capital assets being depreciated				
Land improvements	13,877,341	114,626	-	13,991,967
Building and improvements	94,443,898	2,041,727	-	96,485,625
Vehicles	5,574,924	1,217,450	(208,516)	6,583,858
Machinery and equipment	68,023,610	3,126,773	-	71,150,383
Infrastructure	192,120,544	11,277,206	(12,024)	203,385,726
Intangible assets	1,836,698	-	-	1,836,698
Subtotal	375,877,015	17,777,782	(220,540)	393,434,257

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (concluded)

	Balance Jan. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2019
Business-Type Activities (concluded)				
Less accumulated depreciation for:				
Land improvements	\$ (11,152,174)	\$ (338,532)	\$ -	\$ (11,490,706)
Building and improvements	(52,909,365)	(1,858,652)	-	(54,768,017)
Vehicles	(2,656,968)	(353,185)	208,517	(2,801,636)
Machinery and equipment	(52,493,987)	(1,607,336)	-	(54,101,323)
Infrastructure	(88,650,210)	(3,939,821)	4,234	(92,585,797)
Intangible assets	(1,702,773)	(17,863)	-	(1,720,636)
Subtotal	<u>(209,565,477)</u>	<u>(8,115,389)</u>	<u>212,751</u>	<u>(217,468,115)</u>
Net capital assets being depreciated	<u>166,311,538</u>	<u>9,662,393</u>	<u>(7,789)</u>	<u>175,966,142</u>
Capital assets, net	<u><u>\$ 182,486,578</u></u>	<u><u>\$ 31,065,235</u></u>	<u><u>\$ (17,488,262)</u></u>	<u><u>\$ 196,063,551</u></u>

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

Wastewater	\$ 4,392,759
Water	<u>3,722,630</u>
Total depreciation expense	<u><u>\$ 8,115,389</u></u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (CONCLUDED)

Component Units

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
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	648,120	7,215	-	655,335
Subtotal	1,543,725	7,215	-	1,550,940
Less accumulated depreciation for:				
Leasehold improvements	(409,247)	(29,824)	-	(439,071)
General and administrative equipment	(210,724)	-	-	(210,724)
Equipment	(614,824)	(7,762)	-	(622,586)
Subtotal	(1,234,795)	(37,586)	-	(1,272,381)
Net capital assets being depreciated	308,930	(30,371)	-	278,559
Capital assets, net	\$ 367,092	\$ (30,371)	\$ -	\$ 336,721

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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, 2019:

Primary Government

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Amounts Due Within One Year
Governmental Activities					
Direct borrowing/placements					
Revenue bonds	\$ 1,295,000	\$ -	\$ (320,000)	\$ 975,000	\$ 320,000
EDC contract	20,605	-	(20,605)	-	-
Equipment acquisitions	-	88,665	(8,202)	80,463	16,909
Total direct borrowings/placements	1,315,605	88,665	(348,807)	1,055,463	336,909
Other debt					
General obligation bonds	122,101,496	8,600,000	(6,579,330)	124,122,166	7,284,853
Bond premiums/discounts	2,452,528	1,580,851	(216,444)	3,816,935	216,444
Total other debt	124,554,024	10,180,851	(6,795,774)	127,939,101	7,501,297
Other long-term obligations					
Compensated absences	6,651,838	4,177,859	(3,878,608)	6,951,089	2,577,503
Environmental matters	490,399	455,641	-	946,040	-
Uninsured claim liability	3,154,092	14,185,835	(14,438,578)	2,901,349	1,653,152
Total other long-term obligations	10,296,329	18,819,335	(18,317,186)	10,798,478	4,230,655
Total Governmental Activities	136,165,958	29,088,851	(25,461,767)	139,793,042	12,068,861

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Primary Government (concluded)

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Amounts Due Within One Year
Business-type Activities					
Direct borrowing/placements					
DWRF loan	\$ -	\$ 274,304	\$ -	\$ 274,304	\$ 70,000
Other debt					
General obligation bonds	17,533,504	-	(410,670)	17,122,834	420,147
Revenue bonds	43,045,000	19,870,000	(2,375,000)	60,540,000	2,440,000
Bond premiums/discounts	598,647	1,035,276	(25,092)	1,608,831	65,706
Total other debt	61,177,151	20,905,276	(2,810,762)	79,271,665	2,925,853
Other long-term obligations					
Compensated absences	944,803	1,079,998	(1,006,964)	1,017,837	713,461
Total Business-type Activities	62,121,954	22,259,578	(3,817,726)	80,563,806	3,709,314
TOTAL PRIMARY GOVERNMENT	<u>\$ 198,287,912</u>	<u>\$ 51,348,429</u>	<u>\$ (29,279,493)</u>	<u>\$ 220,356,848</u>	<u>\$ 15,778,175</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Component Units

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Amounts Due Within One Year
Downtown Development Authority					
Direct borrowing/placements					
Bonds and notes payable	\$ 626,593	\$ 71,625	\$ -	\$ 698,218	\$ 634,001
Rebated tax liabilities	576,544	-	(43,680)	532,864	266,432
	<u>576,544</u>	<u>-</u>	<u>(43,680)</u>	<u>532,864</u>	<u>266,432</u>
Total Downtown Development Authority	<u>\$ 1,203,137</u>	<u>\$ 71,625</u>	<u>\$ (43,680)</u>	<u>\$ 1,231,082</u>	<u>\$ 900,433</u>
Economic Development Corporation					
Other long-term obligations					
Compensated absences	<u>\$ 15,685</u>	<u>\$ -</u>	<u>\$ (15,685)</u>	<u>\$ -</u>	<u>\$ -</u>
Brownfield Redevelopment Authority					
Direct borrowing/placements					
Loans payable	\$ 802,740	\$ -	\$ (8,805)	\$ 793,935	\$ -
Other long-term obligations					
Compensated absences	17,279	-	(14,316)	2,963	1,989
	<u>17,279</u>	<u>-</u>	<u>(14,316)</u>	<u>2,963</u>	<u>1,989</u>
Total Brownfield Redevelopment Authority	<u>\$ 820,019</u>	<u>\$ -</u>	<u>\$ (23,121)</u>	<u>\$ 796,898</u>	<u>\$ 1,989</u>
Downtown Economic Growth Authority					
Direct borrowing/placements					
Notes payable	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>

General Obligation Bonds

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

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (concluded)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The original amount of the general obligation bonds issued was \$186,705,000.

General obligation bonds currently outstanding are as follows:

Primary Government

	Issuance Date	Interest Rates	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Amounts Due Within One Year
Governmental Activities							
2009 Capital Improvement Bonds	6/24/2009	2.50%-4.45%	\$ 325,000	\$ -	\$ (325,000)	\$ -	\$ -
2010 Capital Improvement Bonds	6/22/2010	2.00%-4.00%	1,515,000	-	(190,000)	1,325,000	200,000
2011 Building Authority Refunding	3/1/2011	2.00%-4.875%	1,600,000	-	(170,000)	1,430,000	180,000
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	2,810,000	-	(305,000)	2,505,000	315,000
2012 Capital Improvement Bonds	3/29/2012	2.00%-3.60%	2,815,000	-	(285,000)	2,530,000	290,000
2013 Capital Improvement Bonds	4/11/2013	2.00%-2.75%	2,900,000	-	(270,000)	2,630,000	270,000
2014 Capital Improvement Bonds	5/1/2014	2.88%	3,700,000	-	(525,000)	3,175,000	290,000
2015 Capital Improvement Bonds	6/2/2015	2.00%-3.375%	4,250,000	-	(310,000)	3,940,000	320,000
2016 Capital Improvement Refunding Bonds	6/28/2016	2.00% - 4.00%	5,020,000	-	(320,000)	4,700,000	330,000
2017 Capital Improvement Bonds	5/2/2017	3.00%-5.00%	7,240,000	-	(420,000)	6,820,000	440,000
2018 Capital Improvement Bonds	5/23/2018	2.00%-5.00%	7,750,000	-	(385,000)	7,365,000	400,000
2019 Capital Improvement Bonds	12/11/2019	5.00%	-	8,600,000	-	8,600,000	775,000
2015 OPEB Bonds	1/7/2015	.750%-4.670%	65,721,496	-	(1,539,330)	64,182,166	1,574,853
2015A Refunding Bonds	8/4/2015	2.00%-5.00%	5,860,000	-	(640,000)	5,220,000	650,000
2015 B Refunding Bonds	8/4/2015	5.00%-5.250%	6,865,000	-	(535,000)	6,330,000	540,000
2017 Refunding Bond	8/29/2017	1.89%	3,730,000	-	(360,000)	3,370,000	710,000
Total Governmental Activities			122,101,496	8,600,000	(6,579,330)	124,122,166	7,284,853
Business-type Activities							
2015 OPEB Bonds	1/7/2015	.750%-4.670%	17,533,504	-	(410,670)	17,122,834	420,147
Total General Obligation Bonds			<u>\$ 139,635,000</u>	<u>\$ 8,600,000</u>	<u>\$ (6,990,000)</u>	<u>\$ 141,245,000</u>	<u>\$ 7,705,000</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Primary Government (continued)

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$1,645,000 for governmental activities. The gas and weight tax revenue from the State of Michigan is pledged for payment of the governmental activity bonds through 2022. In 2019, pledged revenue of \$7,092,786 funded debt service of \$336,192. The original amount of revenue bonds issued was \$73,730,000 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 2044. In 2019 pledged revenues of \$8,121,977 funded debt service of \$4,096,762. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Amounts Due Within One Year
Governmental Activities							
2016 Michigan Transportation Fund	7/14/2016	1.43%	\$ 1,295,000	\$ -	\$ (320,000)	\$ 975,000	\$ 320,000
Business-type Activities							
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	710,000	-	(350,000)	360,000	360,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	4,610,000	-	(275,000)	4,335,000	280,000
2012 Water System Refunding	6/5/2012	1.50%	555,000	-	(555,000)	-	-
2014 Wastewater System Refunding	5/1/2014	3.45%	1,920,000	-	(90,000)	1,830,000	95,000
2014 Water Supply System Refunding	5/1/2014	3.95%	10,015,000	-	(310,000)	9,705,000	430,000
2015 Water Supply System	12/10/2015	2.00%-3.375%	2,745,000	-	(90,000)	2,655,000	90,000
2017 Water Supply System Refunding	5/2/2017	3.00%-5.00%	7,265,000	-	(335,000)	6,930,000	345,000
2018 Wastewater System	5/23/2018	3.125%-5.00%	5,830,000	-	(135,000)	5,695,000	140,000
2018 Water Supply System	5/23/2018	3.00%-5.00%	9,395,000	-	(235,000)	9,160,000	240,000
2019 Water Supply System	6/25/2019	3.00%-5.00%	-	10,270,000	-	10,270,000	240,000
2018 Wastewater System	6/25/2019	3.00%-5.00%	-	9,600,000	-	9,600,000	220,000
Total Business-type Activities			43,045,000	19,870,000	(2,375,000)	60,540,000	2,440,000
Total Revenue Bonds			\$ 44,340,000	\$ 19,870,000	\$ (2,695,000)	\$ 61,515,000	\$ 2,760,000

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Primary Government (continued)

Environmental Matters

Environmental matters represent the City's share of estimated costs associated with the cleanup of certain sites with soil contamination for which the City is named as a potentially responsible party.

Uninsured Claim Liability

The City estimates the liability for its self-insured coverage and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the City's third-party administrators for claims management and are recorded in the Insurance and Benefits internal service fund. The long-term portion of the workers' compensation liability has been discounted at a 6% present value factor. Changes in the estimated liability are as follows:

	<u>2019</u>	<u>2018</u>
Estimated liability, beginning of year	\$ 3,154,092	\$ 3,307,966
Estimated claims incurred, including changes in estimates	14,185,835	16,283,521
Claim payments	<u>(14,438,578)</u>	<u>(16,437,395)</u>
Estimated liability, end of year	<u>\$ 2,901,349</u>	<u>\$ 3,154,092</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.

Equipment Acquisitions

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

State Drinking Water Revolving Fund (DWRF) Loan

2019 State DWRF Loan dated August 22, 2019, is payable in annual installments ranging from \$70,000 to \$105,000 through October 1, 2039, with interest of 2%, payable semi-annually.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Primary Government (concluded)

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 \$6,951,059 and \$1,017,837 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2019. Of those amounts, \$2,577,503 and \$713,461 have been recorded as current liabilities for governmental and business-type activities, respectively.

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

Advance Refundings

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

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2019, \$20,700,000 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 \$260,090,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Component Units

Downtown Development Authority

Long-term bonds and notes at December 31, 2019, 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	12/31/2022	N/A	\$ 167,593
The City of Kalamazoo Note	12/31/2020	N/A	<u>530,625</u>
			<u>\$ 698,218</u>

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$532,864 as of December 31, 2019.

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 \$2,963 for vacation and sick at December 31, 2019. Of that total amount, \$1,989 has been recorded as a current liability.

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

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Component Units (concluded)

Downtown Economic Growth Authority

Long-term notes at December 31, 2019, are comprised of the following:

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

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

Year Ending Dec. 31,	Primary Government							
	Direct Borrowings/Placements				Other Debt			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 336,909	\$ 15,654	\$ -	\$ -	\$ 7,264,853	\$ 4,926,492	\$ 2,860,147	\$ 2,942,668
2021	342,862	10,109	-	-	7,423,270	4,783,174	2,591,730	2,840,421
2022	348,869	4,399	-	-	7,660,634	4,530,749	2,694,366	2,740,489
2023	19,932	976	-	-	7,942,998	4,257,429	2,792,002	2,634,969
2024	6,891	78	-	-	7,868,256	3,960,725	2,906,744	2,523,933
2025 - 2029	-	-	-	-	34,787,765	15,270,384	16,477,235	10,731,638
2030 - 2034	-	-	-	-	17,245,979	10,061,319	18,279,021	7,319,243
2035 - 2039	-	-	-	-	15,027,602	6,582,242	14,445,877	4,351,257
2040 - 2044	-	-	-	-	18,900,809	2,727,640	14,615,712	1,569,512
	<u>\$ 1,055,463</u>	<u>\$ 31,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,122,166</u>	<u>\$ 57,100,154</u>	<u>\$ 77,662,834</u>	<u>\$ 37,654,130</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (CONCLUDED)

Year Ending Dec. 31,	Component Units					
	Direct Borrowing/Placements					
	Downtown Development Authority		Brownfield Redevelopment Authority		Downtown Economic Growth Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 900,433	\$ 76,946	\$ -	\$ -	\$ -	\$ 6,000
2021	118,296	15,821	18,972	-	-	6,000
2022	79,137	15,821	16,348	2,624	-	6,000
2023	66,608	9,852	75,289	2,379	-	6,000
2024	66,608	9,852	67,418	10,250	300,000	6,000
2025 - 2029	-	-	352,566	35,774	-	-
2030 - 2034	-	-	263,342	9,384	-	-
2035 - 2039	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-
	<u>\$ 1,231,082</u>	<u>\$ 128,292</u>	<u>\$ 793,935</u>	<u>\$ 60,411</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Membership

At December 31, 2019, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	903
Inactive employees entitled to but not yet receiving benefits	68
Active employees	<u>596</u>
Total employees covered by the Plan	<u><u>1,567</u></u>

Benefits Provided

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

Regular retirement - General members are eligible for benefits at age 57 with 25 or more years of service or age 62 with 10 or more years of service. American Federation of State, County and Municipal Employees (AFSCME) members are eligible for benefits at age 60 with 20 or more years of service. Exempt members are eligible for benefits at age 62 with 5 years of service. Public safety members are eligible for benefits with 25 years of service or at age 50 with 10 or more years of service. Retirement benefits are calculated as final average compensation (highest 3 consecutive years out of the last 10) times 2.1% for each year of service for general plan members, Kalamazoo Municipal Employee's Association (KMEA) members, and AFSCME members, 2.3% for each year of service for exempt members and 2.7% for each year of service for the City manager and public safety members. The maximum benefit is 70.2% of final average compensation for public safety members.

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

Deferred retirement - Members are eligible for benefits with 10 years of service for most members, 5 years for exempt members, 9 years for AFSCME members hired before October 2, 2016, and 8 years for KMEA members hired before January 1, 2009. Benefits begin at age 62 for general members, and at age 50 for public safety members. Retirement benefits are calculated as regular or early retirement but based upon service and final average compensation at termination date for general members as early retirement for public safety members.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (concluded)

Death and disability - Members are eligible for benefits, in accordance with plan provisions, after 10 years of service for most members, 5 years for exempt members, 9 years for AFSCME members hired before October 2, 2016, and 8 years for KMEA members hired before January 1, 2009. Service requirements are waived for duty disability and death benefits.

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

Deferred Retirement Option Program

Public safety administrators meeting relevant provisions for an unreduced retirement allowance, authorization by the City Manager, and approval of the City Commission are eligible for the deferred retirement option program (DROP). The annual benefit is computed as regular retirement but is frozen at date of DROP election. For the year ended December 31, 2019, the balance of amounts held by the Plan pursuant to the DROP is \$149,351.

Contributions

System members are required to contribute between 1.0% to 6.5% of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2019.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Asset

The net pension asset reported at December 31, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019, total pension liability was determined by an actuarial valuation performed as of December 31, 2018. 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, 2018	\$ 471,236,087	\$ 594,371,413	\$ (123,135,326)
Changes for the Year			
Service cost	6,377,103	-	6,377,103
Interest on total pension liability	34,448,827	-	34,448,827
Difference between expected and actual experience	4,007,357	-	4,007,357
Changes of assumptions	22,845,295	-	22,845,295
Employee contributions	-	1,238,420	(1,238,420)
Net investment income (loss)	-	112,193,170	(112,193,170)
Benefit payments, including employee refunds	(30,213,896)	(30,213,896)	-
Administrative expense	-	(220,934)	220,934
Other	-	(228,905)	228,905
Net changes	37,464,686	82,767,855	(45,303,169)
Balances as of December 31, 2019	<u>\$ 508,700,773</u>	<u>\$ 677,139,268</u>	<u>\$ (168,438,495)</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended December 31, 2019, the City recognized pension expense of \$4,322,681. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 3,626,716	\$ -
Assumption changes	16,968,692	-
Changes in proportion and differences between employer contributions and share of contributions	551,173	551,173
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>22,477,265</u>
Total	<u><u>\$ 21,146,581</u></u>	<u><u>\$ 23,028,438</u></u>

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

Years Ending December 31,	Pension Expense
<u> </u>	<u> </u>
2020	\$ (2,652,921)
2021	2,794,523
2022	11,720,292
2023	<u>(13,743,751)</u>
	<u><u>\$ (1,881,857)</u></u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent-of-Payroll, Open Period
Remaining Amortization Period	10 years
Asset Valuation Method	5-Year smoothed market
Inflation	3.5% (which includes price inflation of 2.75%)
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, 2018, valuation were based upon the results of an actuarial experience study for the period January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Projected Cash Flows

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Micro Capitalization Domestic Equity	5.00%	4.87%
Small Capitalization Domestic Equity	10.00%	4.87%
Small Capitalization Value International Equity	10.00%	5.37%
S&P Index Funds	30.00%	4.37%
Large Capitalization Domestic Equity	5.00%	4.37%
Emerging Markets Equity	10.00%	7.87%
Intermediate Fixed Income	12.50%	0.57%
Long Fixed Income	12.50%	0.57%
Real Estate Securities	2.50%	2.77%
Real Estate	2.50%	2.77%

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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

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

	1% Decrease Rate 6.25%	Current Discount Rate 7.25%	1% Increase Rate 8.25%
Total pension liability	\$ 569,619,388	\$ 508,700,773	\$ 458,012,983
Plan fiduciary net position	<u>677,139,268</u>	<u>677,139,268</u>	<u>677,139,268</u>
City's net pension liability (asset)	<u><u>\$ (107,519,880)</u></u>	<u><u>\$ (168,438,495)</u></u>	<u><u>\$ (219,126,285)</u></u>

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. The Plan purchases Medicare supplemental insurance for retirees eligible for Medicare.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

The employers are required to contribute such amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. For the year ended December 31, 2019, the actuarially determined contributions for the employers were \$8,012,819 and actual employer contributions were \$3,500,000. The City's share of the actuarially determined contributions were \$7,446,954 and actual City contributions were \$3,244,200.

