



City of Kalamazoo,  
Michigan

Comprehensive  
Annual  
Financial  
Report  
2015

For the year ended December 31, 2015

# **CITY OF KALAMAZOO, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended December 31, 2015

**Prepared by:**  
**Management Services Department, Budget & Accounting Division**

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2015

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## **INTRODUCTORY SECTION**



## OFFICE OF THE CITY MANAGER

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June 30, 2016

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 report is published to fulfill the City of Kalamazoo's requirement for the fiscal year ended December 31, 2015.

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.

Abraham & Gaffney, P.C., Certified Public Accountants, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2015. The independent auditor's report is located at the front of the financial sections of this report.

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 75,922. 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.

### **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 cultural activities and the construction and maintenance of streets and other infrastructure. Unique for a City of its size, the City operates its police and fire services under the public safety concept, in which members of the department are cross-trained to perform both police and fire services. In addition, the City of Kalamazoo operates water and wastewater systems. Both utility systems are regional in character, serving a large portion of the county outside of the City of Kalamazoo's corporate limits, and both are financially self-supporting. The Utilities have significant excess capacity compared to current usage.

The City has three tax-increment-financed districts within its boundaries that are discretely presented component units of the City: a Downtown Development Authority for its downtown area, a Brownfield Redevelopment Authority to redevelop blighted properties within its boundaries, and a Local Development Financing Authority for a business and technology research park. A tax-increment financing (TIF) district captures incremental increases in property tax revenues and reinvests them within that district. 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.

Citizens are also served by the City's Metro Transit System, a discretely presented component unit of the City of Kalamazoo, which provides mass-transportation services throughout the City, including Western Michigan University, and outlying areas.

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.

### **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 1<sup>st</sup>. By February 1<sup>st</sup> of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The budget is adopted at the fund level; Department heads may transfer resources within a department as they see fit, how 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 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 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.

The budget has been approved in accordance with GAAP for all governmental funds with the exception of property taxes, as the State of Michigan property tax calendar (which begins July 1) differs from the City's fiscal year (which begins January 1). Prior to July 1, 2009, the City Charter allowed property taxpayers to pay their taxes in twelve (12) monthly installments. Property taxes were budgeted in the year levied, even though they were not fully available to finance operations in the current year.

Beginning with the July 1, 2009 levy, real and personal property taxes may be paid in six equal monthly installments. Property taxes that are paid on installment basis become delinquent on the first day of the next succeeding month. Real property taxes delinquent as of March 1 are turned over to the County for collection. Because GAAP requires the recognition of only those property tax collections made during the fiscal year with a sixty-day accrual period, the City prepares dual statements for its General and Solid Waste funds, one in conformity with GAAP, and one on a "Non-GAAP, budgetary basis". Further discussion on this difference and its implication is provided in the Management's Discussion and Analysis and the note disclosures. Now that the City has completed the transition from the old tax collection approach, the City will be using only GAAP information from now on, beginning with the City's FY 2016 year-end financial statements, and in FY 2017 Budget.

### **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 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. As of first quarter 2016 the unemployment rate for the city is 6.9% which is higher than the state unemployment rate of 5.7% and the national average of 5.6%. 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.

Businesses have invested over \$100 million in real and personal property under Industrial Facilities Tax (IFT) Exemption Certificates during the last 14 years. Kalamazoo primarily supports business re-investment and expansion through its tax abatement programs and policies. However, the City of Kalamazoo also utilizes the array of economic development tools available to "core communities" in Michigan, such as PA 328 personal property tax exemptions, Michigan Business Tax credits for the redevelopment of Brownfield sites, and the designation of 88 acres on five sites in the city as tax-exempt Renaissance Zones. Economic development efforts are coordinated by the City's Economic Development Department among the City's Economic Development Corporation (EDC), private economic development staffing for all downtown developments (via a Downtown Kalamazoo Incorporated contract), the Local Development Finance Authority (LDFA) at the Business, Technology and Research Park (BTR Park), and the Brownfield Redevelopment Authority (BRA).

In addition, City staff also provides a coordination point for regional development activities with Southwest Michigan First (SWMF), a private non-profit economic development agency, who has also partnered with the State of Michigan's economic development agency (the Michigan Economic Development Corporation) and the city at the BTR Park to develop, manage, and expand the Southwest Michigan Innovation Center (SMIC).

The City of Kalamazoo operates one of the most efficient and productive Brownfield Redevelopment programs in the nation. Designated by the US Environmental Protection Agency as a Brownfields Assessment Pilot Community, Kalamazoo currently has 57 Brownfield redevelopment sites in its Brownfield Plan. During the 19 year program a total of \$246 million has been invested to complete over 40 projects and the creation or retention of nearly 1,950 jobs, and the development of 174 residential units.

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 2100 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. The first set of Promise recipients graduated from college in 2010, and the Promise celebrated its 10<sup>th</sup> Anniversary in 2015, highlighting over \$10 million of educational grants already provided to college students from Kalamazoo.

### **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 finished Fiscal Year 2015 with fewer General Fund expenditures and more General Fund revenues than expected, leading to a \$1.5 million boost to the bottom line. The broken municipal financing model in Michigan is highlighted by limited and stagnant Revenue Sharing and Property Tax revenue sources that do not keep pace with the cost of providing local government services and infrastructure, and Kalamazoo is not immune to the effects of this ruptured system. While recent short-term experience has improved the General Fund's financial position, the disconnect between revenues and expenditures is anticipated to cause a recurring deficit of \$3.5 million by Fiscal Year 2021. More importantly, critical City infrastructure, facilities, and services remain underfunded after decades of budget stress and reductions to capital outlays and operational retrenchment.

The City's tax growth is limited by Proposal A, which caps growth in taxable value. This capping tax base growth has a negative affect on most communities in Michigan, but is a particular hardship for central city communities like Kalamazoo due to the built out nature of our community. Combined with a slow growing economy, Proposal A hinders the ability of local government to address new service needs in the community without impacting basic municipal services.

