CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEARS ENDED DECEMBER 31, 2025 AND 2024

Maner Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Trustee of the Other Post-
Employment Benefits Trust Fund
Kalamazoo, Michigan

Opinion

We have audited the accompanying statements of plan net position of the City of Kalamazoo Other Post-Employment Benefits Trust Fund (the "Plan"), as of December 31, 2025 and 2024, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the City of Kalamazoo Other Post-Employment Benefits Trust Fund as of December 31, 2025 and 2024, and the respective changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Kalamazoo Other Post-Employment Benefits Trust Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Kalamazoo Other Post-Employment Benefits Trust Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kalamazoo Other Post-Employment Benefits Trust Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of OPEB information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Emphasis of a Matter

As discussed in Note 2, the financial statements present only the City of Kalamazoo Other Post-Employment Benefits Trust Fund and do not purport to, and do not present fairly the financial position of the City of Kalamazoo, Michigan, as of December 31, 2025 and 2024, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Maner Costerisan PC

Lansing, Michigan
June 26, 2026

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial performance and position of the City of Kalamazoo Other Post-Employment Benefits (OPEB) Trust Fund (OPEB Trust Fund or the Plan). It is intended to provide an overview of the OPEB Trust Fund's financial activities for the fiscal years ended December 31, 2025 and 2024. This analysis should be read in conjunction with the Independent Auditor's Report and with the financial statements, which follows this section.

Condensed Financial Information

The table below highlights key financial information in a condensed format for the current year and the prior years:

	Year Ended December 31,		
	2025	2024	2023
Total assets	$ 141,573,253	$ 123,891,334	$ 114,443,777
Total liabilities	502,363	514,861	653,631
Net position restricted for OPEB benefits	$ 141,070,890	$ 123,376,473	$ 113,790,146
Net investment income	$ 20,881,811	$ 12,869,886	$ 15,633,961
Contributions	4,615,482	4,574,657	4,560,906
Total additions	25,497,293	17,444,543	20,194,867
Benefits paid	7,655,028	7,742,668	8,178,030
General and administrative expenses	147,848	115,548	118,058
Total deductions from net position	7,802,876	7,858,216	8,296,088
Net change in net position restricted for OPEB	17,694,417	9,586,327	11,898,779
Net position restricted for OPEB benefits			
Beginning of Year	123,376,473	113,790,146	101,891,367
End of Year	$ 141,070,890	$ 123,376,473	$ 113,790,146

Net position may serve over time as a useful indicator of a government's financial position. The Plan's assets exceeded liabilities by $141,070,890 and $123,376,473 as of December 31, 2025 and 2024, respectively. All of the Plan's net position represent resources that are restricted for the payment of future OPEB benefits. For the year ended December 31, 2025, the Plan's net position increased by $17,694,417 or 14% due primarily to favorable investment performance. For the year ended December 31, 2024, the Plan's net position increased by $9,586,327 or 8% due primarily to favorable investment performance.

Overall Fund Structure and Objectives

The OPEB Trust Fund is a cost sharing multiple-employer defined benefit other post-employment benefit plan. The Plan provides medical insurance benefits to eligible retirees and their spouses. Active members earn service credit that entitles them to receive benefits in the future. The employers contribute such amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits.

The employers' actuarially determined contributions (ADC) were $178,385 for 2025, and $565,456 for 2024. The excess of benefits over contributions is funded through investment income. The OPEB Trust Fund is authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other obligations, subject to certain limitations.

At least biennially, an actuarial valuation of the OPEB Trust Fund is completed. As of the January 1, 2025 actuarial report, the valuation of assets represented 105.4% of accrued liabilities. As of the January 1, 2024, actuarial report, the valuation of assets represented 102.1% of accrued liabilities.

Asset Allocation

It is the responsibility of the Trustee of the OPEB Trust Fund to adopt investment policies and strategies, and to select advisors, actuaries and other fiduciaries utilized by the OPEB Trust Fund.