Investment Policy

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Micro Capitalization Domestic Equity	5.00%	4.87%
Small Capitalization Domestic Equity	10.00%	4.87%
Small Capitalization Value International Equity	10.00%	5.37%
S&P Index Funds	30.00%	4.37%
Large Capitalization Domestic Equity	5.00%	4.37%
Emerging Markets Equity	10.00%	7.87%
Intermediate Fixed Income	12.50%	0.57%
Long Fixed Income	12.50%	0.57%
Real Estate Securities	2.50%	2.77%
Real Estate	2.50%	2.77%

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Summary of Significant Accounting Policies

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

Actuarial Assumptions

The total OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.5% (which includes price inflation of 2.75%)
Salary Increases	3.5% to 15.5%, including inflation
Investment Rate of Return	7.5%, net of OPEB plan investment expense
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table, projected 20 years with U.S. Projection Scale BB, rates set-forward 7 years for disabled members.
Health Care Trend Rates	8.25% trend for the first year, gradually decreasing to 3.5% in year 10.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At December 31, 2019, the City reported a liability of \$150,911,773 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of December 31, 2017 and rolled-forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on present value of future benefits. At December 31, 2018, the City's proportion was 92.938%.

	December 31, 2018	
	Plan	City's Share
Total OPEB Liability	\$ 253,315,222	\$ 235,426,100
Plan Fiduciary Net Position	90,936,245	84,514,327
Net OPEB Liability	162,378,977	150,911,773
Proportionate Share	N/A	92.938%

For the year ended December 31, 2019, the City recognized OPEB expense of \$17,965,758.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 38,591,047	\$ -
Differences between expected and actual experience	6,168,734	23,190
Net difference between projected and actual earnings on plan investments	6,776,655	-
Changes in proportion and differences between employer contributions and share of contributions	180,222	-
Contributions subsequent to the measurement date*	<u>3,244,200</u>	<u>-</u>
Total	<u>\$ 54,960,858</u>	<u>\$ 23,190</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending December 31, 2020.

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

<u>Year Ending December 31,</u>	<u>OPEB Expense</u>
2020	\$ 18,434,021
2021	18,434,021
2022	9,808,668
2023	5,016,758

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

Discount Rate

A single discount rate of 4.45% 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% and a municipal bond rate of 3.71%. 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 2031. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2031, and the municipal bond rate was applied to all benefit payments after that date.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.45%) or 1-percentage-point higher (5.45%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 184,022,851</u>	<u>\$ 150,911,773</u>	<u>\$ 123,813,809</u>

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 119,965,265</u>	<u>\$ 150,911,773</u>	<u>\$ 188,941,642</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

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

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Legal Contingencies

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2019 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 \$946,040 in the government-wide financial statements. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

Environmental Contingencies (concluded)

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

Commitments

The City has approximately \$62,105,096 in various contractual commitments and agreements at December 31, 2019. Commitments include obligation for various goods and services, including approximately \$32,096,779 for construction contracts on various construction projects, \$3,996,050 for equipment purchases and inventory contracts, and \$9,064,023 for various other goods and services. The City also has term contracts for agreements for goods and services expiring between one and ten years, totaling \$16,948,244. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. A portion of these commitments were encumbered in the Governmental funds at the end of the year. The General Fund encumbered \$651,221, the FFE Aspirational Projects Fund encumbered \$817,609, and the nonmajor governmental funds encumbered \$3,335,225.

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. This liability results in credits to current billings and at December 31, 2019, the outstanding settlement amount is \$2,103,296. A true-up of the 2017, 2018, and 2019 results cannot be reasonably estimated at the time of this report.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2019:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 3,369,217
Expendable	
Major and local street projects	12,149,918
FFE aspirational projects	11,833,082
Solid waste program	1,297,622
Parks and recreation	1,266,632
Neighborhood and community development	1,163,175
Other purposes	
Drug enforcement	176,062
Cemetery perpetual care	2,457,599
Capital improvements	11,734,756
Grants and donations	1,340,878
	<u>\$ 46,788,941</u>
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 1,583,763
Water Fund	2,529,233
	<u>\$ 4,112,996</u>
COMPONENT UNITS	
Restricted for:	
Downtown Development Authority	\$ 343,137
Kalamazoo Foundation for Excellence	43,773
	<u>\$ 386,910</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - TAX ABATEMENTS

INDUSTRIAL FACILITIES EXEMPTION

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

For the year ended December 31, 2019, the City abated property tax revenues totaling \$93,180, under this program. There are no provisions to recapture taxes; however the abatement may be eliminated if taxes are not paid timely.

NEIGHBORHOOD ENTERPRISE (NEZ) ZONE ACT

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

For the year ended December 31, 2019, the City abated property tax revenues totaling \$13,847, 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - TAX ABATEMENTS (CONCLUDED)

BROWNFIELD REDEVELOPMENT AUTHORITY (CONCLUDED)

For the year ended December 31, 2019, the BRA reimbursed developers approximately \$537,000 for eligible activities. In addition, the LSRRF disbursed an advance of \$250,000 to developers in 2019.

NOTE 14 - FUND BALANCE CLASSIFICATIONS

The following are the various fund balance classifications as of December 31, 2019:

	General Fund	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	\$ 95,538	\$ -	\$ 389,038	\$ 484,576
Prepays	201,375	-	-	201,375
Advances	340,000	-	-	340,000
Notes receivable	953,782	-	-	953,782
Cemetery perpetual care	-	-	1,476,813	1,476,813
Endowments	-	-	1,892,404	1,892,404
Restricted				
Highways	-	-	11,766,805	11,766,805
Solid waste	-	-	1,297,622	1,297,622
Grants and donations	-	-	2,498,128	2,498,128
FFE aspirational projects	-	11,833,082	-	11,833,082
Drug enforcement	-	-	176,062	176,062
Recreation activities	-	-	649,464	649,464
Park activities	-	-	617,168	617,168
Cemetery perpetual care	-	-	2,457,599	2,457,599
Debt service	-	-	58,947	58,947
Capital improvements	-	-	11,734,756	11,734,756
Committed				
Economic development programs	-	-	1,863,866	1,863,866
Recreation activities	-	-	58,153	58,153
Cemeteries	-	-	63,479	63,479
Assigned				
Subsequent year's expenditures	560,245	-	-	560,245
Unassigned	11,770,620	-	-	11,770,620
TOTAL FUND BALANCES	\$ 13,921,560	\$ 11,833,082	\$ 37,000,304	\$ 62,754,946

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments. The focus on 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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has four funds that meet the criteria (Pension and OPEB trust funds, a general private purpose trust fund, and a custodial fund for tax collections), which are presented in a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves financial reporting by providing users of financial statements with essential information that was not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This Statement will provide users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period, enhancing the comparability between governmental activities and business-type activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021 fiscal year.

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS (CONCLUDED)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

NOTE 17 - 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, 2019, is as follows:

	Employees' Retirement System	Other Post- Employment Benefits	Total
Additions			
Employer contributions	\$ -	\$ 3,500,000	\$ 3,500,000
Plan member contributions	1,238,420	978,010	2,216,430
Net investment income (loss)	112,406,655	17,198,179	129,604,834
Deductions			
Benefits	30,034,033	10,343,706	40,377,739
Refunds of contributions	179,863	-	179,863
Administrative expenses	663,324	163,343	826,667
Change in net position	82,767,855	11,169,140	93,936,995
Total assets	677,160,239	102,869,919	780,030,158
Total liabilities	20,971	764,534	785,505
Net position	677,139,268	102,105,385	779,244,653

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 18 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the City expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

The City issued two bonds after the end of the year. On June 17, 2020, the City issued Water Supply System Revenue Bonds, Series 2020 for \$20,325,000 and Wastewater System Revenue Bonds, Series 2020 for \$10,375,000.

On March 16, 2020, the City Commission approved a short-term financing agreement in the amount of \$599,018 for the purchase of radios for public safety.

On February 18, 2020, the City's Foundation for Excellence Aspirational Projects fund received contributions of stock valued at \$8,281,984 for the Foundation of Excellence support of the 2020 aspirational projects.

On June 16, 2020, the City's General Fund received contributions of stock valued at \$16,558,574 for the Foundation of Excellence support of the 2020 General Fund operations.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	1,602,053	760,912	905,746	905,746	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,602,053)</u>	<u>\$ (760,912)</u>	<u>\$ (905,746)</u>	<u>\$ (905,746)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 37,425,219	\$ 34,999,543	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892	\$ 36,539,969	\$ 42,305,663	\$ 43,007,800	\$ 44,435,753
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	4.31%	2.09%	2.48%	2.14%	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.
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level Percent-of-Payroll, Open Period
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Inflation	3.5% (which includes price inflation of 2.75%)
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 SIX FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	19.30%	-7.22%	15.72%	12.64%	-1.62%	6.82%

CITY OF KALAMAZOO
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE PLAN'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TWO MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)

	2018	2017
CHANGE IN TOTAL OPEB LIABILITY		
Service cost	\$ 2,740,829	\$ 1,490,221
Interest	10,773,588	12,162,956
Change of benefit terms	(3,068,315)	-
Difference between expected and actual experience	8,398,776	(45,814)
Changes of assumptions	6,299,583	67,099,621
Benefit payments, including refunds of member contributions	(9,334,535)	(9,258,659)
	<u>15,809,926</u>	<u>71,448,325</u>
Net Change in Total OPEB Liability	15,809,926	71,448,325
Total OPEB Liability, beginning	<u>237,505,296</u>	<u>166,056,971</u>
Total OPEB Liability, ending	<u><u>\$ 253,315,222</u></u>	<u><u>\$ 237,505,296</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION		
Employer contributions	\$ 3,500,000	\$ 3,500,000
OPEB plan net investment income	(7,353,500)	14,711,769
Benefit payments, including refunds of member contributions	(9,334,535)	(9,258,659)
Administrative expenses	(106,986)	(100,922)
	<u>(13,295,021)</u>	<u>8,852,188</u>
Net Change in Plan Fiduciary Net Position	(13,295,021)	8,852,188
Plan Fiduciary Net Position, beginning	<u>104,231,266</u>	<u>95,379,078</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 90,936,245</u></u>	<u><u>\$ 104,231,266</u></u>
Plan's Net OPEB Liability	<u><u>\$ 162,378,977</u></u>	<u><u>\$ 133,274,030</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	35.90%	43.89%
Covered payroll	\$ 39,920,744	\$ 37,363,784
Plan's net OPEB liability as a percentage of covered payroll	406.75%	356.69%

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

	2019	2018	2017
Actuarially determined contributions	\$ 8,012,819	\$ 8,111,777	\$ 7,610,636
Contributions in relation to the actuarially determined contribution	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Contribution deficiency (excess)	<u>\$ 4,512,819</u>	<u>\$ 4,611,777</u>	<u>\$ 4,110,636</u>
Covered payroll	\$ 22,773,155	\$ 39,920,744	\$ 37,363,784
Contributions as a percentage of covered payroll	15.37%	8.77%	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	24 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	8.25% for the first year, gradually decreasing to 3.50% in year 10
Aging factors	Based on the 2013 SOA study "Health Care Costs - From Birth to Death"

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

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

CITY OF KALAMAZOO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - DEFINED BENEFIT PENSION AND OPEB PLANS

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

The schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Defined Benefit Pension Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2019
Basis for contribution	December 31, 2018
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	Rolling 10-year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Cost-of living adjustments	Determined annually
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	Pub-2010 Amount-Weighted, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019

CITY OF KALAMAZOO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

OPEB Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2017
Basis for contribution	December 31, 2017 rolled forward to December 31, 2018
Actuarial cost method	Individual entry age
Amortization method	Level dollar on a closed basis
Remaining amortization period	23 Years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Healthcare cost trend rate	3.5% - 8.25%

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local government unit not incur expenditures in excess of the amounts appropriated. The City's budgeted expenditures for the General Fund have been shown at the activity level. The approved budgets of the City have been adopted at the fund level for the General and Special Revenue Funds.

During the year ended December 31, 2019, the City incurred expenditures in one special revenue fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Kalamazoo Municipal Golf Association Fund	\$ 2,269,760	\$ 2,335,005	\$ (65,245)

OTHER SUPPLEMENTARY INFORMATION

**CITY OF KALAMAZOO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS					
Cash and cash equivalents	\$ 8,839,972	\$ 59,536	\$ 868,959	\$ 43,984	\$ 9,812,451
Cash and cash equivalents - restricted	6,031,488	-	6,652,966	-	12,684,454
Investments	301,367	-	7,010,973	3,890,624	11,202,964
Investments with agents	102,456	-	-	3,159,036	3,261,492
Receivables					
Accounts	343,773	-	40,420	1,995	386,188
Interest	-	-	53,067	-	53,067
Taxes	154,670	-	-	-	154,670
Notes	814,766	-	-	-	814,766
Due from other funds	778,107	-	506,821	-	1,284,928
Due from other governmental units	4,072,320	3,951,423	66,174	-	8,089,917
Advances to other governmental units	688,136	-	-	-	688,136
Inventories	389,038	-	-	-	389,038
TOTAL ASSETS	\$ 22,516,093	\$ 4,010,959	\$ 15,199,380	\$ 7,095,639	\$ 48,822,071
LIABILITIES					
Accounts payable	\$ 1,324,531	\$ -	\$ 592,449	\$ -	\$ 1,916,980
Accrued liabilities	19,317	-	-	196	19,513
Due to other funds	2,288,201	589	2,353,613	-	4,642,403
Due to other governmental units	131	-	-	-	131
Deposits payable	223,693	-	-	-	223,693
Unearned revenue	227,215	-	470,320	-	697,535
TOTAL LIABILITIES	4,083,088	589	3,416,382	196	7,500,255
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	319,852	3,951,423	48,242	1,995	4,321,512
FUND BALANCES					
Nonspendable	389,038	-	-	3,369,217	3,758,255
Restricted	15,738,617	58,947	11,734,756	3,724,231	31,256,551
Committed	1,985,498	-	-	-	1,985,498
TOTAL FUND BALANCES	18,113,153	58,947	11,734,756	7,093,448	37,000,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,516,093	\$ 4,010,959	\$ 15,199,380	\$ 7,095,639	\$ 48,822,071

CITY OF KALAMAZOO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES					
Property taxes	\$ 2,826,203	\$ -	\$ -	\$ -	\$ 2,826,203
Intergovernmental	13,348,587	-	8,066,976	-	21,415,563
Charges for services	2,170,472	-	-	32,298	2,202,770
Fines and forfeits	59,075	-	-	-	59,075
Interest and rents	219,614	784,400	353,812	471,393	1,829,219
Net investment earnings	7,226	-	-	636,237	643,463
Other					
Donations and contributions	112,190	-	580,596	-	692,786
Other	144,708	454,070	302,497	-	901,275
TOTAL REVENUES	18,888,075	1,238,470	9,303,881	1,139,928	30,570,354
EXPENDITURES					
Current					
General government	136,020	-	-	-	136,020
Public safety	2,037,570	-	-	-	2,037,570
Public works	3,155,555	-	-	20,001	3,175,556
Streets	9,588,959	-	-	-	9,588,959
Community and economic development	3,489,312	-	-	-	3,489,312
Parks and recreation	3,268,031	-	-	136,804	3,404,835
Debt service					
Principal	28,807	6,899,330	-	-	6,928,137
Interest and fiscal charges	5,943	4,798,554	-	-	4,804,497
Capital outlay	-	-	4,947,404	-	4,947,404
TOTAL EXPENDITURES	21,710,197	11,697,884	4,947,404	156,805	38,512,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,822,122)	(10,459,414)	4,356,477	983,123	(7,941,936)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	5,182,015	-	3,506,650	-	8,688,665
Bond premium	928,645	-	652,206	-	1,580,851
Transfers in	4,876,392	10,459,660	3,994,101	-	19,330,153
Transfers out	(4,247,986)	(1,675)	(3,382,823)	(331,292)	(7,963,776)
TOTAL OTHER FINANCING SOURCES (USES)	6,739,066	10,457,985	4,770,134	(331,292)	21,635,893
NET CHANGE IN FUND BALANCES	3,916,944	(1,429)	9,126,611	651,831	13,693,957
Fund balances, beginning of year	14,196,209	60,376	2,608,145	6,441,617	23,306,347
Fund balances, end of year	<u>\$ 18,113,153</u>	<u>\$ 58,947</u>	<u>\$ 11,734,756</u>	<u>\$ 7,093,448</u>	<u>\$ 37,000,304</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

**CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Major Streets	Local Streets	Cemeteries	Solid Waste	Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Kalamazoo Municipal Golf Association	Total
ASSETS										
Cash and cash equivalents	\$ 3,858,299	\$ 737,746	\$ 76,644	\$ 1,107,557	\$ 497,222	\$ 1,127,943	\$ 1,235,136	\$ 199,425	\$ -	\$ 8,839,972
Cash and cash equivalents - restricted	4,644,857	1,386,631	-	-	-	-	-	-	-	6,031,488
Investments	-	-	-	301,367	-	-	-	-	-	301,367
Investments with agents	-	-	-	-	-	-	102,456	-	-	102,456
Receivables										
Accounts	30,241	1,000	13,580	203,420	27,334	-	10,045	-	58,153	343,773
Taxes	-	-	-	154,670	-	-	-	-	-	154,670
Notes	-	-	-	-	766,708	48,058	-	-	-	814,766
Due from other funds	456,956	105,524	-	5,640	6,041	23,500	180,446	-	-	778,107
Due from other governmental units	1,080,515	707,837	-	375	1,423,687	-	859,906	-	-	4,072,320
Advances to other governmental units	-	-	-	-	-	688,136	-	-	-	688,136
Inventories	383,113	-	-	-	5,925	-	-	-	-	389,038
TOTAL ASSETS	\$ 10,453,981	\$ 2,938,738	\$ 90,224	\$ 1,773,029	\$ 2,726,917	\$ 1,887,637	\$ 2,387,989	\$ 199,425	\$ 58,153	\$ 22,516,093
LIABILITIES										
Accounts payable	\$ 729,193	\$ 155,487	\$ 18,103	\$ 95,411	\$ 144,726	\$ 17,850	\$ 163,761	\$ -	\$ -	\$ 1,324,531
Accrued liabilities	-	-	-	-	-	-	-	19,317	-	19,317
Due to other funds	224,264	132,857	4,892	94,258	1,169,645	5,921	653,314	3,050	-	2,288,201
Due to other governmental units	-	-	-	-	-	-	131	-	-	131
Deposits payable	-	-	-	-	222,697	-	-	996	-	223,693
Unearned revenue	-	-	-	-	-	-	227,215	-	-	227,215
TOTAL LIABILITIES	953,457	288,344	22,995	189,669	1,537,068	23,771	1,044,421	23,363	-	4,083,088
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	1,000	-	3,750	285,738	26,674	-	2,690	-	-	319,852
FUND BALANCES										
Nonspendable	383,113	-	-	-	5,925	-	-	-	-	389,038
Restricted	9,116,411	2,650,394	-	1,297,622	1,157,250	-	1,340,878	176,062	-	15,738,617
Committed	-	-	63,479	-	-	1,863,866	-	-	58,153	1,985,498
TOTAL FUND BALANCES	9,499,524	2,650,394	63,479	1,297,622	1,163,175	1,863,866	1,340,878	176,062	58,153	18,113,153
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,453,981	\$ 2,938,738	\$ 90,224	\$ 1,773,029	\$ 2,726,917	\$ 1,887,637	\$ 2,387,989	\$ 199,425	\$ 58,153	\$ 22,516,093

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	Major Streets	Local Streets	Cemeteries	Solid Waste	Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Kalamazoo Municipal Golf Association	Total
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ 2,826,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,826,203
Intergovernmental	7,410,171	2,443,586	-	338,710	1,738,448	-	1,390,439	27,233	-	13,348,587
Charges for services	115,911	-	165,928	115,594	45,603	1,044	7,703	2,349	1,716,340	2,170,472
Fines and forfeits	-	-	-	-	-	-	-	59,075	-	59,075
Interest	72,269	38,859	3,763	17,752	14,919	45,705	23,634	2,713	-	219,614
Net investment earnings	-	-	-	-	-	-	7,226	-	-	7,226
Other										
Donations and contributions	-	-	-	-	-	-	112,190	-	-	112,190
Other	49,041	36,000	1,704	-	-	-	-	57,963	-	144,708
TOTAL REVENUES	7,647,392	2,518,445	171,395	3,298,259	1,798,970	46,749	1,541,192	149,333	1,716,340	18,888,075
EXPENDITURES										
Current										
General government	-	-	-	-	-	-	136,020	-	-	136,020
Public safety	-	-	-	-	-	-	1,774,831	262,739	-	2,037,570
Public works	-	-	671,316	2,484,239	-	-	-	-	-	3,155,555
Streets	6,023,267	3,565,692	-	-	-	-	-	-	-	9,588,959
Community and economic development	-	-	-	-	1,969,407	752,640	767,265	-	-	3,489,312
Parks and recreation	-	-	-	-	-	-	1,052,245	-	2,215,786	3,268,031
Debt service										
Principal	-	-	-	-	-	-	-	-	28,807	28,807
Interest and fiscal charges	-	-	-	-	-	-	-	-	5,943	5,943
TOTAL EXPENDITURES	6,023,267	3,565,692	671,316	2,484,239	1,969,407	752,640	3,730,361	262,739	2,250,536	21,710,197
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,624,125	(1,047,247)	(499,921)	814,020	(170,437)	(705,891)	(2,189,169)	(113,406)	(534,196)	(2,822,122)
OTHER FINANCING SOURCES (USES)										
Issuance of debt	3,425,100	1,223,250	-	-	-	-	-	-	533,665	5,182,015
Bond premium	598,400	245,245	-	-	-	-	-	-	85,000	928,645
Transfers in	766,045	1,354,526	331,292	47,004	5,921	787,641	1,583,963	-	-	4,876,392
Transfers out	(3,133,011)	(942,982)	-	(81,603)	-	(5,921)	-	-	(84,469)	(4,247,986)
TOTAL OTHER FINANCING SOURCES (USES)	1,656,534	1,880,039	331,292	(34,599)	5,921	781,720	1,583,963	-	534,196	6,739,066
NET CHANGE IN FUND BALANCES	3,280,659	832,792	(168,629)	779,421	(164,516)	75,829	(605,206)	(113,406)	-	3,916,944
Fund balances, beginning of year	6,218,865	1,817,602	232,108	518,201	1,327,691	1,788,037	1,946,084	289,468	58,153	14,196,209
Fund balances, end of year	<u>\$ 9,499,524</u>	<u>\$ 2,650,394</u>	<u>\$ 63,479</u>	<u>\$ 1,297,622</u>	<u>\$ 1,163,175</u>	<u>\$ 1,863,866</u>	<u>\$ 1,340,878</u>	<u>\$ 176,062</u>	<u>\$ 58,153</u>	<u>\$ 18,113,153</u>