The Great Recession impacted the City's finances in FY 2009. Since that time, the City has adopted over \$12 million in recurring expenditure reductions to the General Fund through a variety of approaches. The City has restructured operations, strengthened partnerships throughout the community to maximize our ability to deliver high-quality services at a reasonable cost. The City completed its study of "Legacy" costs, or other post-employment benefits (OPEB) and implemented a two prong approach to manage and contain this substantial liability. First, at the close of 2014, the City Commission authorized the City Administration to issue \$90 million of fixed interest rate bonds to assist in covering a significant portion of the retiree healthcare liability, which was executed in January of 2015. Second, the City entered into Memoranda of Understanding with each of the City's collective bargaining units, which pledges the City to a fixed contribution of \$3.5 million per year, which is estimated to fully fund the City's OPEB liability over the next 30 years. In exchange, the collective bargaining units have pledged to work collaboratively the City to developing health care cost containment strategies to manage and contain retiree health care costs and the OPEB liability.

As part of this strategy, the City offered an incentive to “legacy” retirees on fixed health care plans a modest incentive to participate fully in Medicare Part B. Over 80 of the 213 eligible retirees have accepted this incentive by the end of 2015, which will save the City hundreds of thousands of dollars per year.

To refocus the community’s attention on what services can be provided with limited resources, the City is implementing a new Priority Based approach to budgeting. This approach will match scarce revenues with expenditures and allow citizens to see how the city is spending their tax dollars.

In order to increase and balance resources with the needs of the community, the City’s “Blue Ribbon Revenue Panel”, comprised of community leaders from the public and private sector, completed a study which identified new revenue options to support sustainable public services. The City is moving ahead on an aggressive agenda to secure sustainable revenues starting in FY 2017.

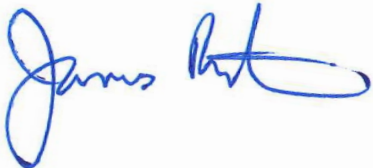
### **Awards and Acknowledgements**

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, 2014. This was the nineteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized comprehensive annual finance report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the City of Kalamazoo. We want to thank all involved in the financial monitoring and reporting of City activities, especially Thomas C. Skrobola, Director of Management Services and Chief Financial Officer, and Jennifer Clark, Accounting Division Manager. 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, 2014**

Executive Director/CEO

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2015

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor

Donald Cooney, Vice Mayor

Jack Urban

Shannon Sykes

Erin Knott

Matt Milcarek

David Anderson

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore

Jeff Chamberlain

MANAGEMENT SERVICES DEPARTMENT

Thomas C. Skrobola, Management Services Director/CFO

Kelli Steinman, City Treasurer

Aaron Powers, City Assessor

Jennifer Clark, Budget and Accounting Manager

Melissa Fuller, Financial Services Manager

Teresa Johnson, Purchasing Manager

CITY COMMISSION APPOINTEES

Scott Borling, City Clerk

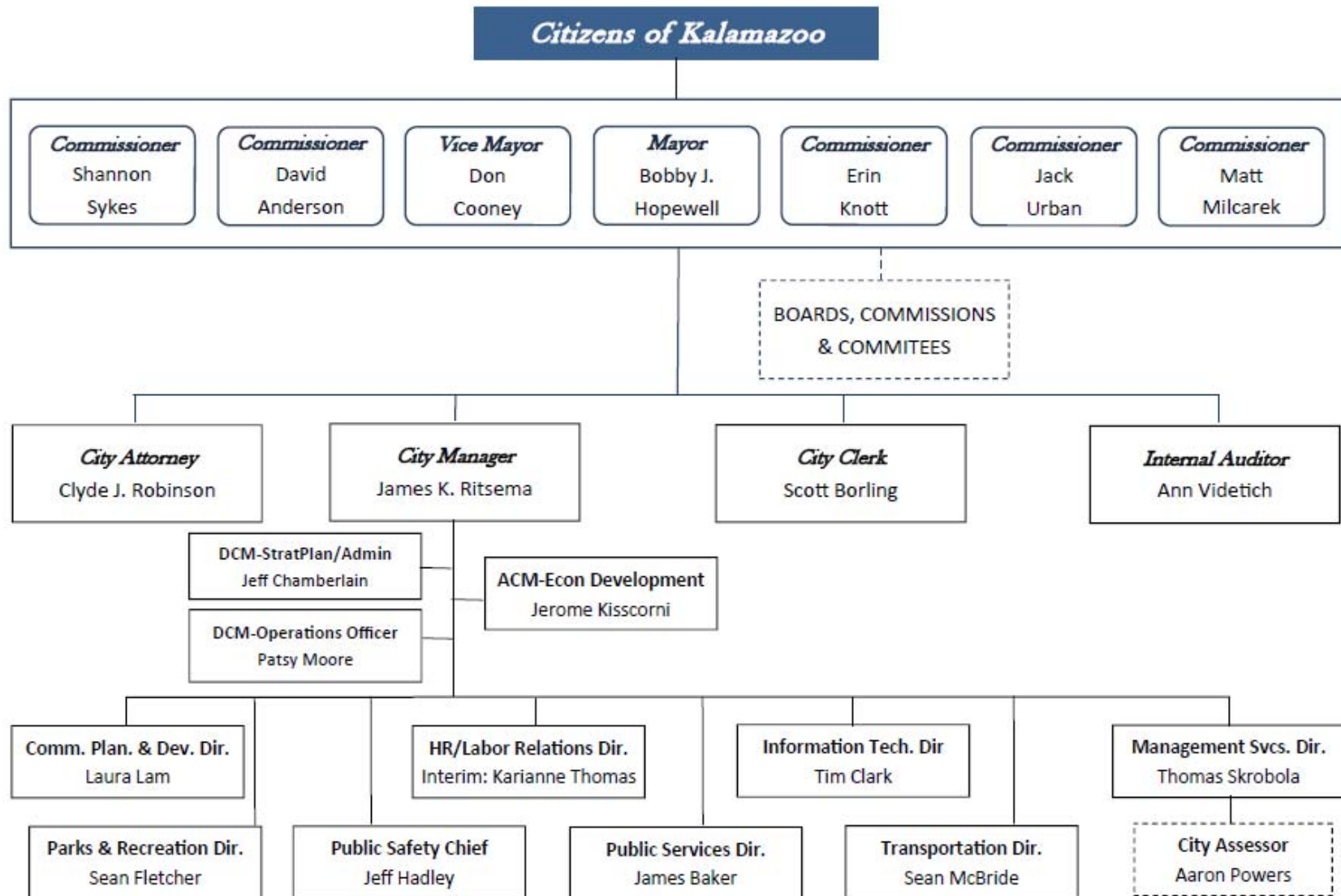
Aaron Powers, City Assessor

Ann Videtich, Internal Auditor

Clyde Robinson, City Attorney

# City of Kalamazoo

## 2016 Organizational Chart



Principals

Dale J. Abraham, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, which represents 5 percent, -.1 percent, and 19 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Downtown Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principles**

As discussed in Note S to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's overfunded defined pension benefit obligation as an asset for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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 28, 2016, 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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 28, 2016

## 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, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have furnished in our letter of transmittal (pages i-v).