The OPEB Trust Fund's purpose is to provide long-term benefit payments to its members through long-term investing. This is accomplished by investing OPEB assets in a "group trust" with Pension assets, to access the best long-term gains with the lowest cost. This commingled approach leverages the Pension's Retirement Investment Committee's (the RIC) 30-year history of positive investment returns for the Pension System, which has positioned the Pension System's portfolio to realize stable long-term objectives. The employers hope to achieve stability for the OPEB Trust Fund assets as well through the same level of applied wisdom, prudence, skill, and discipline.

To maximize investment returns and preserve fund assets, the RIC carefully monitors the performance of each of its investment managers and takes the necessary corrective action to ensure acceptable investment results. To this end, the RIC voluntarily complies with the guidelines put forth by the Employee Retirement Income System Act (ERISA), which is designed to protect the interests of members and beneficiaries of pension systems. The RIC has established the following asset allocation for the Pension System, which due to the commingling of Pension and OPEB investments in the group trust, is effectively the asset allocation for the OPEB Trust Fund as well:

Asset Class	Target Allocation
U.S. Small Cap (Manager 1)	5.00%
U.S. Small Cap (Manager 2)	2.50%
International Developed Equity	12.50%
U.S. Large Cap (Manager 1)	38.00%
U.S. Large Cap (Manager 2)	5.00%
Emerging Markets	7.00%
Domestic Fixed Income	25.00%
Real Estate (Manager 1)	2.50%
Real Estate (Manager 2)	2.50%

This asset allocation policy offers the optimal mix for meeting longer term goals at an acceptable level of risk. The asset classes stated above shall be further diversified (where possible) as to style and manager type to reduce risk further, while providing the opportunity for enhanced return. The OPEB Trust Fund's investments are held in nine portfolios administered by five investment managers.

Economic Factors, Investment Returns, and Other Important Matters

The City's Group Trust contains the City's Pension, the Central County Transportation Authority's (CCTA) Pension, and OPEB investment assets. In 2025, the Trust saw gains in equities, with a 21.80% return, and fixed income, with a 7.10% return, and real estate with a 3.91% return. The net position of the OPEB Trust at year end was approximately $141.1 million, an increase of $17.7 million from fiscal year 2024. The S&P 500 surged 18%, the Nasdaq Composite climbed almost 21%, and the Dow Jones Industrial Average posted a 13% gain in 2025.

Contacting the OPEB Trust Fund's Financial Management

This financial report is designed to provide the public, citizens, and other interested parties with a general overview of the OPEB Trust Fund's financial position. If you have questions about this report or need additional financial information, contact Steve Vicenzi, Director of Management Services, City of Kalamazoo, 241 W. South Street, Kalamazoo, MI 49007, (269) 337-8336.

BASIC FINANCIAL STATEMENTS

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
STATEMENTS OF PLAN NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 364,001	$ 733,177
Receivables		
Interest and dividends	243,639	194,901
Investments sold	379,387	336,047
Total receivables	623,026	530,948
Investments, at fair value		
U.S. Treasuries	13,451,568	9,637,085
Corporate bonds	12,814,578	11,257,032
Collateralized mortgage obligations	8,417,333	9,843,432
Equity mutual funds	99,009,018	86,252,898
Real estate mutual funds	6,893,729	5,636,762
Total investments	140,586,226	122,627,209
TOTAL ASSETS	141,573,253	123,891,334
LIABILITIES		
Accounts payable	502,363	514,861
NET POSITION		
Net position restricted for other post-employment benefits	$ 141,070,890	$ 123,376,473

See accompanying notes to financial statements.