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

	<u>Major Streets Fund</u>			Variances with
	Original Budget	Final Amended Budget	Actual	Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
Federal revenue	\$ 1,916,000	\$ 1,916,000	\$ -	\$ (1,916,000)
Gas and weight tax distribution	6,050,000	6,050,000	7,092,786	1,042,786
State trunkline maintenance	250,000	250,000	21,887	(228,113)
Other state revenue	2,025,000	2,025,000	295,498	(1,729,502)
Local revenue	-	79,602	-	(79,602)
Charges for services	5,000	5,000	115,911	110,911
Interest	6,000	6,000	72,269	66,269
Other	5,000	5,000	49,041	44,041
TOTAL REVENUES	10,257,000	10,336,602	7,647,392	(2,689,210)
EXPENDITURES				
Current				
Streets				
Administration	1,749,522	1,757,622	1,418,340	339,282
Repair	366,925	386,425	414,058	(27,633)
Maintenance	1,288,743	1,288,743	1,129,716	159,027
Pavement painting	143,020	143,020	185,882	(42,862)
Traffic signals	589,969	586,369	435,972	150,397
Traffic signs	100,810	100,810	131,500	(30,690)
Construction	6,789,500	10,226,604	2,307,560	7,919,044
Emergency recovery	-	-	239	(239)
TOTAL EXPENDITURES	11,028,489	14,489,593	6,023,267	8,466,326
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(771,489)	(4,152,991)	1,624,125	5,777,116
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,425,100	3,425,100	3,425,100	-
Bond premium	598,400	598,400	598,400	-
Transfers in	31,000	887,089	766,045	(121,044)
Transfers out	(3,132,653)	(3,132,653)	(3,133,011)	(358)
TOTAL OTHER FINANCING SOURCES (USES)	921,847	1,777,936	1,656,534	(121,402)
NET CHANGE IN FUND BALANCE	150,358	(2,375,055)	3,280,659	5,655,714
Fund balance, beginning of year	6,218,865	6,218,865	6,218,865	-
Fund balance, end of year	\$ 6,369,223	\$ 3,843,810	\$ 9,499,524	\$ 5,655,714

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

	<u>Local Streets Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
Gas and weight tax distribution	\$ 1,709,000	\$ 1,709,000	\$ 2,002,761	\$ 293,761
Other state revenue	312,500	902,857	440,825	(462,032)
Interest	2,000	2,000	38,859	36,859
Other	500	13,000	36,000	23,000
TOTAL REVENUES	2,024,000	2,626,857	2,518,445	(108,412)
EXPENDITURES				
Current				
Streets				
Administration	1,011,398	1,015,898	858,056	157,842
Repair	350,994	346,494	425,634	(79,140)
Maintenance	783,822	783,822	665,002	118,820
Pavement painting	9,020	9,020	1,362	7,658
Traffic signs	94,040	94,040	35,116	58,924
Construction	1,468,495	2,674,040	1,553,094	1,120,946
Emergency recovery	-	-	27,428	(27,428)
TOTAL EXPENDITURES	3,717,769	4,923,314	3,565,692	1,357,622
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,693,769)	(2,296,457)	(1,047,247)	1,249,210
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,223,250	1,223,250	1,223,250	-
Bond premium	245,245	245,245	245,245	-
Transfers in	1,047,000	1,593,000	1,354,526	(238,474)
Transfers out	(942,786)	(942,786)	(942,982)	(196)
TOTAL OTHER FINANCING SOURCES (USES)	1,572,709	2,118,709	1,880,039	(238,670)
NET CHANGE IN FUND BALANCE	(121,060)	(177,748)	832,792	1,010,540
Fund balance, beginning of year	1,817,602	1,817,602	1,817,602	-
Fund balance, end of year	\$ 1,696,542	\$ 1,639,854	\$ 2,650,394	\$ 1,010,540

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

	<u>Cemeteries Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 146,102	\$ 146,102	\$ 165,928	\$ 19,826
Interest	700	700	3,763	3,063
Other revenue	-	-	1,704	1,704
TOTAL REVENUES	146,802	146,802	171,395	24,593
EXPENDITURES				
Current				
Public works				
Burials	197,366	197,366	254,491	(57,125)
Maintenance	172,025	279,317	416,825	(137,508)
Construction	200,000	200,000	-	200,000
TOTAL EXPENDITURES	569,391	676,683	671,316	5,367
EXCESS OF REVENUES (UNDER) EXPENDITURES	(422,589)	(529,881)	(499,921)	29,960
OTHER FINANCING SOURCES				
Transfers in	380,000	487,292	331,292	(156,000)
NET CHANGE IN FUND BALANCE	(42,589)	(42,589)	(168,629)	(126,040)
Fund balance, beginning of year	232,108	232,108	232,108	-
Fund balance, end of year	<u>\$ 189,519</u>	<u>\$ 189,519</u>	<u>\$ 63,479</u>	<u>\$ (126,040)</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, 2019

	<u>Solid Waste Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,762,702	\$ 2,762,702	\$ 2,826,203	\$ 63,501
Intergovernmental	-	-	338,710	338,710
Charges for services	103,000	103,000	115,594	12,594
Interest	5,000	5,000	17,752	12,752
TOTAL REVENUES	2,870,702	2,870,702	3,298,259	427,557
EXPENDITURES				
Current				
Public works	3,000,381	3,000,381	2,484,239	516,142
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(129,679)	(129,679)	814,020	943,699
OTHER FINANCING SOURCES (USES)				
Transfers in	47,000	47,000	47,004	4
Transfers out	(81,603)	(81,603)	(81,603)	-
TOTAL OTHER FINANCING SOURCES (USES)	(34,603)	(34,603)	(34,599)	4
NET CHANGE IN FUND BALANCE	(164,282)	(164,282)	779,421	943,703
Fund balance, beginning of year	518,201	518,201	518,201	-
Fund balance, end of year	\$ 353,919	\$ 353,919	\$ 1,297,622	\$ 943,703

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

	<u>Neighborhood and Community Development Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,763,052	\$ 3,253,612	\$ 1,738,448	\$ (1,515,164)
Charges for services	19,000	19,000	45,603	26,603
Interest	7,978	7,978	14,919	6,941
TOTAL REVENUES	1,790,030	3,280,590	1,798,970	(1,481,620)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	-	406,000	170,312	235,688
Program administration services	762,195	762,195	798,217	(36,022)
Community Development Block Grant	726,855	1,924,415	597,046	1,327,369
Emergency shelter	-	-	5,005	(5,005)
Housing rehabilitation	-	-	1,162	(1,162)
HOME	293,000	586,000	397,665	188,335
TOTAL EXPENDITURES	1,782,050	3,678,610	1,969,407	1,709,203
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,980	(398,020)	(170,437)	227,583
OTHER FINANCING SOURCES				
Transfers in	-	-	5,921	5,921
NET CHANGE IN FUND BALANCE	7,980	(398,020)	(164,516)	233,504
Fund balance, beginning of year	1,327,691	1,327,691	1,327,691	-
Fund balance, end of year	\$ 1,335,671	\$ 929,671	\$ 1,163,175	\$ 233,504

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

	<u>Economic Development Programs Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,044	\$ 1,044
Interest	32,550	32,550	45,705	13,155
TOTAL REVENUES	32,550	32,550	46,749	14,199
EXPENDITURES				
Current				
Community and economic development	500,000	1,681,299	752,640	928,659
EXCESS OF REVENUES (UNDER) EXPENDITURES	(467,450)	(1,648,749)	(705,891)	942,858
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	1,681,299	787,641	(893,658)
Transfers out	-	-	(5,921)	(5,921)
TOTAL OTHER FINANCING SOURCES (USES)	500,000	1,681,299	781,720	(899,579)
NET CHANGE IN FUND BALANCE	32,550	32,550	75,829	43,279
Fund balance, beginning of year	1,788,037	1,788,037	1,788,037	-
Fund balance, end of year	<u>\$ 1,820,587</u>	<u>\$ 1,820,587</u>	<u>\$ 1,863,866</u>	<u>\$ 43,279</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, 2019

	<u>Grants and Donations</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,224,597	\$ 1,626,513	\$ 1,390,439	\$ (236,074)
Charges for services	750	17,133	7,703	(9,430)
Interest	129	129	23,634	23,505
Net investment earnings	1,659	1,659	7,226	5,567
Other				
Donations and contributions	150,505	191,753	112,190	(79,563)
Other	4,000	4,000	-	(4,000)
TOTAL REVENUES	1,381,640	1,841,187	1,541,192	(299,995)
EXPENDITURES				
Current				
General government	-	268,000	136,020	131,980
Public safety	1,171,915	1,453,277	1,774,831	(321,554)
Community and economic development	32,868	1,810,935	767,265	1,043,670
Parks and recreation	1,214,518	1,306,368	1,052,245	254,123
TOTAL EXPENDITURES	2,419,301	4,838,580	3,730,361	1,108,219
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,037,661)	(2,997,393)	(2,189,169)	808,224
OTHER FINANCING SOURCES				
Transfers in	958,379	1,375,011	1,583,963	208,952
NET CHANGE IN FUND BALANCE	(79,282)	(1,622,382)	(605,206)	1,017,176
Fund balance, beginning of year	1,946,084	1,946,084	1,946,084	-
Fund balance, end of year	<u>\$ 1,866,802</u>	<u>\$ 323,702</u>	<u>\$ 1,340,878</u>	<u>\$ 1,017,176</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, 2019

	<u>Drug Enforcement Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 27,233	\$ 7,233
Charges for services	5,000	5,000	2,349	(2,651)
Fines and forfeits	150,000	150,000	59,075	(90,925)
Interest	-	-	2,713	2,713
Other	30,000	30,000	57,963	27,963
TOTAL REVENUES	205,000	205,000	149,333	(55,667)
EXPENDITURES				
Current				
Public safety	275,349	275,349	262,739	12,610
NET CHANGE IN FUND BALANCE	(70,349)	(70,349)	(113,406)	(43,057)
Fund balance, beginning of year	289,468	289,468	289,468	-
Fund balance, end of year	<u>\$ 219,119</u>	<u>\$ 219,119</u>	<u>\$ 176,062</u>	<u>\$ (43,057)</u>

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONCLUDED)
YEAR ENDED DECEMBER 31, 2019

	<u>Kalamazoo Municipal Golf Association Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 1,725,000	\$ 1,725,000	\$ 1,716,340	\$ (8,660)
EXPENDITURES				
Current				
Recreation and culture	1,719,156	2,249,156	2,215,786	33,370
Debt service				
Principal	-	20,604	28,807	(8,203)
Interest and fiscal charges	-	-	5,943	(5,943)
TOTAL EXPENDITURES	1,719,156	2,269,760	2,250,536	19,224
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,844	(544,760)	(534,196)	10,564
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	445,000	533,665	88,665
Bond premium	-	85,000	85,000	-
Transfers out	-	(84,500)	(84,469)	31
TOTAL OTHER FINANCING SOURCES (USES)	-	445,500	534,196	88,696
NET CHANGE IN FUND BALANCE	5,844	(99,260)	-	99,260
Fund balance, beginning of year	58,153	58,153	58,153	-
Fund balance, end of year	<u>\$ 63,997</u>	<u>\$ (41,107)</u>	<u>\$ 58,153</u>	<u>\$ 99,260</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.

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

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

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

**CITY OF KALAMAZOO
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Building Authority Debt Service	Michigan Transportation Fund	General Debt Service	OPEB Bond Debt Service	Total
ASSETS					
Cash and cash equivalents	\$ 59,096	\$ -	\$ 440	\$ -	\$ 59,536
Due from other governmental units	-	-	-	3,951,423	3,951,423
TOTAL ASSETS	<u>\$ 59,096</u>	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ 3,951,423</u>	<u>\$ 4,010,959</u>
LIABILITIES					
Due to other funds	\$ 589	\$ -	\$ -	\$ -	\$ 589
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	3,951,423	3,951,423
FUND BALANCES					
Restricted	<u>58,507</u>	<u>-</u>	<u>440</u>	<u>-</u>	<u>58,947</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 59,096</u>	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ 3,951,423</u>	<u>\$ 4,010,959</u>

**CITY OF KALAMAZOO
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	Building Authority Debt Service	Michigan Transportation Fund	General Debt Service	OPEB Bond Debt Service	Total
REVENUES					
Interest and rents	\$ 784,400	\$ -	\$ -	\$ -	\$ 784,400
Other	-	-	187,900	266,170	454,070
TOTAL REVENUES	784,400	-	187,900	266,170	1,238,470
EXPENDITURES					
Debt service					
Principal	1,345,000	320,000	3,695,000	1,539,330	6,899,330
Interest and fiscal charges	586,057	16,192	1,411,794	2,784,511	4,798,554
TOTAL EXPENDITURES	1,931,057	336,192	5,106,794	4,323,841	11,697,884
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,146,657)	(336,192)	(4,918,894)	(4,057,671)	(10,459,414)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,146,463	336,192	4,919,334	4,057,671	10,459,660
Transfers out	-	(1,675)	-	-	(1,675)
TOTAL OTHER FINANCING SOURCES (USES)	1,146,463	334,517	4,919,334	4,057,671	10,457,985
NET CHANGE IN FUND BALANCES	(194)	(1,675)	440	-	(1,429)
Fund balances, beginning of year	58,701	1,675	-	-	60,376
Fund balances, end of year	\$ 58,507	\$ -	\$ 440	\$ -	\$ 58,947

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

**CITY OF KALAMAZOO
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Streets Jurisdiction Transfer	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 751,264	\$ 117,695	\$ 868,959
Cash and cash equivalents - restricted	2,197,975	4,454,991	-	6,652,966
Investments	-	-	7,010,973	7,010,973
Receivables				
Accounts	40,420	-	-	40,420
Interest	-	-	53,067	53,067
Due from other funds	-	506,821	-	506,821
Due from other governmental units	-	66,174	-	66,174
TOTAL ASSETS	<u>\$ 2,238,395</u>	<u>\$ 5,779,250</u>	<u>\$ 7,181,735</u>	<u>\$ 15,199,380</u>
LIABILITIES				
Accounts payable	\$ -	\$ 592,449	\$ -	\$ 592,449
Due to other funds	2,238,395	115,218	-	2,353,613
Unearned revenue	-	470,320	-	470,320
TOTAL LIABILITIES	2,238,395	1,177,987	-	3,416,382
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	48,242	-	48,242
FUND BALANCES				
Restricted	-	4,553,021	7,181,735	11,734,756
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,238,395</u>	<u>\$ 5,779,250</u>	<u>\$ 7,181,735</u>	<u>\$ 15,199,380</u>

CITY OF KALAMAZOO
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Streets Jurisdiction Transfer	Total
REVENUES				
Intergovernmental	\$ -	\$ 1,052,978	\$ 7,013,998	\$ 8,066,976
Interest and rents	36,357	149,718	167,737	353,812
Other				
Donations and contributions	-	580,596	-	580,596
Other	-	302,497	-	302,497
TOTAL REVENUES	36,357	2,085,789	7,181,735	9,303,881
EXPENDITURES				
Capital outlay	36,357	4,911,047	-	4,947,404
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,825,258)	7,181,735	4,356,477
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	3,506,650	-	3,506,650
Bond premium	-	652,206	-	652,206
Transfers in	-	3,994,101	-	3,994,101
Transfers out	-	(3,382,823)	-	(3,382,823)
TOTAL OTHER FINANCING SOURCES (USES)	-	4,770,134	-	4,770,134
NET CHANGE IN FUND BALANCES	-	1,944,876	7,181,735	9,126,611
Fund balances, beginning of year	-	2,608,145	-	2,608,145
Fund balances, end of year	\$ -	\$ 4,553,021	\$ 7,181,735	\$ 11,734,756

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, 2019**

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 43,984	\$ -	\$ -	\$ 43,984
Investments	3,890,624	-	-	3,890,624
Investments with agents	-	1,586,670	1,572,366	3,159,036
Accounts receivable	1,995	-	-	1,995
TOTAL ASSETS	\$ 3,936,603	\$ 1,586,670	\$ 1,572,366	\$ 7,095,639
LIABILITIES				
Contract payable	\$ 196	\$ -	\$ -	\$ 196
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,995	-	-	1,995
FUND BALANCES				
Nonspendable	1,476,813	937,206	955,198	3,369,217
Restricted	2,457,599	649,464	617,168	3,724,231
TOTAL FUND BALANCES	3,934,412	1,586,670	1,572,366	7,093,448
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,936,603	\$ 1,586,670	\$ 1,572,366	\$ 7,095,639

**CITY OF KALAMAZOO
NONMAJOR PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 32,298	\$ -	\$ -	\$ 32,298
Interest and dividends	471,393	-	-	471,393
Net investment earnings	105,949	268,101	262,187	636,237
TOTAL REVENUES	609,640	268,101	262,187	1,139,928
EXPENDITURES				
Current				
Public works	20,001	-	-	20,001
Parks and recreation	-	86,625	50,179	136,804
TOTAL EXPENDITURES	20,001	86,625	50,179	156,805
EXCESS OF REVENUES OVER EXPENDITURES	589,639	181,476	212,008	983,123
OTHER FINANCING (USES)				
Transfers out	(331,292)	-	-	(331,292)
NET CHANGE IN FUND BALANCES	258,347	181,476	212,008	651,831
Fund balances, beginning of year	3,676,065	1,405,194	1,360,358	6,441,617
Fund balances, end of year	\$ 3,934,412	\$ 1,586,670	\$ 1,572,366	\$ 7,093,448

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, 2019**

	Employees' Retirement System	Other Post- Employment Benefits	Total
ASSETS			
Cash and cash equivalents	\$ 81,099	\$ 111,883	\$ 192,982
Investments			
U.S. Treasuries	45,586,361	6,918,492	52,504,853
Corporate bonds	55,993,872	8,498,006	64,491,878
Collateralized mortgage obligations	60,923,029	9,246,088	70,169,117
Equity mutual funds	478,349,931	72,597,598	550,947,529
Real estate mutual funds	33,259,057	5,047,618	38,306,675
Receivables			
Interest and dividends	882,229	133,852	1,016,081
Investments sold	<u>2,084,661</u>	<u>316,382</u>	<u>2,401,043</u>
 TOTAL ASSETS	 677,160,239	 102,869,919	 780,030,158
 LIABILITIES			
Accounts payable	<u>20,971</u>	<u>764,534</u>	<u>785,505</u>
 NET POSITION			
Restricted for pension and OPEB	<u><u>\$ 677,139,268</u></u>	<u><u>\$ 102,105,385</u></u>	<u><u>\$ 779,244,653</u></u>

CITY OF KALAMAZOO
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

	Employees' Retirement System	Other Post- Employment Benefits	Total
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 98,769,881	\$ 15,120,819	\$ 113,890,700
Interest	4,503,471	687,350	5,190,821
Dividends	11,136,626	1,695,928	12,832,554
Total investment income	114,409,978	17,504,097	131,914,075
Less investment expense	(2,003,323)	(305,918)	(2,309,241)
Net investment income	112,406,655	17,198,179	129,604,834
Contributions			
Employer	-	3,500,000	3,500,000
Plan members	1,238,420	978,010	2,216,430
Total contributions	1,238,420	4,478,010	5,716,430
TOTAL ADDITIONS TO NET POSITION	113,645,075	21,676,189	135,321,264
DEDUCTIONS FROM NET POSITION			
Benefits	30,034,033	10,343,706	40,377,739
Refunds of contributions	179,863	-	179,863
Administrative expenses	663,324	163,343	826,667
TOTAL DEDUCTIONS	30,877,220	10,507,049	41,384,269
CHANGE IN NET POSITION	82,767,855	11,169,140	93,936,995
Net position, beginning of year	594,371,413	90,936,245	685,307,658
Net position, end of year	\$ 677,139,268	\$ 102,105,385	\$ 779,244,653

**CITY OF KALAMAZOO
 COMPONENT UNIT FUND
 BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION
 DECEMBER 31, 2019**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 426,100
Due from other governmental units	<u>816</u>
TOTAL ASSETS	<u><u>\$ 426,916</u></u>
LIABILITIES	
Accounts payable	\$ 35
FUND BALANCE	
Unassigned	<u>426,881</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 426,916</u></u>

Note: Reconciliation of the balance sheet of this component unit's governmental fund to the statement of net position is not required as the fund balance of the governmental fund was equal to the net position for the year ended December 31, 2019.