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$411,552,543 (*net position*);
- The government's total net position decreased by \$12.7 million or 3 percent. This net increase was a combination of a \$12.6 million decrease in governmental activities net position and an \$85.4 thousand decrease in business-type activity net position.
- The City's balance of bonded debt increased by \$85.255 million during the current fiscal year. The City issued \$107.769 million in General Obligation Bonds and \$3.035 million in Revenue Bonds. The City refunded \$14.490 million of existing debt and made scheduled bond principal payments totaling \$11.060 million.
- As of the close of the 2015 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$27,912,304, an increase of \$1,113,371 in comparison of the prior year. Approximately 23.4 percent of the combined fund balances, or \$6,533,218 was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) fund balance was \$13,171,521, or 11.2 percent of the total General Fund budgetary revenues and other financing sources. Of the total \$13.1 million fund balance, \$1,212,622 was nonspendable, leaving \$11.9 million, or 10 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unassigned fund balance for the general fund was \$6,533,218, or 5.6 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net position decreased \$85,391. This included a decrease of \$1,691,858 in the net position in the Wastewater Fund, and a \$1,576,187 increase of net position in the Water fund, with the Wastewater decrease being due to the planned use of reserves in operations.

### 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.

# Management's Discussion and Analysis

## Government-wide financial statements

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

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

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

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

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

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

## Fund financial statements

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

### *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.

## Management's Discussion and Analysis

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 nineteen (19) 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. Data from the other eighteen (18) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

### ***Proprietary funds***

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

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

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

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

# Management's Discussion and Analysis

## *Fiduciary Funds*

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

The basic fiduciary funds financial statements can be found on pages 14-15 of this report.

## **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-57 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 58-62 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 63-103 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$411,552,543 at the close of the most recent fiscal year.

A significant portion of the City's net position, \$197,203,387, 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, \$16,115,051, 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 \$198,234,105, representing the amount of money that the City has to instantaneously satisfy all accrued future liabilities.

## Management's Discussion and Analysis

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. Beginning net position of the Governmental Activities, Business-type Activities, and Metro Transit, a component unit of the City, was restated by \$180.7 million to reflect the City's net pension asset at December 31, 2014. An actuarial valuation as of December 31, 2015, provided a total pension obligation of \$463,309,018. The City had plan fiduciary net position of \$589,527,061 as of year end. The resulting net pension asset of \$126.2 million was allocated to the Governmental Activities, Business-type Activities, and Metro Transit.

GAAP also require that the City show our liability for a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. An actuarial valuation as of December 31, 2013 provided the total Actuarially Accrued Liability (AAL) of \$188 million and estimated the Annual Required Contribution (ARC) of \$14.1 million for 2015. During the year the City issued OPEB bonds for the purpose of funding the City's OPEB obligation. After crediting current payments for retiree health care and contributions to the OPEB Trust fund of \$91.3 million, a net OPEB gain of \$78.3 million was allocated to the Governmental Activities, Business-type Activities, and Metro Transit, a component unit of the City, based on contributions to retiree health care and the OPEB Trust.

### City of Kalamazoo's Net Position December 31, 2014 and December 31, 2015

	Governmental activities		Business-type activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 183,823,556	\$ 147,440,777	\$ 64,349,712	\$ 65,357,954	\$ 248,173,268	\$ 212,798,731
Capital assets, net	170,751,384	170,352,424	171,172,368	169,720,313	341,923,752	340,072,737
Total assets	354,574,940	317,793,201	235,522,080	235,078,267	590,097,020	552,871,468
Deferred outflows of resources	56,412	42,273,721	292,322	9,632,485	348,734	51,906,206
Current liabilities	14,189,853	17,083,486	5,462,248	5,954,156	19,652,101	23,037,642
Noncurrent liabilities	107,692,590	118,490,365	38,188,408	46,474,839	145,880,998	164,965,204
Total liabilities	121,882,443	135,573,851	43,650,656	52,428,995	165,533,099	188,002,846
Deferred inflows of resources	690,456	5,018,883	-	203,402	690,456	5,222,285
Net position:						
Investment in capital assets	122,338,669	121,402,730	143,182,090	141,668,888	265,520,759	263,071,618
Restricted	15,031,494	13,951,012	2,454,033	2,164,039	17,485,527	16,115,051
Unrestricted	94,688,290	84,120,446	46,527,623	48,245,428	141,215,913	132,365,874
Total net position	\$ 232,058,453	\$ 219,474,188	\$ 192,163,746	\$ 192,078,355	\$ 424,222,199	\$ 411,552,543

The government's total net position decreased by \$12.6 million or 3 percent. This net decrease was a combination of a \$12.6 million decrease in governmental activities net position and an \$85.4 thousand decrease in business-type activity net position.

# Management's Discussion and Analysis

## City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2014 and December 31, 2015

(Note: The 2014 data is not restated for the implementation of GASB Statement No. 68)

	Governmental activities		Business-type activities		Total	
	2014	2015	2014	2015	2014	2015
Revenue:						
Program revenue:						
Charges for services	\$ 13,839,548	\$ 13,882,579	\$ 35,273,714	\$ 35,863,570	\$ 49,113,262	\$ 49,746,149
Operating grants and contributions	12,679,339	13,957,992	155,215	90,507	12,834,554	14,048,499
Capital grants and contributions	6,618	43,390	870,240	3,154,597	876,858	3,197,987
General revenue:						
Property taxes	31,834,240	32,085,449	-	-	31,834,240	32,085,449
State shared revenues - unrestricted	8,441,077	8,505,032	-	-	8,441,077	8,505,032
Other	928,747	224,937	8,238	217,498	936,985	442,435
Total revenue	67,729,569	68,699,379	36,307,407	39,326,172	104,036,976	108,025,551
Expenses:						
General government	9,930,643	8,766,309	-	-	9,930,643	8,766,309
Public safety	34,662,862	41,688,680	-	-	34,662,862	41,688,680
Public works	6,875,921	3,814,595	-	-	6,875,921	3,814,595
Streets	10,658,684	13,931,244	-	-	10,658,684	13,931,244
Community and economic development	4,718,105	6,429,186	-	-	4,718,105	6,429,186
Parks and recreation	3,054,139	2,026,717	-	-	3,054,139	2,026,717
Interest on long-term debt	2,189,831	4,626,913	-	-	2,189,831	4,626,913
Wastewater	-	-	22,214,421	21,637,512	22,214,421	21,637,512
Water	-	-	14,617,217	16,069,239	14,617,217	16,069,239
KMGMA	-	-	1,620,837	1,682,965	1,620,837	1,682,965
City market	-	-	18,024	21,847	18,024	21,847
Total expenses	72,090,185	81,283,644	38,470,499	39,411,563	110,560,684	120,695,207
Change in net position	\$ (4,360,616)	\$ (12,584,265)	\$ (2,163,092)	\$ (85,391)	\$ (6,523,708)	\$ (12,669,656)