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
STATEMENTS OF CHANGES IN PLAN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
ADDITIONS TO NET POSITION		
Investment income		
Change in fair value of investments	$ 18,007,429	$ 10,184,145
Interest	1,333,027	1,142,476
Dividends	1,880,783	1,870,108
Total investment income	21,221,239	13,196,729
Less investment expense	(339,428)	(326,843)
Net investment income	20,881,811	12,869,886
Contributions		
Employer	3,500,000	3,500,000
Plan members	1,115,482	1,074,657
Total contributions	4,615,482	4,574,657
TOTAL ADDITIONS TO NET POSITION	25,497,293	17,444,543
DEDUCTIONS FROM NET POSITION		
Benefits	7,655,028	7,742,668
Administrative expenses	147,848	115,548
TOTAL DEDUCTIONS FROM NET POSITION	7,802,876	7,858,216
CHANGE IN PLAN NET POSITION	17,694,417	9,586,327
Net position - beginning of year	123,376,473	113,790,146
Net position - end of year	$ 141,070,890	$ 123,376,473

See accompanying notes to financial statements.

NOTE 1 - PLAN DESCRIPTION

Plan Administration

The City of Kalamazoo Other Post-Employment Benefits (OPEB) Trust Fund (herein after referred to as the "Plan" or "OPEB Trust Fund") is a cost sharing multiple-employer defined benefit other post-employment benefits plan. The OPEB Trust Fund 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.

Plan Membership

Plan membership based on actuarial valuations with measurement dates of January 1, 2025 and 2024 consisted of the following:

	2025	2024
Retirees or beneficiaries receiving benefits	658	657
Inactive plan members entitled to but not yet receiving benefits	17	24
Active plan members	159	176
	834	857
Number of participating employers	2	2

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.

Contributions

The employers contribute such amounts, as necessary to provide assets sufficient to pay for member benefits. In 2025, the actuarially determined contributions for the employers were $178,385 and in 2024, the actuarially determined contributions for the employers were $565,456. Actual contributions for the years ended December 31, 2025 and 2024, were $3,500,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Plan's more significant accounting policies are described below:

Reporting Entity - The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of Kalamazoo Other Post-Employment Benefits Trust Fund. The City of Kalamazoo is the plan sponsor of the OPEB Trust Fund. As a result, industry standards require the City to include the financial activities of the OPEB Trust Fund in the City's Annual Financial Report. The Annual Financial Report of the City of Kalamazoo is available for public inspection at the Kalamazoo City Hall.

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the Trustee with the assistance of a valuation service.

The investments of the Plan are pooled with those of the City of Kalamazoo Employees' Retirement System and the Central County Transportation Authority (CCTA) Pension Plan. The purchases, maturities, and investment performance are allocated between the Plan, the City of Kalamazoo Employees' Retirement System, and CCTA Pension Plan based on the fair value of their respective investments. As of December 31, 2025 and 2024, the Plan's investments represented approximately 13.19% and 13.0% of the portfolio, respectively.

Administration - Administrative costs are financed through the Plan's investment earnings.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The Plan does not maintain any checking or other demand/time deposit accounts. 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 Plan's investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to $500,000 each. The balance of these accounts as of December 31, 2025 and 2024, were $364,001 and $733,177, respectively. At December 31, 2025, $111,388 was uninsured and uncollateralized. At December 31, 2024, $516,629 was uninsured and uncollateralized.

Investments

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

The adopted asset allocation policy as of December 31, 2025 and 2024, was as follows:

		Long-term Expected Real Rate of Return	
Asset Class	Target Allocation	2025	2024
U.S. Small Cap (Manager 1)	5.00%	3.58%	3.88%
U.S. Small Cap (Manager 2)	2.50%	3.58%	3.88%
International Developed Equity	12.50%	4.68%	5.03%
U.S. Large Cap (Manager 1)	38.00%	3.58%	3.68%
U.S. Large Cap (Manager 2)	5.00%	3.58%	3.68%
Emerging Markets	7.00%	4.48%	4.68%
Domestic Fixed Income	25.00%	2.48%	2.58%
Real Estate (Manager 1)	2.50%	4.08%	4.28%
Real Estate (Manager 2)	2.50%	4.08%	4.80%