**CITY OF KALAMAZOO
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 ECONOMIC DEVELOPMENT CORPORATION
 YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>
REVENUES	
Interest	\$ 1,668
Other	<u>41,770</u>
TOTAL REVENUES	43,438
EXPENDITURES	
Current	
Community and economic development	<u>33,969</u>
NET CHANGE IN FUND BALANCE	9,469
Fund balance, beginning of year	<u>417,412</u>
Fund balance, end of year	<u><u>\$ 426,881</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, 2019**

Net change in fund balance - governmental fund	\$ 9,469
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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>15,685</u>
Change in net position of governmental activities	<u>\$ 25,154</u>

**CITY OF KALAMAZOO
 COMPONENT UNIT FUND
 BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY
 DECEMBER 31, 2019**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,801,775
Investments	855,978
Receivables	
Taxes	401,542
Notes	696,894
Due from other governmental units	2,552
Prepays	<u>500,000</u>
TOTAL ASSETS	<u><u>\$ 5,258,741</u></u>
LIABILITIES	
Accounts payable	\$ 356,310
Due to other governmental units	6,837
Advance from other governmental units	688,136
Unearned revenue	<u>30,000</u>
TOTAL LIABILITIES	1,081,283
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	4,437
FUND BALANCE	
Nonspendable	508,758
Committed	471,827
Unassigned	<u>3,192,436</u>
TOTAL FUND BALANCE	<u>4,173,021</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 5,258,741</u></u>

**CITY OF KALAMAZOO
COMPONENT UNIT FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -
BROWNFIELD REDEVELOPMENT AUTHORITY
DECEMBER 31, 2019**

Total fund balance - governmental fund **\$ 4,173,021**

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

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

Unavailable revenue 4,437

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

Loans payable	\$ (793,935)	
Compensated absences	<u>(2,963)</u>	
		<u>(796,898)</u>

Net position of governmental activities **\$ 3,380,560**

**CITY OF KALAMAZOO
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BROWNFIELD REDEVELOPMENT AUTHORITY
 YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>
REVENUES	
Taxes	\$ 1,130,340
Intergovernmental	207,888
Interest	77,405
Other	<u>197,561</u>
TOTAL REVENUES	1,613,194
EXPENDITURES	
Current	
Community and economic development	<u>1,514,584</u>
NET CHANGE IN FUND BALANCE	98,610
Fund balance, beginning of year	<u>4,074,411</u>
Fund balance, end of year	<u><u>\$ 4,173,021</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, 2019**

Net change in fund balance - governmental fund	\$ 98,610
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Amounts reported for governmental activities in the statement of activities are different because:

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

Adjustment to loans payable	8,805
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Change in compensated absences	<u>14,316</u>
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Change in net position of governmental activities	<u><u>\$ 121,731</u></u>
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**CITY OF KALAMAZOO
 COMPONENT UNIT FUND
 BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY
 DECEMBER 31, 2019**

	<u>General</u>
ASSETS	
Taxes receivable	<u>\$ 7,978</u>
LIABILITIES	\$ -
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	7,978
FUND BALANCE	<u> -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 7,978</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, 2019**

Total fund balance - governmental fund \$ -

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

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

Unavailable revenue	<u>7,978</u>
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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, 2019**

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

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance of the governmental fund was equal to the change in net position for the year ended December 31, 2019.

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.....	177-181
<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.....	182-185
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	186-194
<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	195-196
<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.....	197-201
<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	202-237

TABLE 1

**CITY OF KALAMAZOO
NET POSITION BY COMPONENT
2009-2019
(UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 123,355,990	\$ 125,529,739	\$ 122,960,589	\$ 123,492,323	\$ 122,338,669	\$ 121,402,730	\$ 122,361,164	\$ 120,389,124	\$ 122,213,595	\$ 124,191,725
Restricted	12,050,021	11,045,791	13,946,502	14,512,704	15,031,494	13,951,012	14,937,512	22,611,812	29,541,823	46,788,941
Unrestricted	(8,666,188)	(22,606,617)	(35,131,160)	(42,557,926)	(46,283,678)	84,120,446	85,140,274	93,207,875	31,002,648	15,099,509
Total governmental activities net position	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>	<u>\$ 101,775,931</u>	<u>\$ 95,447,101</u>	<u>\$ 91,086,485</u>	<u>\$ 219,474,188</u>	<u>\$ 222,438,950</u>	<u>\$ 236,208,811</u>	<u>\$ 182,758,066</u>	<u>\$ 186,080,175</u>
Business-type activities										
Net investment in capital assets	\$ 150,485,254	\$ 152,806,937	\$ 149,416,222	\$ 145,375,261	\$ 143,182,090	\$ 141,668,888	\$ 140,434,583	\$ 144,557,184	\$ 145,972,507	\$ 148,065,618
Restricted	2,577,960	2,524,960	2,831,960	2,831,960	2,454,033	2,164,039	2,094,054	2,089,731	2,811,148	4,112,996
Unrestricted	18,046,633	7,408,224	11,411,854	15,684,847	16,092,853	48,245,428	49,851,898	45,467,985	22,705,613	14,617,705
Total business-type activities net position	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>	<u>\$ 163,892,068</u>	<u>\$ 161,728,976</u>	<u>\$ 192,078,355</u>	<u>\$ 192,380,535</u>	<u>\$ 192,114,900</u>	<u>\$ 171,489,268</u>	<u>\$ 166,796,319</u>
Primary government										
Net investment in capital assets	\$ 273,841,244	\$ 278,336,676	\$ 272,376,811	\$ 268,867,584	\$ 265,520,759	\$ 263,071,618	\$ 262,795,747	\$ 264,946,308	\$ 268,186,102	\$ 272,257,343
Restricted	14,627,981	13,570,751	16,778,462	17,344,664	17,485,527	16,115,051	17,031,566	24,701,543	32,352,971	50,901,937
Unrestricted	9,380,445	(15,198,393)	(23,719,306)	(26,873,079)	(30,190,825)	132,365,874	134,992,172	138,675,860	53,708,261	29,717,214
Total primary government net position	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>	<u>\$ 265,435,967</u>	<u>\$ 259,339,169</u>	<u>\$ 252,815,461</u>	<u>\$ 411,552,543</u>	<u>\$ 414,819,485</u>	<u>\$ 428,323,711</u>	<u>\$ 354,247,334</u>	<u>\$ 352,876,494</u>

TABLE 2

**CITY OF KALAMAZOO
CHANGES IN NET POSITION
2009-2019
(UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General government	\$ 9,371,185	\$ 8,471,082	\$ 10,168,516	\$ 8,416,014	\$ 9,930,643	\$ 8,766,309	\$ 5,721,625	\$ 3,749,149	\$ 14,756,851	\$ 13,337,417
Public safety	43,495,846	45,215,879	36,120,760	36,060,961	34,662,862	41,688,680	35,180,743	37,129,688	48,251,573	44,946,326
Public works	13,814,938	20,094,540	16,862,523	18,023,279	17,534,605	17,745,839	14,953,810	15,533,907	17,056,118	21,434,101
Community and economic development	8,746,176	15,666,823	8,667,696	5,056,773	4,718,105	6,429,186	4,500,102	4,536,753	11,683,998	9,779,012
Recreation and culture	3,223,463	3,182,766	2,781,196	2,589,433	3,054,139	2,026,717	2,100,881	3,168,551	4,039,342	6,299,389
Interest on long-term debt	2,672,721	2,717,822	2,378,583	2,169,930	2,189,831	4,626,913	4,735,609	5,174,409	4,700,844	4,630,744
Total governmental activities expenses	<u>81,324,329</u>	<u>95,348,912</u>	<u>76,979,274</u>	<u>72,316,390</u>	<u>72,090,185</u>	<u>81,283,644</u>	<u>67,192,770</u>	<u>69,292,457</u>	<u>100,488,726</u>	<u>100,426,989</u>
Business-type activities										
Wastewater	22,825,084	23,435,464	21,769,136	22,461,092	22,214,421	21,637,512	21,294,272	21,035,419	26,827,856	29,961,234
Water	14,946,226	15,415,808	14,525,327	14,019,746	14,617,217	16,069,239	15,953,040	15,509,780	19,978,024	21,391,499
Other	44,230	135,204	67,778	1,616,741	1,638,861	1,704,812	1,714,755	1,676,753	-	-
Total business-type activities expenses	<u>37,815,540</u>	<u>38,986,476</u>	<u>36,362,241</u>	<u>38,097,579</u>	<u>38,470,499</u>	<u>39,411,563</u>	<u>38,962,067</u>	<u>38,221,952</u>	<u>46,805,880</u>	<u>51,352,733</u>
Total primary government expenses	<u>\$ 119,139,869</u>	<u>\$ 134,335,388</u>	<u>\$ 113,341,515</u>	<u>\$ 110,413,969</u>	<u>\$ 110,560,684</u>	<u>\$ 120,695,207</u>	<u>\$ 106,154,837</u>	<u>\$ 107,514,409</u>	<u>\$ 147,294,606</u>	<u>\$ 151,779,722</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 4,731,626	\$ 11,900,982	\$ 10,614,076	\$ 10,880,322	\$ 11,316,006	\$ 10,972,764	\$ 7,581,047	\$ 7,798,637	\$ 7,020,944	\$ 8,785,840
Community development and planning	246,453	1,240,353	1,069,568	1,525,283	1,471,008	1,668,372	1,573,669	1,686,416	1,955,984	2,072,539
Other	733,970	1,023,442	975,170	1,029,481	1,052,534	1,241,443	1,805,820	2,653,944	4,682,641	4,485,685
Operating grants and contributions	15,255,631	20,982,518	15,765,684	11,661,313	12,679,339	13,957,992	14,323,779	33,765,675	45,961,378	41,823,581
Capital grants and contributions	868,221	1,163,643	655,181	5,744	6,618	43,390	10,944	18,008	9,077	8,958,293
Total governmental activities program revenues	<u>21,835,901</u>	<u>36,310,938</u>	<u>29,079,679</u>	<u>25,102,143</u>	<u>26,525,505</u>	<u>27,883,961</u>	<u>25,295,259</u>	<u>45,922,680</u>	<u>59,630,024</u>	<u>66,125,938</u>
Business-type activities										
Charges for services										
Wastewater	19,085,813	18,178,855	20,484,471	21,111,243	20,758,450	19,819,546	19,599,234	15,736,474	20,836,363	23,805,086
Water	12,759,940	12,451,401	14,583,205	13,480,979	12,948,883	14,348,122	15,451,374	16,726,191	17,471,819	18,616,280
Other	58,832	67,287	91,621	1,628,563	1,566,381	1,695,902	1,674,904	1,706,745	-	-
Operating grants and contributions	-	238,233	266,929	212,011	155,215	90,507	131,334	36,855	1,646,220	860,080
Capital grants and contributions	4,001,255	3,308,895	1,733,898	1,834,883	870,240	3,154,597	2,130,600	3,186,467	2,734,745	1,857,181
Total business-type activities program revenues	<u>35,905,840</u>	<u>34,244,671</u>	<u>37,160,124</u>	<u>38,267,679</u>	<u>36,299,169</u>	<u>39,108,674</u>	<u>38,987,446</u>	<u>37,392,732</u>	<u>42,689,147</u>	<u>45,138,627</u>
Total primary government program revenues	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>	<u>\$ 66,239,803</u>	<u>\$ 63,369,822</u>	<u>\$ 62,824,674</u>	<u>\$ 66,992,635</u>	<u>\$ 64,282,705</u>	<u>\$ 83,315,412</u>	<u>\$ 102,319,171</u>	<u>\$ 111,264,565</u>
Net (Expense) Revenue										
Governmental activities	\$ (59,488,428)	\$ (59,037,974)	\$ (47,899,595)	\$ (47,214,247)	\$ (45,564,680)	\$ (53,399,683)	\$ (41,046,743)	\$ (23,369,777)	\$ (40,858,702)	\$ (34,301,051)
Business-type activities	(1,909,700)	(4,741,805)	797,883	170,100	(2,171,330)	(302,889)	25,379	(829,220)	(4,116,733)	(6,214,106)
Total primary government net expense	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>	<u>\$ (47,101,712)</u>	<u>\$ (47,044,147)</u>	<u>\$ (47,736,010)</u>	<u>\$ (53,702,572)</u>	<u>\$ (41,021,364)</u>	<u>\$ (24,198,997)</u>	<u>\$ (44,975,435)</u>	<u>\$ (40,515,157)</u>

TABLE 2

CITY OF KALAMAZOO
CHANGES IN NET POSITION (CONCLUDED)
2009-2019
(UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities										
General revenues										
Property taxes	\$ 34,292,608	\$ 33,313,845	\$ 30,457,012	\$ 31,011,014	\$ 31,834,240	\$ 32,085,449	\$ 34,350,331	\$ 24,802,341	\$ 22,927,422	\$ 23,498,110
Grants and contributions not restricted to specific programs	8,669,650	8,063,444	7,939,441	8,851,208	8,441,077	8,505,032	8,563,853	9,046,844	10,355,402	11,303,841
Unrestricted investment earnings	1,411,281	206,017	1,285,649	1,438,503	672,910	74,925	997,789	1,913,430	43,192	3,191,077
Gain on sale of assets	-	6,270	-	7,800	74,590	31,638	8,850	1,487,317	1,485,625	69,257
Contributions to permanent funds	-	-	-	-	-	-	-	-	-	-
Other	304,588	900,135	824,508	219,059	167,497	118,374	90,682	111,987	276,267	213,867
Transfers - internal activities	(663,388)	3,777,353	-	(50,000)	-	-	-	(222,281)	(831,618)	(652,992)
Total governmental activities	<u>44,014,739</u>	<u>46,267,064</u>	<u>40,506,610</u>	<u>41,477,584</u>	<u>41,190,314</u>	<u>40,815,418</u>	<u>44,011,505</u>	<u>37,139,638</u>	<u>34,256,290</u>	<u>37,623,160</u>
Business-type activities										
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	28,161	32,163	41,803	48,810	56,253	111,566	124,116	182,701	432,037	723,717
Gain on sale of assets	7,418	6,346	4,450	168,408	(98,631)	-	4,008	25,605	37,839	29,641
Other	173,028	110,923	75,779	170,578	50,616	105,932	148,677	132,998	166,174	114,807
Transfers - internal activities	663,388	(3,777,353)	-	50,000	-	-	-	222,281	831,618	652,992
Special item - loss on sale of capital assets/inventory	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>871,995</u>	<u>(3,627,921)</u>	<u>122,032</u>	<u>437,796</u>	<u>8,238</u>	<u>217,498</u>	<u>276,801</u>	<u>563,585</u>	<u>1,467,668</u>	<u>1,521,157</u>
Total primary government	<u>\$ 44,886,734</u>	<u>\$ 42,639,143</u>	<u>\$ 40,628,642</u>	<u>\$ 41,915,380</u>	<u>\$ 41,198,552</u>	<u>\$ 41,032,916</u>	<u>\$ 44,288,306</u>	<u>\$ 37,703,223</u>	<u>\$ 35,723,958</u>	<u>\$ 39,144,317</u>
Change in Net Position										
Governmental activities	\$ (15,473,689)	\$ (12,770,910)	\$ (7,392,985)	\$ (5,736,663)	\$ (4,360,616)	\$ (12,584,265)	\$ 2,964,762	\$ 13,769,861	\$ (6,602,412)	\$ 3,322,109
Business-type activities	(1,037,705)	(8,369,726)	919,915	607,896	(2,163,092)	(85,391)	302,180	(265,635)	(2,649,065)	(4,692,949)
Total primary government	<u>\$ (16,511,394)</u>	<u>\$ (21,140,636)</u>	<u>\$ (6,473,070)</u>	<u>\$ (5,128,767)</u>	<u>\$ (6,523,708)</u>	<u>\$ (12,669,656)</u>	<u>\$ 3,266,942</u>	<u>\$ 13,504,226</u>	<u>\$ (9,251,477)</u>	<u>\$ (1,370,840)</u>

TABLE 3

**CITY OF KALAMAZOO
FUND BALANCES
GOVERNMENTAL FUNDS
2009-2019
(UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 504,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,881,019	-	-	-	-	-	-	-	-	-
Nonspendable	-	730,673	626,548	637,833	1,339,401	1,212,622	1,145,445	1,166,644	1,230,482	1,590,695
Assigned	-	3,504,897	3,503,397	922,527	403,248	3,459,061	2,703,090	407,342	1,347,804	560,245
Unassigned	-	5,325,787	3,557,092	3,921,706	5,975,442	6,533,218	8,120,863	10,812,051	9,244,320	11,770,620
Total general fund	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>	<u>\$ 7,687,037</u>	<u>\$ 5,482,066</u>	<u>\$ 7,718,091</u>	<u>\$ 11,204,901</u>	<u>\$ 11,969,398</u>	<u>\$ 12,386,037</u>	<u>\$ 11,822,606</u>	<u>\$ 13,921,560</u>
All other governmental funds										
Reserved	\$ 12,011,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	5,028,383	-	-	-	-	-	-	-	-	-
Debt service funds	91,569	-	-	-	-	-	-	-	-	-
Capital project funds	1,994,543	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	13,522,951	8,698,303	7,774,612	7,286,926	5,628,997	5,815,832	3,880,499	4,708,506	3,758,255
Restricted	-	7,509,890	8,419,230	9,264,935	10,133,623	9,337,109	10,320,453	18,794,512	24,934,188	43,089,633
Committed	-	1,660,542	2,756,697	2,864,507	1,660,293	1,741,297	841,999	2,002,503	2,037,803	1,985,498
Total all other governmental funds	<u>\$ 19,125,713</u>	<u>\$ 22,693,383</u>	<u>\$ 19,874,230</u>	<u>\$ 19,904,054</u>	<u>\$ 19,080,842</u>	<u>\$ 16,707,403</u>	<u>\$ 16,978,284</u>	<u>\$ 24,677,514</u>	<u>\$ 31,680,497</u>	<u>\$ 48,833,386</u>