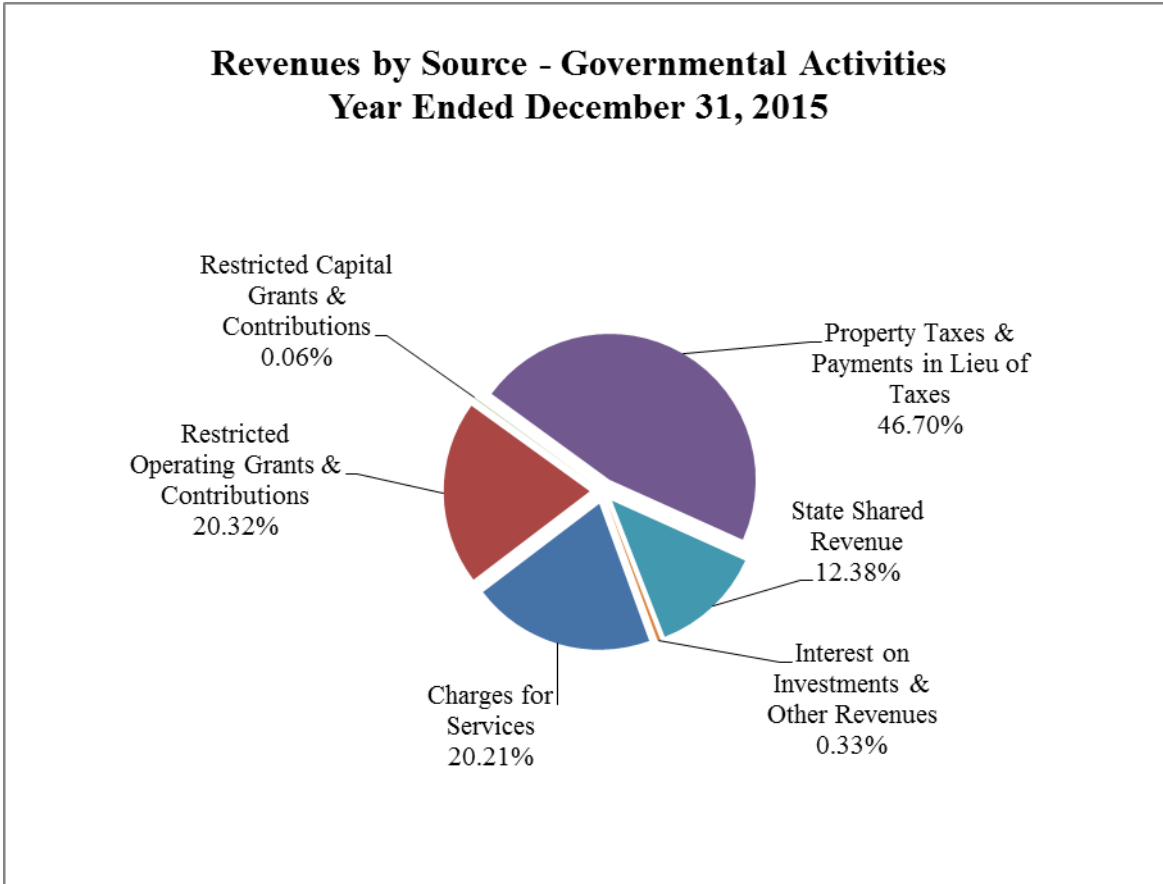
### Governmental activities

Governmental activities decreased the City's net position \$12.6 million. The City implemented GASB Statement No. 68 in 2015, which changed the reporting for pension obligations. As a result, the City recognized an additional \$4.7 million of additional governmental activities expenses compared to 2014. Interest expenses also increased by \$2.4 million in 2015, largely due to the issuance of the 2015 OPEB Bond. The remaining increase in expenses is due primarily to the \$6.3 million net increase in accrued OPEB expenses to governmental activities in 2015.

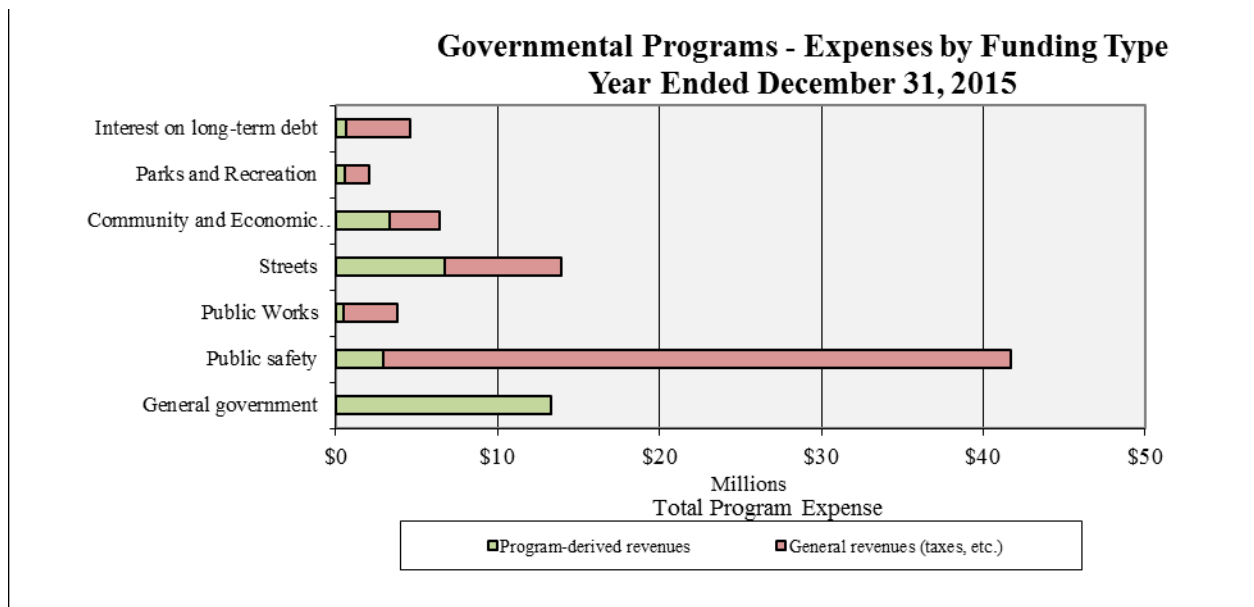
While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and/or by intergovernmental aid. Expenses in governmental activities exceeded charges for services, grants, and contributions by \$53.3 million in 2015 and \$45.6 million in 2014. In total, for fiscal year 2015, 59% of governmental program expenses were funded by a combination of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and reserves as depicted on the following chart.