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

The Plan's investments are held in nine portfolios administered by five investment managers. Following is a summary of the Plan's investments as of December 31:

	2025	2024
U.S. Treasuries	$ 13,451,568	$ 9,637,085
Corporate bonds	12,814,578	11,257,032
Collateralized mortgage obligations	8,417,333	9,843,432
Equity mutual funds	99,009,018	86,252,898
Real estate mutual funds	6,893,729	5,636,762
Total investments	$ 140,586,226	$ 122,627,209

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.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

As of December 31, 2025 and 2024, the carrying amounts and fair values for each investment are as follows:

2025	Level 1	Level 2	Level 3	Total
Federal Home Loan	$ -	$ 1,193,094	$ -	$ 1,193,094
Fannie Mae	-	4,250,523	-	4,250,523
Ginnie Mae	-	2,973,716	-	2,973,716
U.S. Treasury Notes	-	13,451,568	-	13,451,568
Corporate Bonds	-	12,814,578	-	12,814,578
Equity mutual funds	99,009,018	-	-	99,009,018
Real estate mutual funds	6,893,729	-	-	6,893,729
	$ 105,902,747	$ 34,683,479	$ -	$ 140,586,226
2024				
Federal Home Loan	$ -	$ 1,924,737	$ -	$ 1,924,737
Fannie Mae	-	3,971,872	-	3,971,872
Ginnie Mae	-	3,946,823	-	3,946,823
U.S. Treasury Notes	-	9,637,085	-	9,637,085
Corporate Bonds	-	11,257,032	-	11,257,032
Equity mutual funds	86,252,898	-	-	86,252,898
Real estate mutual funds	5,636,762	-	-	5,636,762
	$ 91,889,660	$ 30,737,549	$ -	$ 122,627,209

NOTE 3 - DEPOSITS AND INVESTMENTS (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 Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy does not address custodial credit risk. Although uninsured and unregistered, the Plan's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the Plan'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 Plan'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, 2025 and 2024, the Plan's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

	2025		2024	
Standard & Poor's	Corporate Bonds	CMO	Corporate Bonds	CMO
AAA	$ 2,586,110	$ -	$ 2,300,851	$ -
AA	978,789	8,417,333	600,282	9,843,432
A	4,703,248	-	4,290,598	-
BBB	3,250,917	-	2,997,231	-
Not rated	1,295,514	-	1,068,070	-
	$ 12,814,578	$ 8,417,333	$ 11,257,032	$ 9,843,432

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk (continued)

	2025		2024	
Moody's	Corporate Bonds	CMO	Corporate Bonds	CMO
Aaa	$ 2,303,653	$ 8,417,333	$ 2,629,237	$ 9,843,432
Aa	1,342,519	-	799,309	-
A	4,870,484	-	4,486,128	-
Baa	2,719,951	-	2,470,764	-
Ba	-	-	19,996	-
Not rated	1,577,971	-	851,598	-
	$ 12,814,578	$ 8,417,333	$ 11,257,032	$ 9,843,432

Concentration of Credit Risk

The Plan'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, 2025 and 2024, the Plan's investments were within that range.

The Plan'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, 2025 and 2024, the Plan's equity holdings accounted for 70% of the total investment portfolio; the Plan's holdings in real estate were 5% at December 31, 2025 and 2024.