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

TABLE 4

**CITY OF KALAMAZOO
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
2009-2019
(UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property taxes and special assessments	\$ 35,071,496	\$ 35,163,954	\$ 32,665,097	\$ 31,172,950	\$ 31,922,256	\$ 32,258,838	\$ 34,350,331	\$ 24,802,341	\$ 22,927,423	\$ 23,836,445
Licenses and permits	1,867,123	1,897,096	1,641,248	2,060,482	2,183,405	2,464,874	2,401,934	2,467,735	2,709,592	2,786,500
Intergovernmental revenue	22,470,227	28,241,290	22,421,096	18,992,137	19,362,091	20,836,848	21,252,260	23,524,707	26,256,483	35,456,567
Charges for services	5,622,676	10,318,577	9,022,197	9,173,002	9,571,894	10,283,027	10,565,330	9,664,577	11,090,392	11,556,318
Fines and forfeits	296,200	642,680	280,426	262,385	529,900	222,239	244,278	154,511	215,587	66,726
Interest and rents	3,429,583	3,304,621	3,219,392	2,936,162	2,568,116	2,064,308	1,832,803	1,961,057	1,987,803	3,192,420
Net investment earnings	780,472	(370,143)	688,741	1,053,215	191,328	(349,763)	585,136	840,048	(754,813)	643,463
Other revenue										
Donations and contributions	-	-	-	-	-	-	-	19,775,051	29,094,726	27,253,766
Other	1,668,632	1,474,703	1,902,634	1,129,797	1,434,156	1,363,588	1,257,290	2,505,971	2,613,642	1,415,191
Total revenues	71,206,409	80,672,778	71,840,831	66,780,130	67,763,146	69,143,959	72,489,362	85,695,998	96,140,835	106,207,396
Expenditures										
Current Expenditures										
General government	7,169,369	7,618,751	7,255,900	6,615,189	6,643,957	7,194,591	7,341,895	9,157,348	10,607,154	11,099,230
Public safety	34,804,767	35,476,959	32,805,831	32,188,577	32,709,081	29,206,949	30,528,266	31,105,681	33,482,897	33,488,526
Public works	11,981,237	16,122,984	14,588,245	14,955,973	14,961,783	14,532,464	14,790,370	17,129,352	17,625,761	17,718,363
Community and economic development	7,763,530	14,182,010	8,562,088	4,682,899	4,653,737	5,410,168	4,231,956	4,012,858	10,283,249	9,862,013
Recreation and culture	2,806,451	2,806,756	2,359,248	2,129,592	2,222,040	2,133,438	2,412,924	3,300,482	5,033,609	5,819,733
Other	2,761,908	2,560,728	3,161,774	2,793,985	2,254,801	2,261,078	4,789,158	3,660,911	3,694,424	3,882,174
Debt service										
Principal	5,125,000	5,510,000	5,650,000	5,928,958	5,606,130	6,023,928	6,358,284	6,903,019	6,960,929	6,928,137
Interest and fiscal charges	2,721,982	2,757,767	2,378,365	2,332,509	2,211,867	4,423,291	4,658,360	4,816,081	4,822,209	4,804,497
Capital outlay	2,861,401	3,408,241	1,338,386	2,123,126	1,595,160	2,546,759	2,072,309	6,019,394	5,847,792	5,447,404
Total expenditures	77,995,645	90,444,196	78,099,837	73,750,808	72,858,556	73,732,666	77,183,522	86,105,126	98,358,024	99,050,077
Excess (deficiency) of revenues over expenditures	(6,789,236)	(9,771,418)	(6,259,006)	(6,970,678)	(5,095,410)	(4,588,707)	(4,694,160)	(409,128)	(2,217,189)	7,157,319
Other financing sources (uses)										
Transfers in	10,646,777	16,291,542	11,821,576	11,376,270	11,702,851	13,303,995	13,901,129	14,184,803	21,289,956	21,030,157
Transfers out	(9,962,957)	(9,009,217)	(9,887,596)	(10,485,854)	(9,389,594)	(12,778,406)	(13,901,129)	(14,407,084)	(20,766,485)	(19,205,149)
Proceeds from the sale of capital assets	-	-	-	-	-	-	-	-	-	-
Issuance of long-term debt	2,855,000	12,910,000	4,400,000	4,000,000	5,510,000	21,035,000	7,135,000	7,895,000	7,750,000	8,688,665
Issuance of refunding debt	-	-	-	-	-	-	-	3,780,000	-	-
Issuance of OPEB debt	-	-	-	-	-	66,995,633	-	-	-	-
Payments to advance refunding escrow agent	-	(8,051,763)	-	-	(1,336,964)	(16,821,549)	(2,156,567)	(3,722,683)	-	-
Bond premium (discount)	68,053	145,167	31,550	80,115	21,930	933,117	751,105	794,961	383,270	1,580,851
Total other financing sources (uses)	3,606,873	12,285,729	6,365,530	4,970,531	6,508,223	72,667,790	5,729,538	8,524,997	8,656,741	12,094,524
Special items										
Contribution to OPEB trust	-	-	-	-	-	(66,965,712)	-	-	-	-
Net change in fund balances	\$ (3,182,363)	\$ 2,514,311	\$ 106,524	\$ (2,000,147)	\$ 1,412,813	\$ 1,113,371	\$ 1,035,378	\$ 8,115,869	\$ 6,439,552	\$ 19,251,843

TABLE 5

CITY OF KALAMAZOO
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(UNAUDITED)

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
2010	\$ 1,407,653,177	\$ 226,482,900	\$ 55,290,258	\$ 1,689,426,335	21.4205	\$ 3,653,847,390	46.2%
2011	1,363,745,396	225,838,500	57,115,455	1,646,699,351	21.4205	3,528,848,624	46.7%
2012	1,275,001,407	221,212,200	56,471,112	1,552,684,719	21.4205	3,224,039,828	48.2%
2013	1,260,004,911	223,183,160	45,132,312	1,528,320,383	21.4205	3,160,534,680	48.4%
2014	1,269,889,280	202,698,640	53,340,534	1,525,928,454	21.4205	3,227,882,104	47.3%
2015	1,293,261,250	209,982,700	53,831,794	1,557,075,744	21.4205	3,310,022,160	47.0%
2016	1,309,987,962	153,133,500	32,866,275	1,495,987,737	21.0705	3,216,646,530	46.5%
2017	1,321,157,164	156,804,200	30,651,422	1,508,612,786	13.8000	3,379,206,496	44.6%
2018	1,378,858,390	153,497,100	22,410,089	1,554,765,579	13.8000	3,458,363,098	45.0%
2019	1,436,532,666	161,537,300	15,894,342	1,613,964,308	13.8000	3,736,212,958	43.2%

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, 2019. 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 2019 roll by \$2,409,725.

TABLE 6

**CITY OF KALAMAZOO
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
(UNAUDITED)**

Year Ended December 31,	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Transportation (D)	Total City Millage (A)	Kalamazoo Public Schools (B)	County (D)	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	Homestead (C)
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	47.5024
2018	12.0000	1.8000	0.0000	13.8000	26.0704	7.8298	6.0000	6.4028	2.8089	3.9487	66.8606	48.9902
2019	12.0000	1.8000	0.0000	13.8000	26.0489	7.8276	6.0000	6.4028	2.8089	3.9487	66.8369	48.9880

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, 2019 ranged from \$24.0000 to \$27.0100 for each \$1,000 of Taxable Value. The total tax rates for property owners in these other school districts would differ accordingly.
- (C) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or entity. Homestead also includes certain agricultural property, registered life care facilities, and property owned by a cooperative housing corporation and occupied as a Homestead.
- (D) Transportation millage rate is now issued under the County via the Central County Transportation Authority (CCTA).

TABLE 7

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

Taxpayer	Industry	2019					2009 (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	\$ 64,696,288	\$ -	\$ 64,696,288	1	4.01%	\$ 29,229,592	4	1.67%
Zoetis	Pharmaceuticals	40,065,473	-	40,065,473	2	2.48%	88,277,869	1	5.05%
Catalyst Development	Real Estate	26,453,063	-	26,453,063	3	1.64%	40,224,276	2	2.30%
MIMG LXVI Drakes Pond, LLC	Apartment Complexes	20,057,231	-	20,057,231	4	1.24%	12,630,500	6	0.72%
Plaza Corp Properties	Real estate development, property	18,668,957	-	18,668,957	5	1.16%			1.69%
Lifecare (Friendship Village)	Paper Products	14,686,493	-	14,686,493	6	0.91%	11,956,901	7	0.00%
Knollwood Loft, LLC	Apartment Complexes	14,620,848	-	14,620,848	7	0.91%			
Graphic Packaging	Healthcare services, property holdings	8,545,442	5,576,800	14,122,242	8	0.88%	29,464,773	3	0.00%
Treystar Holdings	Retirement Community	10,973,415	-	10,973,415	9	0.68%			0.00%
Bronson Hospital	Real estate development, property	10,443,229	-	10,443,229	10	0.65%			0.00%
Former Top 10 Taxpayers	Various	-	-	-		0.00%	53,385,348	5,8,9,10	3.05%
		<u>\$ 229,210,439</u>	<u>\$ 5,576,800</u>	<u>\$ 234,787,239</u>		<u>14.55%</u>	<u>\$ 265,169,259</u>		<u>15.17%</u>

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

(A) Represents equivalent taxable value of property granted tax abatement under Acts 198.

(B) The City's total taxable value of \$1,613,964,308 for the year ending December 31, 2019 includes the taxable value of property granted tax abatement under Act 198 and board adjustments. See Table 5 for data on taxable values.

(C) Values are the basis for the 2009 Assessment Roll and the 2009 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,747,572,337.

TABLE 8

**CITY OF KALAMAZOO
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL PROPERTY TAX LEVY
LAST TEN YEARS
(UNAUDITED)**

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B) Collection Subsequent to the Year of Tax Levy	Total Collections	Percent of Total Collections to Tax Levy
2010	\$ 31,984,275	\$ 29,781,694	93.11%	\$ 2,201,796	\$ 31,983,490	100.00%
2011	31,198,694	29,212,109	93.63%	1,936,989	31,149,098	99.84%
2012	29,256,743	27,505,148	94.01%	1,713,182	29,218,330	99.87%
2013	28,847,614	27,356,314	94.83%	1,455,479	28,811,793	99.88%
2014	28,827,524	27,525,133	95.48%	1,094,765	28,619,898	99.28%
2015	29,455,095	28,435,803	96.54%	991,796	29,427,599	99.91%
2016	28,478,647	27,466,876	96.45%	979,189	28,446,065	99.89%
2017	17,919,973	17,441,490	97.33%	454,425	17,895,915	99.87%
2018	18,372,464	17,859,355	97.21%	484,067	18,343,422	99.84%
2019	19,141,882	18,620,712	97.28%	506,856	19,127,568	99.93%

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) 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 2019 are current through 12-31-19 including settlement figures with County Treasurer as of 03-20-2020.

TABLE 9

CITY OF KALAMAZOO
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
(UNAUDITED)

Year	Governmental Activities				Business-Type Activities			Total Primary Government (B)	Percentage of Personal Income	Per Capita (C)
	General Obligation Bonds (D)	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds (D)	Revenue Bonds	Installment Purchase Contracts			
2010	\$ 48,785,000	\$ 8,325,000	\$ -	\$ 140,000	\$ -	\$ 29,800,000	\$ -	\$ 87,050,000	4.78%	\$ 1,172
2011	49,640,000	6,905,000	-	95,000	-	28,155,000	-	84,795,000	4.66%	1,142
2012	49,750,000	5,595,000	-	45,000	-	32,500,000	-	87,890,000	6.41%	1,176
2013	48,368,335	4,240,000	-	-	951,665	30,405,000	-	83,965,000	6.08%	1,118
2014	48,167,205	3,035,000	-	-	972,795	28,105,000	-	80,280,000	5.75%	1,063
2015	120,078,542	2,305,000	-	-	19,816,696	28,655,000	-	170,855,238	11.80%	2,250
2016	119,915,640	1,920,000	-	-	19,477,081	26,755,000	-	168,067,721	11.49%	2,210
2017	122,372,761	1,615,000	-	-	19,117,993	29,820,000	-	172,925,754	11.42%	2,281
2018	124,554,024	1,295,000	-	-	18,132,151	43,045,000	-	187,026,175	11.42%	2,443
2019	127,939,101	975,000	80,463	-	18,731,665	60,540,000	-	208,266,229	11.95%	2,733

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

(A) Special assessment bonds were issued in 1999.

(B) The long term debt in the Statement of Net Position is reported net of premiums and discounts. Premiums and discounts are generally associated with the cost of financing (interest rate).

(C) See the Schedule of Demographic and Economic Statistics at Table 14 for personal income and population data.

(D) During 2015 a General Obligation Bond was issued in the amount of \$90,955,000 for Other Post Employment Benefits.

TABLE 10

**CITY OF KALAMAZOO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS
(UNAUDITED)**

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
2010	\$ 48,775,000	\$ 49,257	\$ 48,725,743	1.23%	\$ 656
2011	49,640,000	61,469	49,578,531	1.23%	668
2012	49,750,000	237,326	49,512,674	1.30%	662
2013	49,320,000	61,851	49,258,149	1.35%	656
2014	49,140,000	62,266	49,077,734	1.36%	650
2015	139,895,238	59,966	139,835,272	4.06%	1,842
2016	139,392,721	58,232	139,334,489	4.33%	1,832
2017	141,490,754	62,691	141,427,793	4.19%	1,866
2018	142,686,175	60,376	142,625,799	4.12%	1,863
2019	146,670,766	58,947	146,611,819	3.92%	1,924

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

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

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

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

TABLE 11

**CITY OF KALAMAZOO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2019
(UNAUDITED)**

Overlapping			
	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Comstock School District	\$ 19,675,000	11.62%	\$ 2,286,235
Kalamazoo School District	207,595,000	56.58%	117,457,251
Parchment School District	34,368,011	0.72%	247,117
Portage School District	180,870,000	1.73%	3,129,051
Kalamazoo County	27,065,000	17.99%	4,868,994
Kalamazoo Intermediate School District	4,725,000	19.78%	934,605
Kalamazoo Community College	7,620,000	17.85%	1,360,170
Total overlapping debt	\$ 481,918,011		\$ 130,283,423
Direct			
			Gross Debt
General obligation bonds			
Building Authority			\$ 12,980,000
Capital improvement			50,776,935
OPEB			64,182,166
Revenue bonds			
Michigan Transportation Fund			975,000
Total direct debt			\$ 128,914,101
Total net direct and overlapping debt of governmental activities			\$ 259,197,524

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.

TABLE 12A

**CITY OF KALAMAZOO
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2019
(UNAUDITED)**

State Equalized Value (A)	
Ad valorem property	\$ 1,847,688,738
Tax abated property	12,385,324
Revenue Sharing	<u>684,968,841</u>
Total State Equalized Value (SEV)	<u><u>\$ 2,545,042,903</u></u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
Legal Limitation	<u><u>\$ 254,504,290</u></u>
Debt Obligations of the Primary Government (B)	\$ 208,266,229
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (60,540,000)
Michigan Transportation Fund Bonds	<u>(975,000)</u>
	<u>(61,515,000)</u>
Total Debt of the City Subject to Limitation	<u><u>\$ 146,751,229</u></u>
LEGAL DEBT MARGIN	<u><u>\$ 107,753,061</u></u>

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

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

(A) State equalized assessed property values are assessed at December 31, 2018 for the basis of the year ending December 31, 2019 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.

TABLE 12B

**CITY OF KALAMAZOO
LEGAL DEBT MARGIN HISTORICAL INFORMATION
LAST TEN YEARS
(UNAUDITED)**

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2010	\$ 178,041,985	\$ 48,775,000	\$ 129,266,985	27.4%
2011	172,045,531	49,640,000	122,405,531	28.9%
2012	152,641,528	49,750,000	102,891,528	32.6%
2013	150,241,644	49,320,000	100,921,644	32.8%
2014	197,332,997	49,140,000	148,192,997	24.9%
2015	202,333,982	137,575,000	64,758,982	68.0%
2016	199,808,878	139,392,721	60,416,157	69.8%
2017	209,685,061	141,490,754	68,194,307	67.5%
2018	238,356,369	142,686,175	95,670,194	59.9%
2019	254,504,290	146,751,229	107,753,061	57.7%

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

TABLE 13

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

Michigan Transportation Revenue Bonds (A)					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
2010	\$ 4,880,147	\$ 1,410,000	\$ 388,805	\$ 1,798,805	2.71
2011	4,983,054	1,480,000	319,935	1,799,935	2.77
2012	5,104,738	1,310,000	222,420	1,532,420	3.33
2013	5,210,499	1,355,000	176,264	1,531,264	3.40
2014	5,314,650	1,205,000	132,808	1,337,808	3.97
2015	5,562,139	730,000	104,293	834,293	6.67
2016	5,718,839	465,000	77,508	542,508	10.54
2017	7,454,420	305,000	28,947	333,947	22.32
2018	7,812,157	320,000	20,768	340,768	22.93
2019	9,095,547	320,000	16,192	336,192	27.05

Special Assessment Bonds (B)					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
2010	\$ 16,334	\$ 45,000	\$ 9,530	\$ 54,530	0.30
2011	38,955	45,000	7,280	52,280	0.75
2012	4,122	50,000	4,985	54,985	0.07
2013	2,438	45,000	2,385	47,385	0.05
2014	237	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2018	-	-	-	-	-

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

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

(B) Special assessment bonds were issued in 1999.

TABLE 13

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

	Wastewater System Revenue Bonds									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues (B)										
Operating Revenues	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376	\$ 21,113,101	\$ 20,758,450	\$ 19,819,546	\$ 19,599,234	\$ 15,748,201	\$ 20,836,520	\$ 23,852,345
Interest Revenue	(4,039)	20,167	30,564	36,474	41,072	82,258	84,217	105,670	213,890	374,336
Intergovernmental	-	50,628	50,044	46,020	55,906	13,521	-	-	327,025	394,098
Total Revenues	20,667,651	18,277,881	20,568,984	21,195,595	20,855,428	19,915,325	19,683,451	15,853,871	21,377,435	24,620,779
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	18,852,129	18,947,736	17,199,488	17,260,718	17,305,246	16,261,847	16,036,230	15,822,715	21,684,795	24,525,759
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	224,196	204,414	207,162	210,459	214,305
Interest	-	-	-	-	-	342,432	397,269	427,638	391,735	387,589
Add: OPEB Contributions Made (D)	-	-	-	-	-	-	357,700	357,700	357,700	423,390
Less:										
Payment in Lieu of Taxes	(649,932)	(656,772)	(680,148)	(691,464)	(703,596)	(718,176)	(719,064)	(722,952)	(734,592)	(747,264)
Pension and OPEB (E)	(1,720,948)	(1,853,618)	(768,134)	(642,212)	(404,370)	(1,358,067)	(350,037)	78,839	(2,821,842)	(2,923,190)
Total Direct Operating Expenses	16,481,249	16,437,346	15,751,206	15,927,042	16,197,280	14,752,232	15,926,512	16,171,102	19,088,255	21,880,589
Net Available Revenue	4,186,402	1,840,535	4,817,778	5,268,553	4,658,148	5,163,093	3,756,939	(317,231)	2,289,180	2,740,190
Debt Service										
Principal	330,000	310,000	295,000	495,000	595,000	660,000	675,000	680,000	700,000	850,000
Interest	254,199	302,267	211,699	494,608	355,092	352,909	295,345	247,449	398,214	566,250
Total Debt Service	584,199	612,267	506,699	989,608	950,092	1,012,909	970,345	927,449	1,098,214	1,416,250
Coverage (A)	7.17	3.01	9.51	5.32	4.90	5.10	3.87	-0.34	2.08	1.93

TABLE 13

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

	Water System Revenue Bonds									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues (B)										
Operating Revenues	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342	\$ 13,560,159	\$ 12,976,357	\$ 14,402,391	\$ 15,451,374	\$ 16,755,588	\$ 17,550,913	\$ 18,656,544
Interest Revenue	28,312	11,916	11,179	12,316	15,160	29,280	39,851	77,031	218,147	349,381
Intergovernmental	-	187,605	216,885	165,991	99,309	76,986	131,334	36,855	1,319,195	465,982
Total Revenues	12,900,339	12,725,708	14,837,406	13,738,466	13,090,826	14,508,657	15,622,559	16,869,474	19,088,255	19,471,907
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	10,888,856	10,877,839	9,802,781	9,715,638	10,565,861	11,791,040	11,468,537	11,028,537	15,175,424	16,033,733
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	205,428	187,302	189,820	192,841	196,365
Interest	-	-	-	-	-	313,767	364,013	391,840	375,339	355,143
Add: OPEB Contributions Made (D)	-	-	-	-	-	-	298,200	298,200	298,200	315,080
Less:										
Payment in Lieu of Taxes	(538,440)	(544,104)	(563,472)	(572,844)	(582,900)	(584,724)	(595,716)	(598,188)	(604,560)	(614,988)
Pension and OPEB (E)	(1,515,414)	(1,632,255)	(676,485)	(565,523)	(427,422)	(1,085,887)	(315,810)	256,436	(2,161,936)	(2,242,472)
Total Direct Operating Expenses	8,835,002	8,701,480	8,562,824	8,577,271	9,555,539	10,639,624	11,406,526	11,566,645	13,275,308	14,042,861
Net Available Revenue	4,065,337	4,024,228	6,274,582	5,161,195	3,535,287	3,869,033	4,216,033	5,302,829	5,812,947	5,429,046
Debt Service										
Principal	1,360,000	1,425,000	1,351,351	1,600,000	1,675,000	1,825,000	1,225,000	1,335,000	1,300,000	1,525,000
Interest	1,150,010	1,247,232	1,255,318	968,005	798,448	651,950	676,511	720,214	976,017	1,155,511
Total Debt Service	2,510,010	2,672,232	2,606,669	2,568,005	2,473,448	2,476,950	1,901,511	2,055,214	2,276,017	2,680,511
Coverage	1.62	1.51	2.41	2.01	1.43	1.56	2.22	2.58	2.55	2.03

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 2019, this is a negative adjustment as the pension adjustment increased operating expenses due to an unfavorable change in the net pension benefit.