## Management's Discussion and Analysis



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



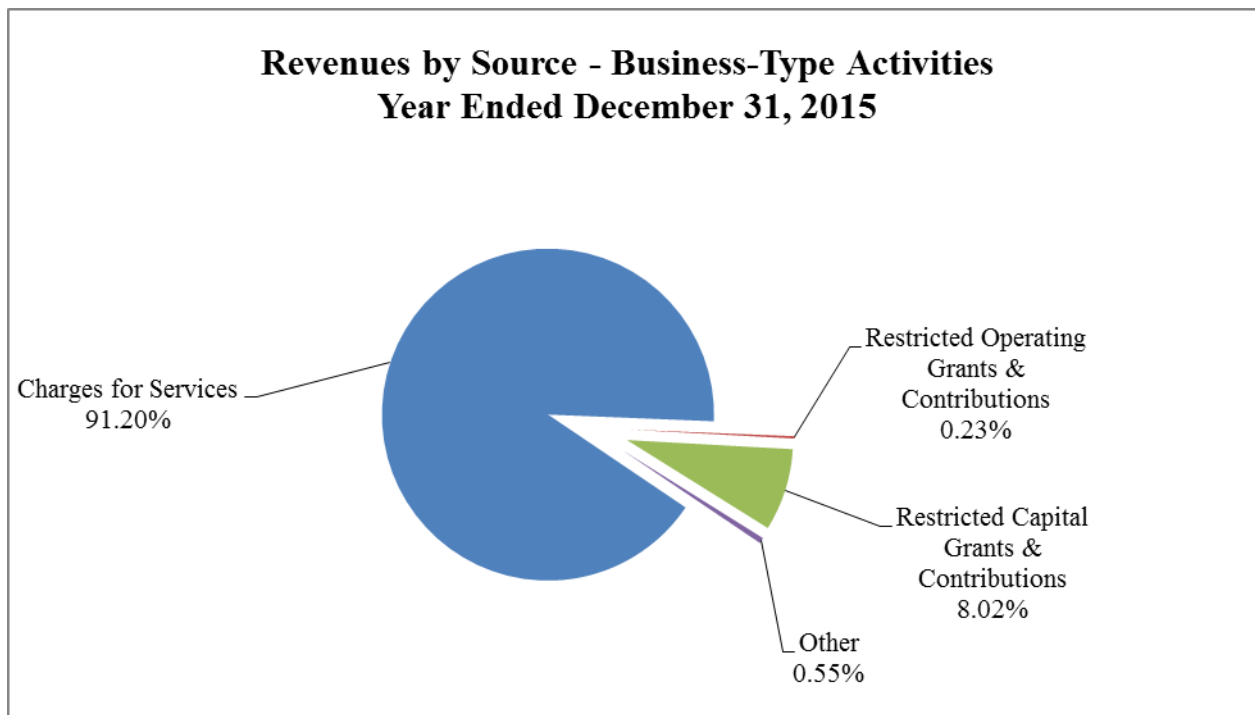
## Management's Discussion and Analysis

### Business-type activities

Business-type activities decreased the City's net position by \$85,391. The key elements of this decrease are as follows:

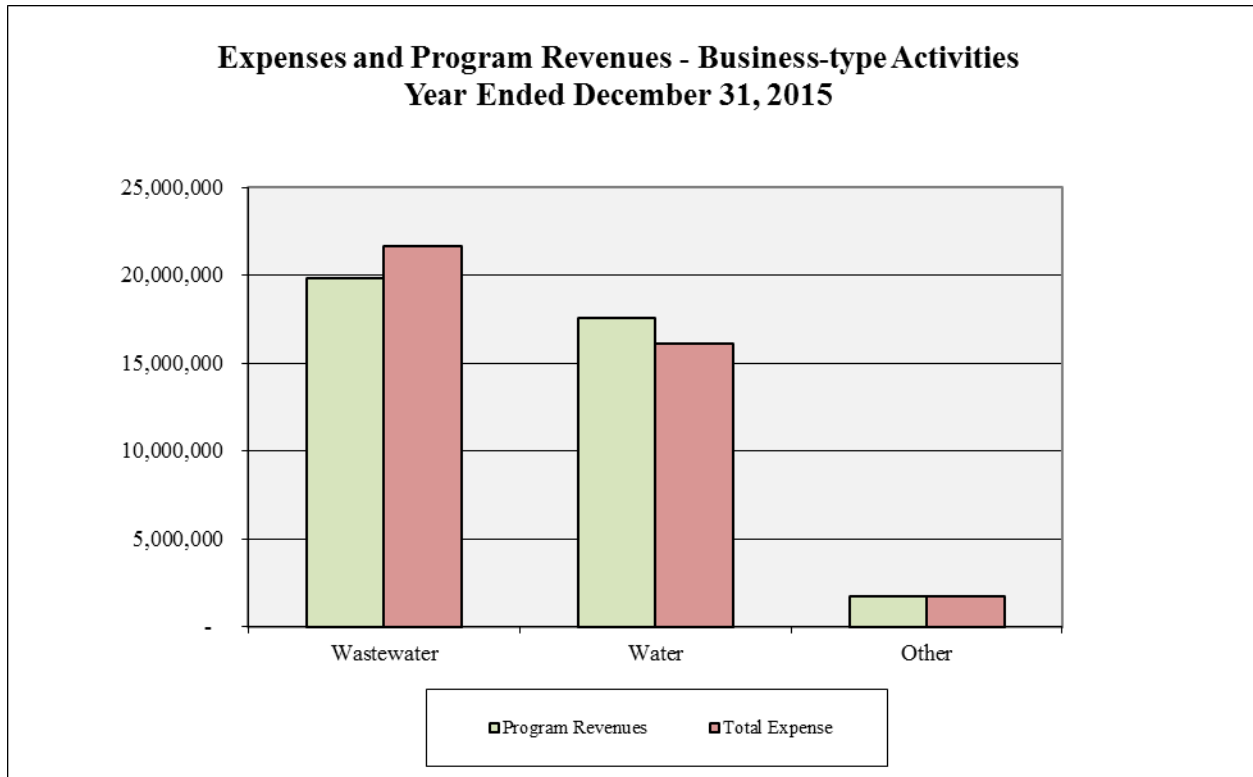
- Wastewater system operating revenues decreased by \$927 thousand due primarily to decrease in surcharges to industrial customers for additional quantities and qualities of treatment. In addition, the Wastewater system had over \$170,000 in losses on the sale of capital assets as well as an increase in interest expenses and fiscal charges from approximately \$355,000 in 2014 to over \$685,000 in 2015 due primarily to the issuance of the 2015 OPEB Bond.
- Water system operating revenues increased \$1.426 million while operation and maintenance expenses increased \$1.225 million due primarily to the fee for administrative services to other public services divisions, previously reported as a reduction of expenditure in the Water system operating expenses.
- Capital infrastructure contributions of \$3.136 million for water infrastructure represented a major revenue source for the Water system in 2015.
- Wastewater losses of \$1.7 million were due primarily to a planned use of reserves in 2015.