Rate of Return

For the years ended December 31, 2025 and 2024, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 17.15% and 11.34% respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3 - DEPOSITS AND INVESTMENTS (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 Plan's investment policy does not address interest rate risk. As of December 31, 2025 and 2024, maturities of the Plan's debt securities were as follows:

		Investment Maturities (Fair Value by Years)			
2025	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Treasuries	$ 13,451,568	$ -	$ 9,377,034	$ -	$ 4,074,534
Corporate Bonds	12,814,578	-	4,961,421	4,989,412	2,863,745
Collateralized Mortgage Obligations	8,417,333	-	45,409	5,592	8,366,332
	$ 34,683,479	$ -	$ 14,383,864	$ 4,995,004	$ 15,304,611

		Investment Maturities (Fair Value by Years)			
2024	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Treasuries	$ 9,637,085	$ -	$ 5,717,300	$ 167,524	$ 3,752,261
Corporate Bonds	11,257,032	-	4,669,496	3,828,442	2,759,094
Collateralized Mortgage Obligations	9,843,432	-	96,378	7,022	9,740,032
	$ 30,737,549	$ -	$ 10,483,174	$ 4,002,988	$ 16,251,387

Derivatives

The Plan'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 Plan's Trustee, in conjunction with the Employees' Retirement System's Investment Committee, monitors these reports to evaluate the Plan'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, 2025 and 2024, the portfolio had no U.S. currency futures contracts.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

The Plan's exposure to foreign currency risk in U.S. dollars as of December 31, 2025 and 2024, is summarized below:

Currency	2025	2024
Canadian Dollar	$ 145,077	$ 278,594
Euro	457,580	362,478
Singaporean Dollar	173,961	164,661
New Taiwan Dollar	97,660	89,833
British Pound Sterling	286,783	195,003
	$ 1,161,061	$ 1,090,569

NOTE 4 - ADMINISTRATIVE AND INVESTMENT EXPENSES

The following provides additional details related to administrative and investment expenses for the years ended December 31, 2025 and 2024:

	2025		2024	
	Amount	Percent of Net Position	Amount	Percent of Net Position
Investment advisor fees	$ 296,127	0.210%	$ 281,775	0.228%
Trust and custodial fees	43,301	0.031%	45,068	0.037%
Administrative expenses	147,848	0.105%	115,548	0.094%
	$ 487,276		$ 442,391	

NOTE 5 - RISK MANAGEMENT

The Plan is exposed to various risks of loss related to torts, errors, and omissions. The Plan participates in the City of Kalamazoo's risk management program for all of these exposures. The City's risk management program is primarily a self-insured program with reinsurance amounts in excess of aggregate loss funds. The City estimates the liability for unpaid claims (including claims incurred but not reported) and allocates the cost to all appropriate entities and funds. There is no further exposure to the Plan that would require a liability to be recorded in the financial statements.

NOTE 6 - NET OPEB (ASSET)

The components of the net OPEB (asset) of the Plan at December 31, 2025 and 2024, measurement dates were as follows:

	2025	2024
Total OPEB liability	$ 115,734,142	$ 114,055,684
Plan fiduciary net position	141,070,890	123,376,473
Net OPEB (asset)	$ (25,336,748)	$ (9,320,789)
Plan fiduciary net position as a percentage of the total OPEB liability	121.89%	108.17%
Covered payroll	$ 14,525,518	$ 15,046,475
Net OPEB (asset) as a percentage of covered payroll	(174.43)%	(61.95)%

Actuarial Assumptions

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

NOTE 6 - NET OPEB (ASSET) (continued)

Actuarial Assumptions (continued)

The total OPEB liability was determined by actuarial valuations as of January 1, 2025 and 2024, and measurement dates of December 31, 2025 and 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation as of January 1, 2025 and measurement date of December 31, 2025:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	17 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.25%)
Projected salary increases	3.50% to 18.50% (includes inflation)
Investment rate of return	7.25%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	Pub-2010 Amount-Weighted, Male and Female tables for General and Safety
Health care trend rates	Pre-65: 7.75% for the first year, gradually decreasing to 3.50% in year 15 Post-65: 6.50% for the first year, gradually decreasing to 3.50% in year 15
Aging factors	Based on the 2013 SOA study "Health Care Costs - From Birth to Death"

The actuarial assumptions used in the January 1, 2025 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023.