TABLE 13A

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE
DECEMBER 31, 2019
(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)		
2015	\$ 1,344,871	\$ 400,000	3.00%	\$ 56,700	\$ 456,700	2.94
2016	1,398,580	420,000	3.50%	43,350	463,350	3.02
2017	787,418	450,000	4.00%	27,000	477,000	1.65
2018	-	450,000	4.00%	9,000	459,000	-
2019	-	-	4.00%	-	-	-
		<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 2018 and none projected for 2019 due to a loss in district value in 2017.

TABLE 14

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

Fiscal Year	(A) Population	(A) Per Capita Income	Personal Income	(A) Median Age	(B) School Enrollment	(C) Unemployment Rate
2010	74,262	\$ 24,517	\$ 1,820,690,455	24.7	15,598	13.9%
2011	74,262	24,517	1,820,690,455	24.7	15,964	11.3%
2012	74,743	18,348	1,371,384,564	26.2	12,216	7.7%
2013	75,092	18,402	1,381,842,984	26.2	12,216	7.3%
2014	75,548	18,468	1,395,220,464	26.2	12,216	7.4%
2015	75,922	19,064	1,447,377,008	26.2	12,538	5.2%
2016	76,041	19,242	1,463,180,922	25.7	12,764	4.9%
2017	75,807	19,968	1,513,714,176	25.8	12,759	5.1%
2018	76,545	22,146	1,695,165,570	39.8	12,673	4.1%
2019	76,200	22,879	1,743,379,800	26.0	12,880	3.4%

Data Sources:

(A) United States Census Bureau. Based on July 2019 Census estimates.

(B) State of Michigan Fall 2019 Student Count as reported at Michigan.gov

(C) Michigan Department of Labor and Economic Growth - Office of Labor Market Information
See the Schedule of Employment Statistics at Table 27 for employment data.

Note: Population and median age are based on the most current available census data. Personal income information is an estimate based on the per capita income of the Kalamazoo County. Unemployment rate information is an unadjusted annual rate for the City of Kalamazoo as included in Table 27. School enrollment is based on student counts in fall 2019.

TABLE 15

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

Company	Principal Product or Service	2019			2009		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Bronson Healthcare Group	Health Care	8,600	1	6.5%	3,729	3	2.8%
Western Michigan University	Education	4,237	2	3.2%	4,045	2	3.0%
Stryker Corporation	Medical Equipment	3,300	3	2.5%	1,792	6	1.3%
Borgess Medical Center	Pharmaceuticals	1,399	4	1.1%	4,642	1	3.5%
Pfizer Corporation	Pharmaceuticals	2,202	5	1.7%	3,200	4	2.4%
Kalamazoo Public Schools	Education	1,750	6	1.3%	2,200	5	1.7%
Portage Public Schools	Education	1,400	7	1.1%	1,229	9	0.9%
Kalamazoo Valley CC	Education	1,000	8	0.8%	1,076	11	N/A
Kalamazoo County	Government	1,000	9	0.8%	1,065	12	N/A
Zoetis	Pharmaceuticals	1,000	10	0.8%			N/A
Total		25,888		19.8%	22,978		15.6%

Sources:

City of Kalamazoo

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

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

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

TABLE 16

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

Function/Program	Full-time Equivalent Employees (A)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	65	75	65	60	60	59	61	74	81	92
Public safety	287	287	290	262	257	259	259	270	281	276
Economic development	6	6	5	4	4	4	6	6	7	4
Community development and planning	39	40	37	36	30	30	30	33	34	35
Parks and recreation	18	18	22	14	14	14	13	14	14	15
Public works	43	42	47	39	37	37	39	41	36	32
Streets	30	35	28	27	23	25	25	30	31	30
Wastewater	87	87	84	64	67	68	67	75	73	88
Water	76	61	63	50	51	47	46	57	71	70
Total	<u>651</u>	<u>651</u>	<u>641</u>	<u>556</u>	<u>543</u>	<u>543</u>	<u>546</u>	<u>600</u>	<u>628</u>	<u>642</u>

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

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

TABLE 17

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

	2010	2011	2012	2013	2014	2015 (B)	2016 (A)	2017	2018	2019
General Government										
Assessors										
Number of real property parcels	23,987	23,350	23,380	23,256	23,788	23,275	23,300	23,840	23,644	23,677
Cost to assess real property - per parcel	\$18.29	\$22.09	\$21.49	\$18.38	\$18.38	\$17.27	\$17.46	N/A	N/A	N/A
Revenue gained per real property parcel for new development	(\$85.14)	(\$0.36)	\$0.60	\$3.11	\$0.00	\$0.00	(\$0.19)	N/A	N/A	N/A
Number of personal property accounts	3,322	3,064	2,935	2,985	3,243	3,064	3,200	3,073	2,825	2,797
Cost to assess personal property - per parcel	\$43.71	\$42.08	\$42.79	\$23.93	\$23.79	\$23.15	\$22.43	N/A	N/A	N/A
New personal property accounts	184	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cost savings due to office realignment - per period		(3)	(1)	\$18.86	\$0.14	\$0.78	\$0.72	N/A	N/A	N/A
Treasury										
Percent of City operation tax collected at year end	93%	94%	94%	95%	95%	95%	95%	97%	97%	97%
Average rate of return on investments	T-Bill + 63 basis points	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	T-Bill + 5 basis pts	T-Bill + 5 basis pts
Public Safety										
Fire safety										
Number of residential fires/Number of fatal fires	140 / 0	N/A	N/A	N/A	N/A	N/A	N/A	69 / 2	60 / 0	75 / 3
Number of fire inspections completed	2,700	N/A	N/A	N/A	N/A	N/A	N/A	2231	2,455	421
Kalamazoo Valley Enforcement Team (KVET)										
Number of investigations	909	975	871	640	871	1,000	1,100	404	332	345
Number of arrests (includes warrants)	729	790	871	660	871	800	900	354	200	159
Operations										
Number of calls for service	94,100	73,433	101,000	101,000	101,000	102,000	102,000	107,797	107,508	114,444
Number of persons arrested	8,900	7,800	8,836	8,500	8,836	8,500	8,200	5,346	5,918	5,422
Traffic citations issued	25,000	12,348	17,537	15,000	17,537	15,000	12,000	6,491	6,414	6,635
Traffic accidents / OUIL Arrests	3,069/400	2,917	2,700	3,000	2,700	3,000	3,000	3,283/280	3,136/273	3,354/243
Economic development										
Number of tax exempt acres redeveloped	0	2.19	0.98	2.62	2.62	2.23	7.133	0.21	0.564	11.3
Private investment leveraged / jobs created	\$6,100,000/120	\$16,800,000/114	\$12,500,000/28	\$12,900,000/47	\$12,900,000/47	\$10,100,000/128	\$23,000,000/182	\$8,900,000/45	\$5,375,000/55	\$53,400,000/299
New taxable value added to the City	\$2,400,000	\$2,199,000	\$822,000	\$727,000	\$727,000	\$4,400,000	\$4,400,000	\$1,330,918	\$1,524,906	\$9,718,209
Community development and planning										
Number of housing inspections	14,089	12,802	7,364	10,100	10,310	12,900	13,000	1,681	1,495	2,046
Number of rental units inspected/reinspected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7461	6,310	6,940
Number of rental units certified	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6318	6,160	7,052
Zoning enforcement actions	568	N/A	147	268	N/A	N/A	N/A	171	159	100
Number of persons impacted by housing-related grant award activities	2,702	N/A	510	428	N/A	N/A	N/A	1027	506	2,117
Parks and recreation										
Number of park reservations and public events	211	225	225	170	180	180	185	1750	222	222
Number of family programs	7	9	9	N/A	N/A	N/A	N/A	30	53	53
Number of people served through family programs	7,212	6,788	3,851	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of youth development programs	54	48	48	50	N/A	N/A	N/A	41	45	45
Number of people served through youth development programs	12,566	2,440	6,245	4,883	N/A	N/A	N/A	N/A	547	547
Number of youth served through grant programs	-	-	-	-	-	-	N/A	N/A	N/A	N/A

TABLE 17

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

	2010	2011	2012	2013	2014	2015 (B)	2016 (A)	2017	2018	2019
General Government (concluded)										
Public works										
Number of sidewalk repairs	87	92	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Volume of leaves collected (cubic yards)	90,000	90,000	90,500	90,500	90,000	90,000	90,000	90,000	N/A	N/A
Volume of material recycled (tons)	2,400	2,400	2,510	2,510	2,550	2,550	2,550	588	2,140	2,220
Number of housing units participating in recycling activities	21,500	21,500	21,575	21,575	21,700	8,200	8,200	9,500	10,812	11,261
Volume of solid waste collected (cubic yards)	9,845	9,958	9,989	9,989	10,000	17,451	15,625	3,572	1,652	1,035
Streets										
Number of repairs on major streets	185	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Value of Repairs per staff hour on major streets	\$300	\$315	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of repairs on local streets	475	450	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Value of Repairs per staff hour on local streets	\$255	\$265	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
Cubic meters of water billed (millions)	22.6	22.6	22.4	22.4	22.9	21.36	20.19	22.24	21.14	21.6
Average operating cost to produce one cubic meter of water	\$0.460	\$0.460	\$0.550	\$0.520	\$0.510	\$0.500	\$0.800	\$0.496	\$0.718	\$0.758
Number of utility bills mailed	252,780	252,780	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Cubic meters of wastewater treated (millions)	36.2	34.9	35.6	35.5	35.2	35.58	35.95	36.054	28.7	30.3
Average operating cost to treat one cubic meter of wastewater	\$0.440	\$0.550	\$0.650	\$0.620	\$0.610	\$0.500	\$0.660	\$0.572	\$0.755	\$0.703
Number of sanitary main line stoppages	14	28	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source:

(A) 2016 has been adopted in conjunction with the 2016 budget. The City is undergoing reiew of the of performance measures with the implementation of priority based budgeting.

(B) 2015 data is projected in conjunction with the City of Kalamazoo 2016 proposed budget procedures.

TABLE 18

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	8	7	7	7	4	4	4	4	4	4
Parking lots	7	7	7	7	7	7	12	12	12	12
Parking ramps	3	3	3	3	3	3	3	3	3	3
Public safety										
Public safety headquarters building	1	1	1	1	1	1	1	1	1	1
Public safety stations	7	7	7	6	6	6	6	5	5	5
Training facility	1	1	1	1	1	1	1	1	1	1
Vehicles	196	191	192	204	165	162	163	163	163	163
Community development and planning										
Vehicles	27	27	27	24	15	13	13	13	13	13
Parks and recreation										
Administration building	1	1	1	1	1	1	1	1	1	1
Youth development center	1	1	1	1	1	1	1	1	1	1
Acreage of parks										
Mini-parks	8.9	8.9	8.9	4.8	5.7	5.7	5.7	5.71	5.71	5.71
Neighborhood parks and playgrounds	111.5	111.5	111.5	87.1	86.5	86.5	86.5	86.5	86.5	86.5
Major community parks	728.5	728.5	728.5	n/a	n/a	n/a	N/A	N/A	N/A	N/A
Open green space and preserves	137.0	137.0	137.0	n/a	n/a	n/a	N/A	N/A	N/A	N/A
Community parks	n/a	n/a	n/a	161.7	188.2	158.2	158.2	158.2	158.2	158.2
Large urban parks	n/a	n/a	n/a	181.0	181.0	181.0	181.0	181	181	181
Small urban parks	n/a	n/a	n/a	6.2	6.2	6.1	6.1	6.14	6.14	6.14
Sports complex	n/a	n/a	n/a	93.1	93.1	93.1	93.1	93.1	93.1	93.1
Natural resources areas	n/a	n/a	n/a	89.2	89.2	92.6	92.6	92.61	92.61	92.61
Green spaces	n/a	n/a	n/a	6.0	6.0	25.9	25.9	25.88	25.88	25.88
Islands and right of ways	n/a	n/a	n/a	16.2	16.2	182.2	182.2	182.23	182.23	182.23
Number of parks (C)										
Mini-parks	9	9	9	7	8	8	8	8	8	8
Neighborhood parks and playgrounds	14	14	14	15	14	14	14	14	14	14
Major community parks	8	8	8	n/a	n/a	n/a	N/A	N/A	N/A	N/A
Open green space and preserves	17	17	17	n/a	n/a	n/a	N/A	N/A	N/A	N/A
Community parks	n/a	n/a	n/a	6.0	6.0	6	6	6	6	6
Large urban parks	n/a	n/a	n/a	1.0	1.0	1	1	1	1	1
Small urban parks	n/a	n/a	n/a	4.0	4.0	4	4	4	4	4
Sports complex	n/a	n/a	n/a	1.0	1.0	1	1	1	1	1
Natural resources areas	n/a	n/a	n/a	1.0	1.0	2	2	2	2	2
Green spaces	n/a	n/a	n/a	6.0	6.0	10	10	10	10	10
Islands and right of ways	n/a	n/a	n/a	28.0	28.0	40	40	40	40	40
Festival site	1	1	1	1	1	1	1	1	1	1
Farmers market	1	1	1	1	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Swimming pool	1	1	1	1	1	1	1	1	1	1
Beach	1	1	1	1	1	1	1	1	1	1
Golf courses	3	3	3	3	3	3	3	3	3	3
Vehicles	3	3	3	3	2	3	3	3	3	3

TABLE 18

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	166.38	166.38	166.38	166.24	166.25	166.07	166.07
Major streets (miles)	82.39	82.39	82.39	83.62	83.62	83.62	83.62	83.62	83.62	97.27
Traffic signals	135	135	136	85	85	85	84	84	84	134
Wastewater										
Sanitary sewers (miles)	293	293	293	294	294	294	295	295	295	295
Storm sewers mains (miles)	187.5	187.5	187.5	188.0	188.1	188.7	188.9	188.9	188.9	188.9
Number of lift stations maintained	54	54	59	60	60	60	62	62	62	62
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.3	53.3	53.3	53.3
Water										
Water facility	1	1	1	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8	8	8	9
Pumping stations	18	18	18	16	16	16	16	16	16	16
Booster/bleeder stations	13	13	15	17	17	17	19	22	22	25
Water mains (miles)	665	807	812	753	755	756	761	768	771	776
Wells in Service	99	99	99	99	99	99	98	98	98	98
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	60.00	60.00	60.00	71.86	77.00	77.00	77.00
Storage capacity (millions of gallons)	17.80	17.80	17.80	15.10	15.10	15.10	15.10	15.10	15.10	15.30
Internal service										
Public works equipment (A)										
Utility and other vehicles	91	95	76	112	107	99	103	103	103	99
Public utilities equipment (B)										
Utility and other vehicles	136	130	115	89	81	79	84	84	84	92

Sources: Various city departments.

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

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

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

TABLE 19

CITY OF KALAMAZOO
SCHEDULE OF REVENUES AND EXPENDITURES FOR ACTIVITIES
RELATED TO THE STATE CONSTRUCTION CODE ACT
MICHIGAN PUBLIC ACT 245
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

REVENUES	
Building Permits	\$ 583,426
Electrical Permits	260,992
Mechanical Permits	277,414
Plumbing Permits	133,700
Other Permits and License Fees	<u>63,414</u>
TOTAL REVENUES	1,318,946
EXPENDITURES	
Wages, Salaries, and Benefits	569,376
Supplies	2,967
Services	235,393
Administrative Overhead*	<u>136,015</u>
TOTAL EXPENDITURES	<u>943,751</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ 375,195</u></u>

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

TABLE 20

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

Revenue by Source					
<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Employer Contributions (B)</u>	<u>Employer Contributions as a % of Covered Payroll</u>	<u>Investment Income (Loss)</u>	<u>Total</u>
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	-	0.00%	72,939,990	74,025,930
2017	1,086,258	-	-	94,301,279	95,387,537
2018	1,209,623	-	-	(47,440,721)	(46,231,098)
2019	1,238,420	-	-	112,193,171	113,431,591

Expenses by Type				
<u>Year Ended December 31</u>	<u>Benefits</u>	<u>Administrative Expenses (A)</u>	<u>Refunds</u>	<u>Total</u>
2010	\$ 16,976,057	\$ 453,272	\$ 164,360	\$ 17,593,689
2011	18,140,577	426,033	249,948	18,816,558
2012	24,886,037	433,752	181,872	25,501,661
2013	27,111,793	470,974	46,718	27,629,485
2014	27,775,093	450,226	27,035	28,252,354
2015	28,156,585	300,655	200,115	28,657,355
2016	28,474,218	153,024	22,652	28,649,894
2017	28,407,023	147,099	84,357	28,638,479
2018	29,858,901	147,100	72,516	30,078,517
2019	30,254,967	228,905	179,863	30,663,735

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

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

TABLE 21

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

TOTAL TAXABLE VALUE						
Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
2009	2010	2010	\$ 1,662,260,139	\$ 29,138,985	\$ 1,691,399,124	-3.46%
2010	2011	2011	1,620,740,454	30,023,154	1,650,763,608	-2.40%
2011	2012	2012	1,504,880,068	29,962,169	1,534,842,237	-7.02%
2012	2013	2013	1,485,634,988	24,847,940	1,510,482,928	-1.59%
2013	2014	2014	1,482,368,086	29,600,663	1,511,968,749	0.10%
2014	2015	2015	1,506,388,780	30,107,186	1,536,495,966	1.62%
2015	2016	2016	1,462,323,703	19,985,624	1,482,309,327	-3.53%
2016	2017	2017	1,493,291,518	19,211,958	1,512,503,476	2.04%
2017	2018	2018	1,526,454,237	15,000,119	1,541,454,356	1.91%
2018	2019	2019	1,593,012,675	11,435,906	1,604,448,581	4.09%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2019 (3)						\$ 21,605.21

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, 2019, the Taxable Value of the property located in the Zone totaled \$112,400.

(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.

TABLE 21

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

TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Use										
Commercial	\$ 564,936,598	\$ 543,465,119	\$ 509,160,806	\$ 496,887,366	\$ 487,837,784	\$ 495,694,299	\$ 497,082,445	\$ 507,506,210	\$ 533,395,918	\$ 563,065,239
Industrial	288,646,080	284,939,650	257,078,469	241,670,513	251,912,978	252,055,024	170,554,616	166,053,319	138,437,989	128,457,376
Residential	838,384,319	820,501,280	764,362,718	760,483,770	763,340,056	776,157,346	787,374,141	806,386,916	831,394,149	862,339,314
Utility	25,780,800	29,399,700	31,812,400	34,142,600	36,559,200	40,787,600	45,404,800	49,645,800	51,298,700	59,728,200
	<u>\$ 1,717,747,797</u>	<u>\$ 1,678,305,749</u>	<u>\$ 1,562,414,393</u>	<u>\$ 1,533,184,249</u>	<u>\$ 1,539,650,018</u>	<u>\$ 1,564,694,269</u>	<u>\$ 1,500,416,002</u>	<u>\$ 1,529,592,245</u>	<u>\$ 1,554,526,756</u>	<u>\$ 1,613,590,129</u>
Class										
Real	\$ 1,464,376,897	\$ 1,421,611,049	\$ 1,308,871,893	\$ 1,289,236,999	\$ 1,297,776,318	\$ 1,321,922,169	\$ 1,330,865,302	\$ 1,357,875,745	\$ 1,390,289,956	\$ 1,443,101,929
Personal	253,370,900	256,694,700	253,542,500	243,947,250	241,873,700	242,772,100	169,550,700	171,716,500	164,236,800	170,488,200
	<u>\$ 1,717,747,797</u>	<u>\$ 1,678,305,749</u>	<u>\$ 1,562,414,393</u>	<u>\$ 1,533,184,249</u>	<u>\$ 1,539,650,018</u>	<u>\$ 1,564,694,269</u>	<u>\$ 1,500,416,002</u>	<u>\$ 1,529,592,245</u>	<u>\$ 1,554,526,756</u>	<u>\$ 1,613,590,129</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Use										
Commercial	32.89%	32.38%	32.59%	32.41%	31.68%	31.68%	33.13%	33.18%	34.31%	34.90%
Industrial	16.80%	16.98%	16.45%	15.76%	16.36%	16.11%	11.37%	10.86%	8.91%	7.96%
Residential	48.81%	48.89%	48.92%	49.60%	49.58%	49.60%	52.48%	52.72%	53.48%	53.44%
Utility	1.50%	1.75%	2.04%	2.23%	2.37%	2.61%	3.03%	3.25%	3.30%	3.70%
	<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>44.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class										
Real	85.25%	84.71%	83.77%	84.09%	84.29%	84.48%	88.70%	88.77%	89.43%	89.43%
Personal	14.75%	15.29%	16.23%	15.91%	15.71%	15.52%	11.30%	11.23%	10.57%	10.57%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

TABLE 22

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

Total State Equalized Value (SEV)						
Assessed Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem SEV Value (1)	Abated SEV Value (2)	Total SEV Value	Percent Increase
2009	2010	2010	\$ 1,774,864,995	\$ 29,881,850	\$ 1,804,746,845	-5.66%
2010	2011	2011	1,713,718,209	30,593,250	1,744,311,459	-3.35%
2011	2012	2012	1,554,085,714	30,360,000	1,584,445,714	-9.16%
2012	2013	2013	1,533,026,202	25,245,611	1,558,271,813	-1.65%
2013	2014	2014	1,557,339,300	30,023,505	1,587,362,805	1.87%
2014	2015	2015	1,603,667,252	30,582,223	1,634,249,475	2.95%
2015	2016	2016	1,573,848,720	20,479,741	1,594,328,461	-2.44%
2016	2017	2017	1,673,583,796	19,949,507	1,693,533,303	6.22%
2017	2018	2018	1,700,749,306	15,553,589	1,716,302,895	1.34%
2018	2019	2019	1,847,688,738	12,385,324	1,860,074,062	8.38%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2019 (3)						\$ 25,047.45

(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, 2019, the State Equalized Value of the property located in the Zone totaled \$224,800.