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



## Management’s Discussion and Analysis

The following chart depicts the total expenses for each business-type activity for the City of Kalamazoo and the degree to which they are self-supporting. In 2015, the Wastewater system used \$1.7 million of existing reserves while the Water system added \$1.6 million to existing reserves.



### Financial Analysis of the Government’s Funds

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

#### *Governmental funds*

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

As of the close of the current fiscal year, the City’s *governmental funds* reported combined ending fund balances of \$27,912,304 an increase of \$1,113,371 in comparison of the prior year. Approximately 23.4% of the combined fund balances, or \$6,533,218, was available for spending at the government’s discretion (“*unassigned fund balance*”).

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

## Management's Discussion and Analysis

### General Fund

The general fund is the chief operating fund of the City of Kalamazoo. Some property tax collections, \$1,966,620 for 2015, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP). The City budgets property taxes in the year in which the taxes are levied. As a result, the City reports two fund balances in the fund financial statements, a "GAAP" fund balance and a "non-GAAP, budgetary basis" fund balance.

The City has a formal unassigned fund balance policy target, using the *non-GAAP, budgetary* fund balance, of 13-15% of total general fund revenues and other financing sources. The General Fund *non-GAAP, budgetary* fund balance was \$13,171,521, or 24.7% of the total General Fund budgetary revenues. Of the total, \$13.1 million fund balance, \$1,212,622 was nonspendable or committed, and \$3,459,061 was assigned for subsequent year's expenditures, leaving \$8.5 million of unassigned budgetary fund balance, or 15.9% of budgetary revenues.

The General Fund *GAAP* unassigned fund balance for the general fund was \$6,533,218 or 12.2% of total general fund revenues.

Budgetary-basis revenues and other financing sources came in \$1,508,709 more than the amended budget. Expenditures and other financing uses were \$1,653,644 below budget, resulting in the favorable variance of \$3,162,353. Budgetary-basis revenues exceeded budget due primarily to increase in tax, license, and intergovernmental revenue. The savings in General Fund operating expenses was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$768,220 in public safety and \$592,254 in public services.

During the year, there was an increase of \$63,479,049 in appropriations between the original and final amended General Fund budget adopted by the City Commission. The City issue OPEB bonds in the current year and recognized \$63,286,575 in contribution to the Retiree Health Care Trust fund. The remaining increase of \$192,474 was appropriated for carryforward budgets from 2014 and anticipated departmental expenditures for special projects.

### Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds decreased from \$19,080,842 to \$16,707,403. The \$16.7 million fund balance is attributable to capital projects funds (\$1.4 million), special revenue funds (\$8.7 million), debt service funds (\$60,440), and endowments held for recreational and cemetery perpetual care purposes (\$6.4 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

### *Proprietary Funds*

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

## Management's Discussion and Analysis

### Wastewater Fund

*Unrestricted* net position (the amount available for future spending) of the City's Wastewater fund amounted to \$33.3 million as of December 31, 2015. The fund had a decrease in total net position for the year of \$1,691,858.

The Wastewater Fund experienced an operating loss of \$940,262.

- Wastewater operating revenues decreased \$927,565 decrease in surcharges to industrial customers for additional quantities and qualities of treatment.
- Operating expenses decreased \$1,043,399 primarily due to a reduction in chemical expenses for treatment and expenses for other post employment benefits. Depreciation expense increased \$24,510 due to additions to the Wastewater system.
- The annual accrual of net OPEB expenses of \$1,358,067 is included in operating expenses. Wastewater contributed \$9.9 million to the OPEB Trust in 2015 with proceeds from the 2015 OPEB Bond. The Wastewater Fund has a net OPEB asset of \$3.9 million included in the Statement of Net Position in 2015. The portion of the 2015 OPEB bond reported in the Wastewater Fund at December 31, 2015 was \$9,771,759.
- Operating expenses includes \$401,970 of pension expenses, which is new to the system in 2015 due to the implementation of GASB Statement No. 68. The Fund did not make contributions to the pension system in 2015. The Fund had a net pension benefit as of \$12,162,371, deferred outflows of resources related to pensions of \$5,308,868, and deferred inflows of resources related to pensions of \$113,019 included in the Statement of Net Position at December 31, 2015.

### Water Fund

*Unrestricted* net position (the amount available for future spending) of the City's Water fund amounted to \$14.7 million as of December 31, 2015. The fund had an increase in total net position for the year of \$1,576,187.

The Water Fund experienced an operating loss of \$663,295.

- Water system operating revenues increased \$1.426 million while operation and maintenance expenses increased \$1.225 million due primarily to the fee for administrative services to other public services divisions, previously reported as a reduction of expenditure in the Water system operating expenses.
- The annual accrual of net OPEB expenses of \$1,085,887 is included in operating expenses. Water contributed \$9.1 million to the OPEB Trust in 2015 with proceeds from the 2015 OPEB Bond. The Water Fund has a net OPEB asset of \$1.5 million included in the Statement of Net Position in 2015. The portion of the 2015 OPEB bond reported in the Water Fund at December 31, 2015 was \$8,953,741.