NOTE 6 - NET OPEB (ASSET) (continued)

Actuarial Assumptions (continued)

Actuarial valuation as of January 1, 2024 and measurement date of December 31, 2024:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	18 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.25%)
Projected salary increases	3.50% to 15.50% (includes inflation)
Investment rate of return	7.25%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	Pub-2010 Amount-Weighted, Male and Female tables for General and Safety
Health care trend rates	Pre-65: 7.25% for the first year, gradually decreasing to 3.50% in year 15 Post-65: 6.50% for the first year, gradually decreasing to 3.50% in year 15
Aging factors	Based on the 2013 SOA study "Health Care Costs - From Birth to Death"

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023.

NOTE 6 - NET OPEB (ASSET) (continued)

Changes in Assumptions

Plan Year 2025:

The health care trend rates assumption was increased from 7.25% to 7.75% for pre-65.
Rates of mortality were updated to use the Pub-2010 Amount-Weighted, General and Safety, Male and Female tables, projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
The administrative expense load assumption was increased from $100,000 to $120,000.
Updated retirement rates for AFSCME, KMEA, General Exempt, and CSO.
Updated merit and longevity rates for KMEA, General Exempt, Public Safety, and CCTA.
Lowered the assumed age difference between spouses from assuming males are three years older than their spouses to two years older.
Lowered the percentage of public safety members assumed to be married at retirement from 90% to 85%.
Increased turnover rates for CCTA.
Reduced the percentage of active members expected to elect two-person coverage at retirement from 70% to 65% and increased the percentage of active members expected to opt out at retirement from 5% to 10%.

Plan Year 2024:

The health care trend rates assumption was lowered from 7.50% to 7.25% for pre-65 and increased from 6.25% to 6.50% for post-65.

Changes in Benefit Terms

Plan Year 2025:

Monthly cost share for new retirees decreased from $124.78 to $109.32 for one-person coverage and from $299.47 to $262.38 for two-person coverage.

Plan Year 2024:

Monthly cost share for new retirees increased from $115.09 to $124.78 for one-person coverage and from $276.21 to $299.47 for two-person coverage.
AFSCME members retiring after January 1, 2024, will pay the same increases as an active employee to a maximum of 80% above the contributions the retiree paid during the last month of the retiree’s employment.

NOTE 6 - NET OPEB (ASSET) (continued)

Discount Rate

For the actuarial valuation as of January 1, 2025, a single discount rate of 7.25% was used to measure the total OPEB liability. The single discount rate was based on an expected rate of return of 7.25%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the funding policy of $1,000,000 per year. Based on these assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For the actuarial valuation as of January 1, 2024, a single discount rate of 7.25% was used to measure the total OPEB liability. This single discount rate was based on an expected rate of return of 7.25%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the current funding policy of $3,500,000 per year. Based on these assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

2025	1% Decrease	Current Rate	1% Increase
Net OPEB (asset)	$ (14,366,023)	$ (25,336,748)	$ (34,744,224)
2024			
Net OPEB liability (asset)	$ 1,603,087	$ (9,320,789)	$ (18,680,606)

NOTE 6 - NET OPEB (ASSET) (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

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

2025	1% Decrease	Current Rate	1% Increase
Net OPEB (asset)	$ (36,857,041)	$ (25,336,748)	$ (11,832,106)
2024			
Net OPEB liability (asset)	$ (20,824,540)	$ (9,320,789)	$ 4,258,234