(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.

TABLE 22

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

Total SEV by Use and Class										
Years Ended December 31										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Use										
Commercial	\$ 596,090,600	\$ 574,391,400	\$ 526,797,000	\$ 510,655,940	\$ 519,565,900	\$ 530,117,600	\$ 529,093,000	\$ 582,129,960	\$ 607,493,600	\$ 662,546,700
Industrial	293,797,500	288,912,400	259,553,278	244,041,700	254,342,700	254,647,200	173,331,600	171,329,300	142,322,700	132,570,233
Residential	915,773,695	879,324,409	793,857,236	792,134,862	804,607,000	837,001,552	864,730,520	907,877,736	928,268,606	1,014,914,005
Utility	25,780,800	29,399,700	31,812,400	34,142,600	36,559,200	40,787,600	45,404,800	49,645,800	51,298,700	59,728,200
	<u>\$ 1,831,442,595</u>	<u>\$ 1,772,027,909</u>	<u>\$ 1,612,019,914</u>	<u>\$ 1,580,975,102</u>	<u>\$ 1,615,074,800</u>	<u>\$ 1,662,553,952</u>	<u>\$ 1,612,559,920</u>	<u>\$ 1,710,982,796</u>	<u>\$ 1,729,383,606</u>	<u>\$ 1,869,759,138</u>
Class										
Real	\$ 1,578,074,395	\$ 1,515,321,709	\$ 1,358,471,314	\$ 1,337,044,452	\$ 1,373,272,700	\$ 1,419,877,652	\$ 1,443,105,420	\$ 1,539,350,196	\$ 1,565,235,306	\$ 1,699,349,838
Personal	253,368,200	256,706,200	253,548,600	243,930,650	241,802,100	242,676,300	169,454,500	171,632,600	164,148,300	170,409,300
	<u>\$ 1,831,442,595</u>	<u>\$ 1,772,027,909</u>	<u>\$ 1,612,019,914</u>	<u>\$ 1,580,975,102</u>	<u>\$ 1,615,074,800</u>	<u>\$ 1,662,553,952</u>	<u>\$ 1,612,559,920</u>	<u>\$ 1,710,982,796</u>	<u>\$ 1,729,383,606</u>	<u>\$ 1,869,759,138</u>
Percent of Total SEV by Use and Class										
Years Ended December 31										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Use										
Commercial	32.55%	32.41%	32.68%	32.30%	32.17%	31.89%	32.81%	34.02%	35.13%	35.43%
Industrial	16.04%	16.30%	16.10%	15.44%	15.75%	15.32%	10.75%	10.01%	8.23%	7.09%
Residential	50.00%	49.62%	49.25%	50.10%	49.82%	50.34%	53.62%	53.06%	53.68%	54.28%
Utility	1.41%	1.66%	1.97%	2.16%	2.26%	2.45%	2.82%	2.90%	2.97%	3.19%
	<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	86.17%	85.51%	84.27%	84.57%	85.03%	85.40%	89.49%	89.97%	90.51%	90.89%
Personal	13.83%	14.49%	15.73%	15.43%	14.97%	14.60%	10.51%	10.03%	9.49%	9.11%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

TABLE 23

**CITY OF KALAMAZOO
MAXIMUM AND ACTUAL TAX RATES
DECEMBER 31, 2019
(UNAUDITED)**

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction (A)	Maximum Allowable Millage	Actual Millage Levied
Operating	20.0000	19.2319	19.2319	12.0000
Refuse Collection and Disposal	<u>2.8906</u>	2.8848	<u>2.8848</u>	<u>1.8000</u>
	<u><u>22.8906</u></u>		<u><u>22.1167</u></u>	<u><u>13.8000</u></u>

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

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

TABLE 24

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Constitutional	\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666	\$ 5,591,705	\$ 5,650,526	\$ 6,113,479	\$ 6,234,855	\$ 6,496,509
Statutory	<u>3,597,688</u>	<u>2,828,982</u>	<u>2,517,264</u>	<u>2,517,264</u>	<u>2,855,788</u>	<u>2,913,327</u>	<u>2,913,324</u>	<u>2,933,365</u>	<u>2,973,344</u>	<u>2,956,061</u>
Total payments received	8,595,042	8,063,444	7,893,905	7,969,012	8,475,454	8,505,032	8,563,850	9,046,844	9,208,199	9,452,570
Disbursement to other governmental units (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue sharing	<u>\$ 8,595,042</u>	<u>\$ 8,063,444</u>	<u>\$ 7,893,905</u>	<u>\$ 7,969,012</u>	<u>\$ 8,475,454</u>	<u>\$ 8,505,032</u>	<u>\$ 8,563,850</u>	<u>\$ 9,046,844</u>	<u>\$ 9,208,199</u>	<u>\$ 9,452,570</u>
% of General Fund revenue (2)	16.8%	15.0%	16.1%	16.1%	16.6%	16.0%	16.0%	15.6%	14.6%	14.6%

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

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

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

TABLE 25

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Cash Basis</u>										
Major Streets	\$ 3,800,114	\$ 3,856,427	\$ 3,970,573	\$ 4,058,818	\$ 4,142,990	\$ 4,305,689	\$ 4,364,625	\$ 5,681,289	\$ 5,655,318	\$ 7,184,681
Local Streets	1,076,285	1,089,278	1,119,306	1,144,434	1,170,270	1,216,344	1,233,421	1,605,587	1,735,940	1,873,912
	<u>\$ 4,876,399</u>	<u>\$ 4,945,705</u>	<u>\$ 5,089,879</u>	<u>\$ 5,203,252</u>	<u>\$ 5,313,260</u>	<u>\$ 5,522,033</u>	<u>\$ 5,598,046</u>	<u>\$ 7,286,876</u>	<u>\$ 7,391,258</u>	<u>\$ 9,058,593</u>
<u>Accrual Basis</u>										
Major Streets	\$ 3,803,492	\$ 3,885,881	\$ 3,982,120	\$ 4,064,225	\$ 4,144,079	\$ 4,336,895	\$ 4,458,804	\$ 5,811,846	\$ 6,091,576	\$ 7,092,786
Local Streets	1,076,655	1,097,173	1,122,618	1,146,275	1,170,571	1,225,244	1,260,035	1,642,573	1,720,581	2,002,761
	<u>\$ 4,880,147</u>	<u>\$ 4,983,054</u>	<u>\$ 5,104,738</u>	<u>\$ 5,210,500</u>	<u>\$ 5,314,650</u>	<u>\$ 5,562,139</u>	<u>\$ 5,718,839</u>	<u>\$ 7,454,419</u>	<u>\$ 7,812,157</u>	<u>\$ 9,095,547</u>

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

TABLE 26

**CITY OF KALAMAZOO
LABOR CONTRACTS
DECEMBER 31, 2019
(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>628</u>	

Source: City of Kalamazoo, Human Resources

TABLE 27

**CITY OF KALAMAZOO
EMPLOYMENT STATISTICS
LAST TEN YEARS
(UNAUDITED)**

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
2010	34,176	5,512	39,688	13.9%	4,193,000	597,000	4,790,000	12.5%
2011	33,469	4,255	37,724	11.3%	4,178,000	480,000	4,658,000	10.3%
2012	34,327	2,872	37,199	7.7%	4,245,000	364,000	4,609,000	7.9%
2013	37,631	2,976	40,607	7.3%	4,667,000	357,000	5,024,000	7.1%
2014	35,718	2,853	38,571	7.4%	4,420,000	317,000	4,737,000	6.7%
2015	35,088	1,910	36,998	5.2%	4,493,000	258,000	4,751,000	5.4%
2016	35,616	1,820	37,436	4.9%	4,599,000	238,000	4,837,000	4.9%
2017	35,396	1,917	37,313	5.1%	4,657,000	227,000	4,884,000	4.6%
2018	35,585	1,527	37,112	4.1%	4,695,000	201,000	4,896,000	4.1%
2019	36,147	1,263	37,410	3.4%	4,747,000	175,000	4,922,000	3.6%

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

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

TABLE 28

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

<u>Franchisor</u>	<u>Effective Date</u>	<u>Year of Renewal</u>
Comstock Township	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.

TABLE 29

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

Customer Location and Classification	2015		2016		2017		2018		2019	
City										
Residential	17,289	37.08%	17,352	37.03%	17,399	36.17%	17,748	37.02%	17,884	36.09%
Commercial / Industrial	<u>6,047</u>	<u>12.97%</u>	<u>6,039</u>	<u>12.89%</u>	<u>6,053</u>	<u>12.58%</u>	<u>5,175</u>	<u>10.79%</u>	<u>6,126</u>	<u>12.36%</u>
Total City	<u>23,336</u>	<u>50.04%</u>	<u>23,391</u>	<u>49.91%</u>	<u>23,452</u>	<u>48.76%</u>	<u>22,923</u>	<u>47.81%</u>	<u>24,010</u>	<u>48.45%</u>
Out City										
Residential	17,225	36.94%	17,444	37.22%	18,178	37.79%	18,547	38.68%	19,071	38.48%
Commercial / Industrial	<u>6,070</u>	<u>13.02%</u>	<u>6,030</u>	<u>12.87%</u>	<u>6,467</u>	<u>13.45%</u>	<u>6,477</u>	<u>13.51%</u>	<u>6,475</u>	<u>13.07%</u>
Total Out City	<u>23,295</u>	<u>49.96%</u>	<u>23,474</u>	<u>50.09%</u>	<u>24,645</u>	<u>51.24%</u>	<u>25,024</u>	<u>52.19%</u>	<u>25,546</u>	<u>51.55%</u>
Total System										
Residential	34,514	74.02%	34,796	74.25%	35,577	73.97%	36,295	75.70%	36,955	74.57%
Commercial / Industrial	<u>12,117</u>	<u>25.98%</u>	<u>12,069</u>	<u>25.75%</u>	<u>12,520</u>	<u>26.03%</u>	<u>11,652</u>	<u>24.30%</u>	<u>12,601</u>	<u>25.43%</u>
Total System	<u>46,631</u>	<u>100.00%</u>	<u>46,865</u>	<u>100.00%</u>	<u>48,097</u>	<u>100.00%</u>	<u>47,947</u>	<u>100.00%</u>	<u>49,556</u>	<u>100.00%</u>

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

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

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

TABLE 30

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

		2017		2018		2019	
<u>Meter Location and Size</u>							
City							
5/8" - 3/4"		16,440	34.97%	15,158	34.85%	16,801	37.95%
1"		2,494	5.31%	2,991	6.88%	2,628	5.94%
1 1/2"		253	0.54%	233	0.54%	273	0.62%
2"		1,061	2.26%	1,181	2.72%	1,089	2.46%
3"		208	0.44%	211	0.49%	212	0.48%
4"		103	0.22%	113	0.26%	105	0.24%
6"		0	0.00%	1	0.00%	2	0.00%
8"		0	0.00%	0	0.00%	0	0.00%
Total City		20,559	43.73%	19,888	45.73%	21,110	47.68%
Out City							
5/8" - 3/4"		8,406	17.88%	9,718	22.34%	9,430	21.30%
1"		9,839	20.93%	9,830	22.60%	9,837	22.22%
1 1/2"		361	0.77%	351	0.81%	375	0.85%
2"		939	2.00%	1,150	2.64%	994	2.24%
3"		115	0.24%	122	0.28%	779	1.76%
4"		50	0.11%	57	0.13%	56	0.13%
6"		12	0.03%	13	0.03%	15	0.03%
8"		0	0.00%	0	0.00%	0	0.00%
Total Out City		19,722	41.95%	21,241	48.84%	21,486	48.53%
Total Meters		40,281	85.69%	41,129	94.56%	42,596	96.20%

TABLE 30

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

		2017		2018		2019	
<u>Location and Size of Fire Protection Line/Hydrant</u>							
City							
	4"	218	0.46%	223	0.52%	238	0.54%
	6"	169	0.36%	158	0.37%	183	0.41%
	8"	85	0.18%	77	0.18%	87	0.20%
	10"	2	0.00%	2	0.00%	2	0.00%
	Hydrants	2,418	5.14%	311	0.73%	354	0.80%
Total City		2,892	6.15%	771	1.80%	864	1.95%
Out City							
	4"	184	0.39%	263	0.61%	207	0.47%
	6"	97	0.21%	110	0.26%	115	0.26%
	8"	68	0.14%	75	0.18%	77	0.17%
	10"	5	0.01%	34	0.08%	5	0.01%
	Hydrants	3,483	7.41%	412	0.96%	413	0.93%
Total Out City		3,837	8.16%	894	2.09%	817	1.85%
Total Fire Protection		6,729	14.31%	1,665	3.89%	1,681	3.80%
Total Service Connections		47,010	100.00%	42,794	100.00%	44,277	100.00%

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

TABLE 31

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

<u>Meter Location and Size</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City (Quarterly Billed Accounts)					
5/8" Meter	\$ 20.35	\$ 20.35	\$ 21.98	\$ 25.72	\$ 30.70
1" Meter	27.02	27.02	29.18	34.14	41.19
1-1/2" Meter	33.69	33.69	36.39	42.58	51.70
2" Meter	52.03	52.03	56.19	65.74	80.54
City (Monthly Billed Accounts)					
5/8" Meter	9.23	9.23	9.97	11.66	13.18
1" Meter	11.45	11.45	12.37	14.47	16.69
1-1/2" Meter	13.68	13.68	14.77	17.28	20.19
2" Meter	19.79	19.79	21.37	25.00	29.82
3" Meter	64.81	64.81	69.99	81.89	100.65
4" Meter	81.49	81.49	88.01	102.97	126.89
6" Meter	120.40	120.40	130.03	152.14	188.10
8" Meter	164.86	164.86	178.05	208.32	258.03
City (Monthly Fire Protection Charge)					
4" Detector Check	21.59	21.59	23.32	27.28	34.16
6" Detector Check	26.93	26.93	29.08	34.02	41.64
8" Detector Check	37.58	37.58	40.59	47.49	56.83
10" Detector Check	80.05	80.05	86.45	101.15	120.80
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

TABLE 31

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

Meter Location and Size	2015	2016	2017	2018	2019
Out City (Quarterly Billed Accounts)					
5/8" Meter	27.95	27.95	30.19	30.64	33.51
1" Meter	37.66	37.66	40.67	41.28	45.30
1-1/2" Meter	47.37	47.37	51.16	51.93	57.09
2" Meter	74.08	74.08	80.01	81.21	89.52
Out City (Monthly Billed Accounts)					
5/8" Meter	11.76	11.76	12.70	12.89	13.86
1" Meter	15.00	15.00	16.20	16.44	17.79
1-1/2" Meter	18.24	18.24	19.70	20.00	21.72
2" Meter	27.14	27.14	29.31	29.75	32.53
3" Meter	92.70	92.70	100.12	101.62	112.13
4" Meter	116.98	116.98	126.34	128.24	141.60
6" Meter	173.63	173.63	187.52	190.30	210.38
8" Meter	238.38	238.38	257.45	261.31	288.99
Out City (Monthly Fire Protection Charge)					
4" Detector Check	33.93	33.93	36.64	37.19	39.88
6" Detector Check	41.42	41.42	44.73	45.40	48.10
8" Detector Check	56.16	56.16	60.65	61.56	64.71
10" Detector Check	112.72	112.72	121.74	13.57	133.52
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

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

TABLE 32

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

<u>Meter Location and Classification</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City					
Residential	\$0.270	\$0.270	\$0.292	\$0.342	\$0.496
Multifamily	0.244	0.244	0.264	0.309	0.405
Commercial/Industrial	0.272	0.272	0.294	0.344	0.454
Fire Protection - First 15 M3	0.267	0.267	0.288	0.337	0.449
Fire Protection - Over 15 M3	0.801	0.801	0.864	1.012	1.346
Seasonal Uses	0.421	0.421	0.451	0.532	0.741
Out City					
Residential	\$0.554	\$0.554	\$0.598	\$0.607	\$0.660
Multifamily	0.371	0.371	0.401	0.407	0.465
Commercial/Industrial	0.416	0.416	0.449	0.456	0.522
Fire Protection - First 15 M3	0.409	0.409	0.442	0.449	0.518
Fire Protection - Over 15 M3	1.227	1.227	1.326	1.345	1.555
Seasonal Uses	0.863	0.863	0.932	0.946	0.988

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

(1) per cubic meter

TABLE 33

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

<u>Date Increase Effective</u>	<u>Percent Increase (1)</u>
January 1, 1984	5.00%
February 8, 1985	7.60%
March 2, 1987	5.00%
January 1, 1991	8.00%
January 1, 1993	8.00%
January 1, 1995	5.00%
March 3, 1997	5.00%
February 1, 1998	4.90%
March 15, 1999	2.00%
July 1, 2001	2.00%
February 1, 2002	2.00%
April 30, 2004	3.00%
March 4, 2005	3.00%
March 16, 2006	4.50%
July 1, 2007	3.50%
March 1, 2008	4.00%
March 1, 2009	5.00%
February 1, 2010	5.00%
March 1, 2011	3.50%
March 1, 2012	5.00%
June 1, 2014	3.00%
July 1, 2017	8.00%
January 29, 2018	4.00%
February 4, 2019	4.00%

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

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

TABLE 34

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Pumped	24,493,351	25,220,179	26,237,085	27,186,486	27,797,406
Billed	<u>20,279,855</u>	<u>20,913,093</u>	<u>22,238,541</u>	<u>21,137,276</u>	<u>21,612,091</u>
Unaccounted (2) (3)	<u><u>4,213,496</u></u>	<u><u>4,307,086</u></u>	<u><u>3,998,544</u></u>	<u><u>6,049,210</u></u>	<u><u>6,185,315</u></u>
Unaccounted as a Percent of Pumped (3)	<u><u>17.20%</u></u>	<u><u>17.08%</u></u>	<u><u>15.24%</u></u>	<u><u>22.25%</u></u>	<u><u>22.25%</u></u>

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

(1) Measured in Cubic Meters

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

(3) Back flushing for City of Parchment PFAS emergency was not billed until March 2019. The volume was not available at the time of this report. This is part of the Unaccounted Volume.

TABLE 35

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

Meter Location and Classification	2015		2016		2017		2018		2019	
City										
Residential	3,944,462	19.45%	3,931,399	18.80%	4,067,472	18.29%	3,779,291	17.88%	3,972,491	18.38%
Multifamily	1,712,698	8.45%	1,682,894	8.05%	1,704,537	7.66%	1,726,211	8.17%	1,623,242	7.51%
Commercial/Industrial	4,841,171	23.87%	4,886,681	23.37%	4,961,615	22.31%	5,092,378	24.09%	5,115,857	23.67%
Fire Protection	4,241	0.02%	13,178	0.06%	5,959	0.03%	20,687	0.10%	5,277	0.02%
Seasonal Uses (1)	393,133	1.94%	579,154	2.77%	551,001	2.48%	450,164	2.13%	437,715	2.03%
Total City	10,895,705	53.73%	11,093,306	53.04%	11,290,584	50.77%	11,068,731	52.37%	11,154,582	51.61%
Out City										
Residential	4,737,107	23.36%	5,247,726	25.09%	5,730,535	25.77%	5,146,635	24.35%	5,604,885	25.93%
Multifamily	1,647,921	8.13%	1,552,244	7.42%	1,619,700	7.28%	1,659,616	7.85%	1,692,317	7.83%
Commercial/Industrial	2,700,515	13.32%	2,647,074	12.66%	2,976,469	13.38%	2,854,022	13.50%	2,791,302	12.92%
Fire Protection	2,575	0.01%	3,330	0.02%	1,743	0.01%	3,662	0.02%	5,206	0.02%
Seasonal Uses (1)	296,032	1.46%	369,413	1.77%	619,510	2.79%	404,610	1.91%	363,799	1.68%
Total Out City	9,384,150	46.27%	9,819,787	46.96%	10,947,957	49.23%	10,068,545	47.63%	10,457,510	48.39%
Total System										
Residential	8,681,569	42.81%	9,179,125	43.89%	9,798,007	44.06%	8,925,926	42.23%	9,577,376	44.31%
Multifamily	3,360,619	16.57%	3,235,138	15.47%	3,324,237	14.95%	3,385,827	16.02%	3,315,559	15.34%
Commercial/Industrial	7,541,686	37.19%	7,533,755	36.02%	7,938,084	35.70%	7,946,400	37.59%	7,907,158	36.59%
Fire Protection	6,816	0.03%	16,508	0.08%	7,702	0.03%	24,349	0.12%	10,483	0.05%
Seasonal Uses (2)	689,165	3.40%	948,567	4.54%	1,170,511	5.26%	854,774	4.04%	801,515	3.71%
Total System	20,279,855	100.00%	20,913,093	100.00%	22,238,541	100.00%	21,137,276	100.00%	21,612,091	100.00%

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

(1) Water volume is measured in cubic meters.