## Management's Discussion and Analysis

- Operating expenses includes \$321,460 of pension expenses, which is new to the system in 2015 due to the implementation of GASB Statement No. 68. The Fund did not make contributions to the pension system in 2015. The Fund had a net pension benefit as of \$9,726,362, deferred outflows of resources related to pensions of \$4,164,781, and deferred inflows of resources related to pensions of \$90,383 included in the Statement of Net Position at December 31, 2015.

Capital contributions of \$3,136,769 represented a major revenue source for the Water system during the current fiscal year. Contributions consist primarily of infrastructure improvements in the form of water mains, service connections, and hydrants paid by various users of the water system. Total contributions increased by \$2,311,240 from 2014 as more projects were completed by users of the system in 2015 as compared to 2014.

### Other Enterprise Funds

During the year, the net position for the City's nonmajor proprietary funds increased from \$283,600 to \$313,880. The \$313,880 of net position is attributable to the Kalamazoo Municipal Golf Association Fund (\$202,252) and City Market Fund (\$111,628).

### 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, 2015, totaled \$340 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; water, wastewater, and storm sewer systems; vehicles and equipment; park facilities; roads; highways; and bridges. Net capital assets decreased \$398,960 million for governmental activities while net business-type activity net position decreased \$1.4 million.

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

#### Governmental Activities:

- The construction, reconstruction, widening of public streets, and City Hall electrical project totaling \$3.8 million was completed. Approximately \$7.1 million of additional improvements are in progress.
- Land additions include property for the Parks City Market and property for street expansions.
- Land improvements of \$428 thousand includes Riverside Cemetery land improvements of \$102 thousand, Hays Park improvements of \$226 thousand, various parks improvements of \$74 thousand, and miscellaneous improvements of \$26 thousand.
- A Public Works vehicle additions of \$640 thousand include two 5YD dump trucks, an aerial bucket truck, and a Pelican Street Sweeper.

## Management's Discussion and Analysis

- Public Safety vehicle additions of \$280 thousand include five 2015 Chevy Tahoes, two Ford Explorers, and two other vehicles.
- Machinery and Equipment additions of \$758 thousand primarily include various public safety equipment totaling \$456 thousand, information technology equipment totaling \$246 thousand, and various equipment of \$56 thousand.
- The City disposed of various machinery, equipment, and vehicles with a cost of \$1.01 million, most of which was fully depreciated. The City also disposed of land with a cost of \$13 thousand.

### Business-type Activities:

- Wastewater added \$1.467 million to machinery and equipment. Purchases consisted of two new pumps, \$599 thousand each, and other various machinery parts and equipment. Wastewater also added \$441 thousand to vehicles including a new E450 TV Truck for \$345 thousand.
- Wastewater upgraded the system infrastructure consisting of various mains and sewer linings totaling \$479 thousand.
- Wastewater building improvements of \$414 thousand included an upgraded gear box covers and various other improvements to Wastewater facilities.
- Wastewater had \$1.4 million of construction in progress for treatment buildings and various system improvements in progress at year end.
- Wastewater disposals totaled \$157 thousand consisted of various equipment and vehicles, all of which were fully depreciated.
- Water upgraded the system infrastructure consisting of various mains, service connections, hydrants, and meters totaling \$4.6 million.
- Water additions of \$4.96 million consisted of \$81 thousand in building and land improvements, \$147 thousand in machinery and equipment, and \$116 thousand in vehicles.
- Water disposed of assets with original costs totaling \$63 thousand, of which all was fully depreciated. The disposals consisted of various equipment and vehicles.
- The Kalamazoo Municipal Golf Association (KMGA) fund reduced capital by \$110 thousand, including \$61 thousand addition to building improvements. The KMGA had no disposals in 2015.

## Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes during 2015, can be found in Note F on pages 35-38 of this report.

	Governmental activities		Business-type activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 29,852,060	\$ 29,986,151	\$ 3,296,586	\$ 3,296,680	\$ 33,148,646	\$ 33,282,831
Building & improvements	35,930,144	35,232,132	45,741,283	44,467,136	81,671,427	79,699,268
Land improvements	9,221,151	9,018,257	4,211,059	4,182,229	13,432,210	13,200,486
Machinery & equipment	3,619,008	3,580,318	17,279,081	16,937,751	20,898,089	20,518,069
Vehicles	2,974,094	3,463,878	780,171	1,202,325	3,754,265	4,666,203
Infrastructure	83,906,740	81,656,817	95,725,849	97,166,298	179,632,589	178,823,115
Intangible Assets	333,402	283,455	174,617	64,810	508,019	348,265
Rights to liquor license	-	-	139,200	139,200	139,200	139,200
Construction in progress	4,914,785	7,131,416	3,824,522	2,263,884	8,739,307	9,395,300
<b>Total</b>	<b>\$ 170,751,384</b>	<b>\$ 170,352,424</b>	<b>\$ 171,172,368</b>	<b>\$ 169,720,313</b>	<b>\$ 341,923,752</b>	<b>\$ 340,072,737</b>

### *Long-term debt*

- The City's balance of bonded debt increased by \$85.255 million during the current fiscal year. The City issued \$107.7 million in General Obligation Bonds and \$3.035 million in Revenue Bonds. The City refunded \$14.490 million of existing debt and made scheduled bond principal payments totaling \$11.060 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 2015 consisted of a \$90,955,000 par value bond issued to fund the City's debt obligation. Of this bond, \$86,534,587 was recorded in the City's governmental and business type activities, with the remaining \$4,420,413 was recorded in Metro Transit, a component unit of the City. In addition, the City issued \$5,150,000 for capital improvements and \$16,076,000 to refund existing debt service. The balance of outstanding general obligation bonds as of December 31, 2015 is \$114.8 million for governmental activities and \$19.7 for business-type activities.

#### Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The Water System issued \$3,035,000 of revenue bonds in 2015. The balance of outstanding revenue bonds as of December 31, 2015 is \$2.3 million for governmental activities and \$28.7 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, 2015 is \$7.06 million.