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF CHANGES IN THE PLAN'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
CHANGE IN TOTAL OPEB LIABILITY									
Service cost	$ 627,063	$ 654,053	$ 691,019	$ 845,695	$ 4,388,941	$ 3,521,372	$ 2,734,661	$ 2,740,829	$ 1,490,221
Interest	8,054,710	7,866,983	9,352,932	9,732,130	9,573,919	10,492,915	11,124,987	10,773,588	12,162,956
Change of benefit terms	974,330	(614,036)	(695,254)	-	(71,389,507)	-	-	(3,068,315)	-
Difference between expected and actual experience	(4,605,506)	(4,061,133)	(30,336,257)	(17,567,990)	8,939,601	(3,102,684)	(17,999,270)	8,398,776	(45,814)
Changes of assumptions	3,167,407	5,360,744	7,402,758	8,994,589	(144,053,838)	48,509,288	47,299,449	6,299,583	67,099,621
Benefit payments, including refunds of member contributions	(6,539,546)	(6,668,011)	(7,117,124)	(7,197,691)	(7,558,698)	(9,018,385)	(9,365,696)	(9,334,535)	(9,258,659)
NET CHANGE IN TOTAL OPEB LIABILITY	1,678,458	2,538,600	(20,701,926)	(5,193,267)	(200,099,582)	50,402,506	33,794,131	15,809,926	71,448,325
TOTAL OPEB LIABILITY, BEGINNING	114,055,684	111,517,084	132,219,010	137,412,277	337,511,859	287,109,353	253,315,222	237,505,296	166,056,971
TOTAL OPEB LIABILITY, ENDING (A)	$ 115,734,142	$ 114,055,684	$ 111,517,084	$ 132,219,010	$ 137,412,277	$ 337,511,859	$ 287,109,353	$ 253,315,222	$ 237,505,296
CHANGE IN PLAN FIDUCIARY NET POSITION									
Employer contributions	$ 3,500,000	$ 3,500,000	$ 3,500,000	$ 3,500,000	$ 3,500,000	$ 3,500,000	$ 3,500,000	$ 3,500,000	$ 3,500,000
Employee contributions	1,115,482	1,074,657	1,060,906	992,253	979,659	999,874	978,010	970,429	920,121
OPEB plan net investment income (loss)	20,881,811	12,869,886	15,633,961	(15,037,749)	20,007,295	8,469,461	17,160,651	(7,353,500)	14,711,769
Benefit payments, including refunds of member contributions	(7,655,028)	(7,742,668)	(8,178,030)	(8,189,944)	(8,538,357)	(10,018,259)	(10,343,706)	(10,304,964)	(10,178,780)
Administrative expenses	(147,848)	(115,548)	(118,058)	(117,962)	(119,115)	(141,174)	(125,815)	(106,986)	(100,922)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	17,694,417	9,586,327	11,898,779	(18,853,402)	15,829,482	2,809,902	11,169,140	(13,295,021)	8,852,188
PLAN FIDUCIARY NET POSITION, BEGINNING	123,376,473	113,790,146	101,891,367	120,744,769	104,915,287	102,105,385	90,936,245	104,231,266	95,379,078
PLAN FIDUCIARY NET POSITION, ENDING (B)	$ 141,070,890	$ 123,376,473	$ 113,790,146	$ 101,891,367	$ 120,744,769	$ 104,915,287	$ 102,105,385	$ 90,936,245	$ 104,231,266
PLAN'S NET OPEB LIABILITY (ASSET), ENDING (A)-(B)	$ (25,336,748)	$ (9,320,789)	$ (2,273,062)	$ 30,327,643	$ 16,667,508	$ 232,596,572	$ 185,003,968	$ 162,378,977	$ 133,274,030
Plan fiduciary net position as a percentage of the total OPEB liability	121.89%	108.17%	102.04%	77.06%	87.87%	31.08%	35.56%	35.90%	43.89%
Covered payroll	$ 14,525,518	$ 15,046,475	$ 16,704,718	$ 17,360,357	$ 18,758,015	$ 21,057,232	$ 22,773,155	$ 39,920,744	$ 37,363,784
Plan's net OPEB liability (asset) as a percentage of covered payroll	(174.43)%	(61.95)%	(13.61)%	174.69%	88.86%	1104.59%	812.38%	406.75%	356.69%