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

TABLE 36

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
Average Daily Water Supply	17.730	18.260	18.970	15.750	19.740
Peak Daily Water Supply	29.950	31.620	37.220	34.440	28.290
Peak as a Percent of Average	168.92%	173.17%	196.20%	218.67%	143.31%

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

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

TABLE 37

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

Meter Location and Classification	2015		2016		2017		2018		2019	
City										
Residential	\$ 2,507,911	19.18%	\$ 2,510,012	18.58%	\$ 2,755,750	17.90%	\$ 3,099,630	19.53%	\$ 3,274,009	20.17%
Multifamily	620,474	4.75%	613,546	4.54%	669,148	4.35%	789,785	4.98%	808,837	4.98%
Commercial/Industrial	1,788,986	13.68%	1,799,505	13.32%	1,975,748	12.83%	2,361,881	14.88%	2,533,640	15.61%
Fire Protection	151,119	1.16%	160,931	1.19%	170,342	1.11%	214,603	1.35%	217,255	1.34%
Seasonal Uses	198,832	1.52%	275,712	2.04%	286,083	1.86%	280,139	1.76%	303,193	1.87%
Total City	5,267,322	40.29%	5,359,706	39.68%	5,857,071	38.05%	6,746,038	42.50%	7,136,935	43.97%
Out City										
Residential	4,888,888	37.40%	5,204,737	38.53%	5,943,255	38.61%	5,705,270	35.94%	5,739,965	35.36%
Multifamily	879,118	6.72%	849,589	6.29%	947,815	6.16%	977,053	6.15%	1,002,793	6.18%
Commercial/Industrial	1,576,503	12.06%	1,566,763	11.60%	1,840,893	11.96%	1,830,144	11.53%	1,770,489	10.91%
Fire Protection	186,327	1.43%	188,782	1.40%	206,255	1.34%	216,700	1.37%	221,747	1.37%
Seasonal Uses	274,769	2.10%	337,685	2.50%	598,942	3.89%	399,424	2.52%	360,705	2.22%
Total Out City	7,805,605	59.71%	8,147,556	60.32%	9,537,160	61.95%	9,128,591	57.50%	9,095,699	56.03%
Total System										
Residential	7,396,799	56.58%	7,714,749	57.12%	8,699,005	56.51%	8,804,900	55.47%	9,013,974	55.53%
Multifamily	1,499,592	11.47%	1,463,135	10.83%	1,616,963	10.50%	1,766,838	11.13%	1,811,629	11.16%
Commercial/Industrial	3,365,489	25.74%	3,366,268	24.92%	3,816,641	24.79%	4,192,025	26.41%	4,304,129	26.52%
Fire Protection	337,446	2.58%	349,713	2.59%	376,597	2.45%	431,303	2.72%	439,003	2.70%
Seasonal Uses	473,601	3.62%	613,397	4.54%	885,025	5.75%	679,563	4.28%	663,898	4.09%
Total System	\$ 13,072,927	100.00%	\$ 13,507,262	100.00%	\$ 15,394,231	100.00%	\$ 15,874,629	100.00%	\$ 16,232,634	100.00%

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

TABLE 38

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
TEN LARGEST WATER CUSTOMERS BY VOLUME AND REVENUE
YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	815,895	3.8%	\$ 314,444	1.9%
Western Michigan University	Higher Education	753,381	3.5%	437,132	2.7%
Pfizer Corporation/Zoetis	Pharmaceuticals	458,987	2.1%	201,276	1.2%
Kalamazoo Brewing	Beer Brewing	436,230	2.0%	214,109	1.3%
Borgess Medical Center	Hospital	301,576	1.4%	138,831	0.8%
Kalsec Inc.	Food Grade Flavoring	283,550	1.3%	136,395	0.8%
Bronson Methodist Hospital	Hospital	202,702	0.9%	104,108	0.6%
Continental Linen	Uniform Cleaning	189,232	0.9%	98,103	0.6%
Concord Place Apartments	Apartments	158,980	0.7%	63,052	0.4%
Midlink Business Park	Business Park	126,730	0.6%	61,443	0.4%
		<u>3,727,263</u>	<u>17.2%</u>	<u>\$ 1,768,893</u>	<u>10.8%</u>

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

(1) Based on water volume of 21,612,091 cubic meters.

(2) Based on Water System billed revenue of \$16,389,818.

TABLE 39

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER SERVICE AGREEMENTS
(UNAUDITED)**

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

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

TABLE 40

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

Customer Location and Classification	2015		2016		2017		2018		2019	
<u>Retail Customers</u>										
<i>In-City Retail Customers</i>										
Residential	16,883	50.41%	16,952	50.17%	17,000	50.43%	17,008	49.15%	17,012	47.00%
Commercial	2,520	7.52%	2,519	7.46%	2,427	7.20%	2,512	7.26%	2,514	6.95%
Industrial	310	0.93%	307	0.91%	92	0.27%	306	0.88%	309	0.85%
Sub-Total	19,713	58.86%	19,778	58.53%	19,519	57.90%	19,826	57.30%	19,835	54.80%
<i>Out-City Retail Customers</i>										
Residential	10,645	31.79%	10,847	32.10%	11,029	32.72%	11,711	33.85%	12,335	34.08%
Commercial	1,530	4.57%	1,552	4.59%	1,531	4.54%	1,594	4.61%	1,651	4.56%
Industrial	29	0.09%	29	0.09%	26	0.08%	29	0.08%	29	0.08%
Sub-Total	12,204	36.44%	12,428	36.78%	12,586	37.34%	13,334	38.54%	14,015	38.72%
Total Retail Customers	31,917	95.31%	32,206	95.32%	32,105	95.24%	33,160	95.84%	33,850	93.52%
<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%	7	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%	13	0.04%
<u>Flat Rate Customers</u>	1,558	4.65%	1,569	4.64%	1,591	4.72%	1,427	4.12%	2,332	6.44%
Total Sewer Customers	33,489	100.00%	33,789	100.00%	33,710	100.00%	34,601	100.00%	36,195	100.00%

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

TABLE 41

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

Meter Size	2014		2015		2016		2017		2018	
5/8" - 3/4"	22,420	70.24%	22,503	69.87%	22,517	70.13%	22,828	68.84%	23,210	68.57%
1"	6,912	21.65%	7,101	22.05%	7,263	22.62%	7,200	21.71%	7,459	22.03%
1-1/2"	471	1.48%	482	1.50%	460	1.43%	482	1.45%	480	1.42%
2"	1,650	5.17%	1,648	5.12%	1,497	4.66%	1,655	4.99%	1,686	4.98%
3"	298	0.93%	307	0.95%	254	0.79%	839	2.53%	840	2.48%
4"	150	0.47%	149	0.46%	103	0.32%	136	0.41%	156	0.46%
6"	19	0.06%	19	0.06%	12	0.04%	21	0.06%	20	0.06%
	<u>31,920</u>	<u>100.00%</u>	<u>32,209</u>	<u>100.00%</u>	<u>32,106</u>	<u>100.00%</u>	<u>33,161</u>	<u>100.00%</u>	<u>33,851</u>	<u>100.00%</u>

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

TABLE 42

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

Meter Location and Size	2015		2016		2017		2018		2018	
	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly
City										
5/8"	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.75	\$ 8.00	\$ 6.97	\$ 9.41
3/4"	6.43	7.56	6.43	7.56	6.43	7.56	6.80	7.99	7.09	9.77
1"	6.59	8.03	6.59	8.03	6.59	8.03	6.97	8.49	7.45	10.87
1-1/2"	6.80	8.65	6.80	8.65	6.80	8.65	7.19	9.15	7.94	12.33
2"	7.36	10.34	7.36	10.34	7.36	10.34	7.78	10.93	9.28	16.36
3"	11.52	22.82	11.52	22.82	11.52	22.82	12.18	24.13	19.16	45.98
4"	13.06	27.45	13.06	27.45	13.06	27.45	13.81	29.03	22.82	56.96
6"	16.66	38.24	16.66	38.24	16.66	38.24	17.62	40.44	31.35	82.56
Flat Rate	-	42.69	-	42.69	-	42.69	-	45.14	-	55.61
Dewatering	5.52	-	5.52	-	5.52	-	5.38	-	6.54	-
Septage	5.52	-	5.52	-	5.52	-	5.38	-	6.54	-
Out City										
5/8"	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.69	\$ 11.34	\$ 8.51	\$ 14.20
3/4"	7.32	11.07	7.32	11.07	7.32	11.07	7.86	11.89	8.80	15.05
1"	7.84	12.60	7.84	12.60	7.84	12.60	8.42	13.53	9.65	17.61
1-1/2"	8.52	14.65	8.52	14.65	8.52	14.65	9.15	15.73	10.80	21.02
2"	10.39	20.27	10.39	20.27	10.39	20.27	11.16	21.77	13.92	30.41
3"	24.19	61.68	24.19	61.68	24.19	61.68	25.98	66.24	36.94	99.47
4"	29.31	77.02	29.31	77.02	29.31	77.02	31.48	82.72	45.47	125.05
6"	41.24	112.81	41.24	112.81	41.24	112.81	44.29	121.16	65.36	184.74
Flat Rate	-	41.15	-	74.15	-	74.15	-	79.64	-	92.40
Municipalities	5.52	-	5.52	-	5.52	-	5.38	-	5.75	-
Dewatering	5.52	-	5.52	-	5.52	-	5.38	-	5.75	-
Septage	5.52	-	5.52	-	5.52	-	5.38	-	5.75	-

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.

- (1) Rate change effective June 1, 2014
- (2) Rate change effective March 1, 2011
- (3) Rate change effective March 1, 2012
- (4) Rate change effective June 1, 2014
- (4) Rate change effective July 1, 2017

TABLE 43

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

Commodity Charges (per cubic meter) (1)						
<u>Fiscal Years Ended December 31</u>		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	In-City Retail Customers	0.420	0.420	0.420	0.444	0.880
	Out-City Retail Customers	0.757	0.757	0.757	0.813	0.921
	Wholesale Municipal Customers	0.492	0.492	0.492	0.492	0.628
	City of Galesburg (3)	0.547	0.547	0.547	0.547	0.753
	Septage Haulers	n/a (10)	n/a (10)	n/a (10)	n/a (10)	n/a (10)
	In-City Dewatering Customers	0.395	0.395	0.395	0.418	0.880
	Out-City Dewatering Customers	0.764	0.764	0.764	0.821	0.921
Additional Quantity and Quality Wastewater Treatment (2)						
<u>Fiscal Years Ended December 31</u>		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
	Additional Quantity Charge \$/CM					
	Pfizer	0.165	0.165	0.165	0.165	0.218
	Graphic Packaging	0.070	0.070	0.070	0.070	0.067
	Dewater - Industrial Outside City	0.433	0.433	0.433	0.433	0.509
	In-City Industrial	0.130	0.130	0.130	0.130	0.216
	Out-City Industrial	0.430	0.430	0.430	0.430	0.509
	BOD Charge (4) \$/KG					
	Pfizer	0.511	0.511	0.511	0.511	0.611
	Graphic Packaging	0.468 (11)	0.468 (11)	0.468 (11)	0.468 (11)	0.490 (11)
	In-City Industrial	0.468	0.468	0.468	0.468	0.490
	Out-City Industrial	0.531	0.531	0.531	0.531	0.622
	SS Charge \$/KG (5)					
	Pfizer	0.565	0.565	0.565	0.565	0.795
	Graphic Packaging	0.506 (11)	0.506 (11)	0.506 (11)	0.506 (11)	0.626 (11)
	In-City Industrial	0.506	0.506	0.506	0.506	0.626
	Out-City Industrial	0.576	0.576	0.576	0.576	0.796
	NH3 Charge \$/KG (6)					
	Pfizer	2.609	2.609	2.609	2.609	3.055
	Graphic Packaging	2.518 (11)	2.518 (11)	2.518 (11)	2.518 (11)	2.623 (11)
	In-City Industrial	2.518	2.518	2.518	2.518	2.623
	Out-City Industrial	2.715	2.715	2.715	2.715	3.119

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

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

- (1) The charge for wastewater treatment service is the sum of the availability fee (determined by the size of meter) plus the commodity charge (determined by the amount of water used). Commodity rates vary depending on customer class. The rates above represent the commodity fee which is determined by the Operating, Maintenance, and Replacement cost with a capital expense charge. See Table 42 for more information on the availability fee.
- (2) Additional quantity and quality charges are fees charged to large industrial customers.
- (3) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.
- (4) The Biochemical Oxygen Demand (BOD) is the indicator of strength of the wastewater and how much aeration (oxygen) is required to break down wastewater.
- (5) The Suspended Solids (SS) is the amount of sludge or biosolids that required treatment process and disposal.
- (6) The ammonia (NH₃) is broken down in treatment by aeration.
- (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.

TABLE 44

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

<u>Retail Customers</u>	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Residential	5,347,569	19.98%	5,221,793	19.39%	5,341,135	19.44%	5,205,459	18.23%	5,221,975	18.63%
Commercial	7,249,851	27.09%	7,278,305	27.03%	7,458,072	27.15%	7,576,651	26.54%	7,419,528	26.47%
Industrial	1,905,754	7.12%	1,940,705	7.21%	2,050,196	7.46%	2,221,252	7.78%	2,072,896	7.39%
Sub-Total	14,503,174	54.19%	14,440,803	53.63%	14,849,403	54.06%	15,003,362	52.55%	14,714,399	52.49%
<u>Wholesale Customers</u>										
Industries	4,446,124	16.61%	4,435,586	16.47%	4,310,417	15.69%	4,735,170	16.59%	4,885,811	17.43%
Wholesale Municipal	7,646,332	28.57%	7,926,786	29.44%	8,110,055	29.52%	8,608,753	30.15%	8,222,822	29.33%
Dewatering Accounts	169,963	0.64%	121,315	0.45%	198,662	0.72%	202,935	0.71%	208,523	0.74%
Septage Haulers	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total	12,262,419	45.81%	12,483,687	46.37%	12,619,134	45.94%	13,546,858	47.45%	13,317,156	47.51%
Total Wastewater Billed	26,765,593	100.00%	26,924,490	100.00%	27,468,537	100.00%	28,550,220	100.00%	28,031,555	100.00%

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

(1) Measured in Cubic Meters.

TABLE 45

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Metered Wastewater Volume	34,584,027	36,020,893	38,410,863	40,432,778	39,626,836
Wastewater Consumption as Billed	<u>26,765,592</u>	<u>26,924,490</u>	<u>27,468,537</u>	<u>28,550,220</u>	<u>31,573,592</u>
Difference (2)	<u>7,818,435</u>	<u>9,096,403</u>	<u>10,942,326</u>	<u>11,882,558</u>	<u>8,053,244</u>
Difference as a % of Metered Wastewater Volume	22.6%	25.3%	28.5%	29.4%	20.3%

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

(1) Measured in Cubic Meters.

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

TABLE 46

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Daily Sewage Disposal Volume	25.0	26.0	27.8	29.3	28.7
Peak Daily Sewage Disposal Volume	31.9	47.3	63.7	77.4	61.8
Peak as a Percent of Average	127.57%	182.04%	229.06%	264.47%	215.55%

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

(1) Measured in millions of gallons per day.

TABLE 47

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
TEN LARGEST CUSTOMERS
BY WASTEWATER SYSTEM REVENUE AND VOLUME AS BILLED
YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
City of Portage	Municipality	\$ 6,874,435	17.3%	\$ 3,080,677	\$ -	\$ 3,080,677	18.0%
Graphic Packaging	Paper Products	1,730,600	4.4%	269,502	1,575,207	1,844,709	10.8%
136 E Michigan LLC		1,345,261	3.4%	100,657	-	100,657	0.6%
Gull Lake Sewer Auth Dist.	Municipality	1,339,167	3.4%	704,156	-	704,156	4.1%
Borgess Medical Center	Hospital	867,605	2.2%	189,294	-	189,294	1.1%
Western Michigan University	Higher Education	617,926	1.6%	286,539	-	286,539	1.7%
Village of Mattawan	Municipality	600,784	1.5%	316,380	-	316,380	1.8%
Village of Vicksburg	Municipality	390,334	1.0%	205,481	-	205,481	1.2%
Zoetis (Pfizer)	Pharmaceutical	229,419	0.6%	108,389	99,724	208,113	1.2%
Kalsec Inc	Food Grade Flavoring	221,487	0.6%	108,151	493,357	601,508	3.5%
		<u>\$ 14,217,018</u>	<u>36.0%</u>	<u>\$ 5,369,226</u>	<u>\$ 2,168,288</u>	<u>\$ 7,537,514</u>	<u>44.0%</u>

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

(1) Based on wastewater treatment volume of 39,626,836 cubic meters.

(2) Based on Wastewater System billed revenue of \$17,103,172.

TABLE 48

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

<u>Meter Location and Classification</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City					
Residential	\$ 1,852,612	\$ 1,810,863	\$ 1,848,364	\$ 1,890,660	\$ 1,613,189
Commercial	2,019,025	2,039,603	2,064,670	2,196,673	2,235,247
Industrial	320,843	321,575	328,629	362,788	364,730
Industrial Monitored	303,443	277,945	297,402	355,030	363,627
Contract	1,290,631	1,233,420	1,346,269	1,452,408	1,549,594
Dewatering	62,629	43,914	71,090	67,923	84,184
	<u>5,849,183</u>	<u>5,727,320</u>	<u>5,956,424</u>	<u>6,325,482</u>	<u>6,210,571</u>
Total City					
Out City					
Residential	2,534,197	2,546,740	2,572,651	2,735,308	3,021,625
Commercial	2,248,614	2,236,474	2,329,114	2,545,458	2,660,406
Industrial	146,765	136,849	144,729	152,879	221,746
Industrial Monitored	163,222	187,438	242,830	1,761,331	1,231,604
Contract	3,902,303	3,696,017	4,325,343	3,594,361	3,588,863
Municipalities	3,820,535	3,907,320	3,236,659	4,514,981	4,314,328
Septage Haulers	-	-	-	-	-
Dewatering	5,743	4,989	8,770	15,379	13,585
	<u>12,821,379</u>	<u>12,715,827</u>	<u>12,860,096</u>	<u>15,319,697</u>	<u>15,052,157</u>
Total Out City					
Total System					
Residential	4,386,809	4,357,603	4,421,015	4,625,968	4,634,814
Commercial	4,267,638	4,276,077	4,393,784	4,742,131	4,895,653
Industrial	467,608	458,424	473,358	515,667	586,475
Industrial Monitored	466,665	465,383	540,232	2,116,361	1,595,231
Contract	5,192,934	4,929,437	5,671,612	5,046,769	5,138,457
Municipalities	3,820,535	3,907,320	3,236,659	4,514,981	4,314,328
Septage Haulers	-	-	-	-	-
Dewatering	68,372	48,903	79,860	83,302	97,769
	<u>\$ 18,670,561</u>	<u>\$ 18,443,147</u>	<u>\$ 18,816,520</u>	<u>\$ 21,645,179</u>	<u>\$ 21,262,728</u>
Total System					

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

TABLE 49

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
HISTORY OF WASTEWATER SYSTEM RATE INCREASES
(UNAUDITED)**

<u>Date Increase Effective</u>	<u>Percent Increase</u>
March 2, 1987	2.40%
January 1, 1991	-7.50%
1999*	0.00%
July 1, 2001	4.00%
April 30, 2004	6.75%
July 1, 2007	20.00%
March 1, 2008	5.00%
February 1, 2010	3.00%
March 1, 2011	5.00%
March 1, 2012	5.00%
June 1, 2014	2.00%
January 29, 2018	5.00%
February 4, 2019	5.00%

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.