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contributions	$ 178,385	$ 565,456	$ 966,755	$ 3,157,096	$ 4,200,466	$ 9,838,111	$ 8,012,819	$ 8,111,777	$ 7,610,636
Contributions in relation to the actuarially determined contribution	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Contribution deficiency (excess)	$ (3,321,615)	$ (2,934,544)	$ (2,533,245)	$ (342,904)	$ 700,466	$ 6,338,111	$ 4,512,819	$ 4,611,777	$ 4,110,636
Covered-employee payroll	$ 14,525,518	$ 15,046,475	$ 16,704,718	$ 17,360,357	$ 18,758,015	$ 21,057,232	$ 22,773,155	$ 39,920,744	$ 37,363,784
Contributions as a percentage of covered-employee payroll	24.10%	23.26%	20.95%	20.16%	18.66%	16.62%	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	17 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.25%)
Projected salary increases	3.50% to 18.50% (includes inflation)
Investment rate of return	7.25%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	Pub-2010 Amount-Weighted, Male and Female tables for General and Safety
Health care trend rates	Pre-65: 7.75% for the first year, gradually decreasing to 3.50% in year 15 Post-65: 6.50% for the first year, gradually decreasing to 3.50% in year 15
Aging factors	Based on the 2013 SOA study "Health Care Costs - From Birth to Death"

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF INVESTMENT RETURNS
LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	17.15%	11.34%	15.61%	(12.68)%	19.53%	8.33%	18.87%	(6.98)%	15.81%

CITY OF KALAMAZOO, MICHIGAN
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - CHANGES OF ASSUMPTIONS AND BENEFIT TERMS

Changes of benefit terms:

Plan Year	
2025	Monthly cost share for new retirees decreased from $124.78 to $109.32 for one-person coverage and from $299.47 to $262.38 for two-person coverage.
2024	Monthly cost share for new retirees increased from $115.09 to $124.78 for one-person coverage and from $276.21 to $299.47 for two-person coverage.
	AFSCME member retiring after January 1, 2024, will pay the same increases as an active employee to a maximum of 80% above the contributions the retiree paid during the last month of the retiree's employment.
2023	Monthly cost share for new retirees increased from $106.92 to $115.09 for one-person coverage and from $256.61 to $276.21 for two-person coverage.
2021	Reimbursement of Medicare Part D premiums.
2018	All City non-union members are vested at 5 years of service and are eligible to retire at age 62 with 5 years of service.
	Members who are eligible for retiree medical benefits pay an increasing contribution rate.

NOTE 1 - CHANGES OF ASSUMPTIONS AND BENEFIT TERMS (continued)

Changes in assumptions:

Plan Year	
2025	The health care trend rates assumption was increased from 7.25% to 7.75% for pre-65. Rates of mortality were updated to use the Pub-2010 Amount-Weighted, General and Safety, Male and Female tables, projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010. The administrative expense load assumption was increased from $100,000 to $120,000. Updated retirement rates for AFSCME, KMEA, General Exempt, and CSO. Updated merit and longevity rates for KMEA, General Exempt, Public Safety, and CCTA. Lowered the assumed age difference between spouses from assuming males are three years older than their spouses to two years older. Lowered the percentage of public safety members assumed to be married at retirement from 90% to 85%. Increased turnover rates for CCTA. Reduced the percentage of active members expected to elect two-person coverage at retirement from 70% to 65% and increased the percentage of active members expected to opt out at retirement from 5% to 10%.
2024	The health care trend rates assumption was lowered from 7.50% to 7.25% for pre-65 and increased from 6.25% to 6.50% for post-65.
2021	The health care trend rates assumption was lowered from 8.25% to 7.50% for pre-65 and from 8.25% to 6.25% for post-65.
2020	The investment return assumption was lowered from 7.50% to 7.25%. The price inflation assumption was decreased from 2.50% to 2.25%. Rates of mortality were updated to use the Pub-2010 Amount Weighted, General and Safety tables, with future mortality improvements projected to 2025 using scale MP-2019.
2019	The price inflation assumption was decreased from 2.75% to 2.50%.