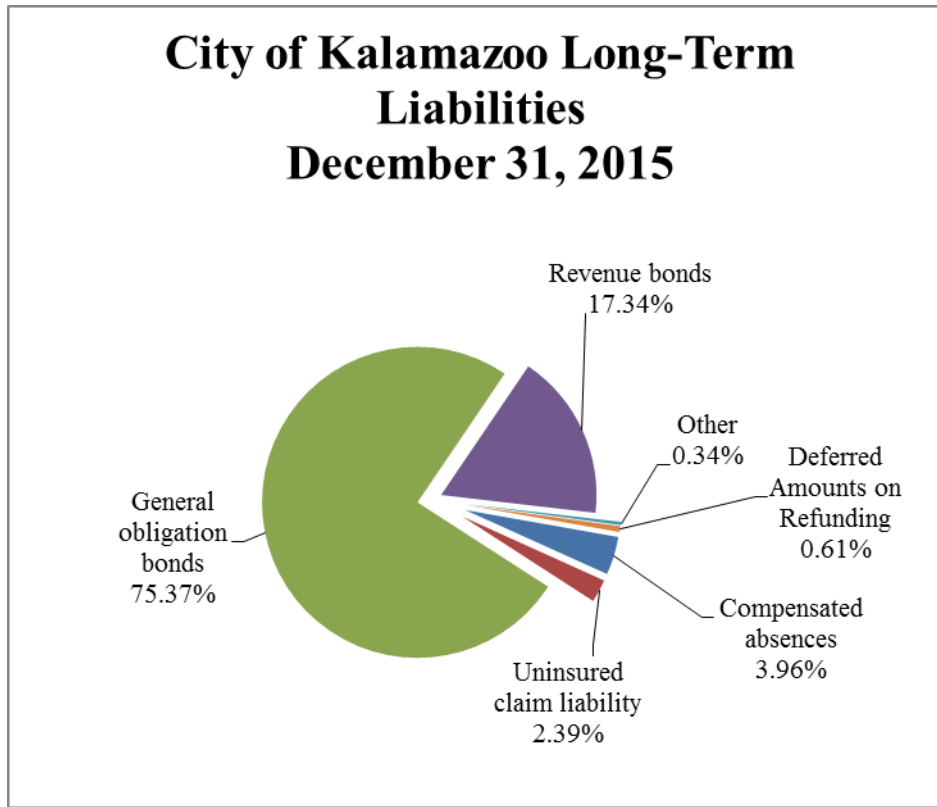
#### Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2015. The estimated liability to the City is \$4.69 million.



## Management’s Discussion and Analysis

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



Additional information on the City’s long-term debt can be found in Note G on pages 38-44.

The following chart depicts the City’s credit rating for the various outstanding debt and the different rating agencies as of December 31, 2015.

	<b>S&amp;P</b>
Water and wastewater revenue bonds	AA/Stable
General obligation limited tax bonds	AA-/Stable
General obligation unlimited tax bonds	AA-/Stable

### **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.

## Management's Discussion and Analysis

The City is home to the main campuses of Western Michigan University, from which the City derives immense economic and intellectual benefits. However, because of the university's location, as well as being the County seat, 40% of the City's land is considered non-taxable. Furthermore, the voters to the State of Michigan have, over the years, enacted two property tax growth control measures, the "Headlee Amendment" and "Proposal A". These measures 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.

Since 2002, the City and other Michigan local governments have experienced a significant reduction in state revenue sharing. Reductions in state revenue sharing, combined with the property tax limitation measures and the large amount of tax-exempt properties, have presented significant challenges to the City in maintaining service levels. State revenue sharing remained steady in 2015 versus 2014, however remains low relative to historic norms. State Revenues represented only 16% of the General Fund Budgeted revenues in 2015 as compared to 28% in 2001.

The unprecedented economic crisis which took shape in late 2008 and which obliterated millions of jobs and trillions of dollars of wealth across the country has severely impacted the automakers located in Michigan. The state's unemployment statistics are improving, however this reflects a mixed bag of lower workforce participation as well as job growth.

Assessed property taxes increased slightly in 2015 as compared to 2014. Overall, the City has experienced a decline in property tax levies of nearly \$2.9 million since 2009, primarily due to a decline in commercial and residential property values.

In 2015 the value of the Retirement System "net position" held in trust for pension benefits decreased by 5.7%, as compared to an increase of 2% in 2014. This reflected a negative return on investments net of pension benefits and related expenses. Because the Retirement System holds investments in equities and other stock market securities, the value of investments are subject to market volatility.

To address these fiscal challenges, the City continues to alter its fiscal outlook by utilizing a two-year rolling budget presentation as well as a five-year fiscal plan for the General Fund, Major and Local Streets, and the Capital Improvement program funds.

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

The 2016 fiscal year budget increases operational General Fund spending by 2.4% from fiscal year 2015 adopted budget. The General Fund will transfer a \$2.1 million for capital improvement program projects.

The General Fund is budgeted to pay \$3.8 million in 2016 in debt service for the 2015 Other Post Employment Benefit bond and is budgeted to contribute an additional \$2.5 million to the OPEB trust.

The 2016 General Fund budget anticipates an ending fund balance of 15.6% of revenues, exceeding the City Commission Budget Policy minimum target of 13% of revenues.

## **Management's Discussion and Analysis**

Property tax millage rates are budgeted to remain the same in fiscal year 2016 as assessed in 2015 for the City's General Fund and increase .25 mills for the Solid Waste Fund.

### **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 Thomas C. Skrobola, the City's Management Services Director/CFO, at 241 W. South Street, Kalamazoo, Michigan 49007.

## **BASIC FINANCIAL STATEMENTS**

City of Kalamazoo

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 20,200,139	\$ 15,440,861	\$ 35,641,000	\$ 6,466,105
Cash and cash equivalents, restricted	4,996,299	3,772,996	8,769,295	1,042,798
Investments	6,166,030	11,268,635	17,434,665	325,622
Investments with agents	2,898,406	-	2,898,406	-
Current portion of receivables	4,663,104	5,678,478	10,341,582	1,479,931
Current portion of advance to other governmental units	5,642	-	5,642	-
Internal balances	(1,065,903)	1,065,903	-0-	-
Due from other governmental units	5,041,491	12,881	5,054,372	2,163,995
Inventories	342,472	647,048	989,520	379,375
Prepays	104,893	39,864	144,757	139,733
<b>Total current assets</b>	<b>43,352,573</b>	<b>37,926,666</b>	<b>81,279,239</b>	<b>11,997,559</b>
Noncurrent assets				
Advance to other governmental units	787,530	-	787,530	-
Net other post-employment benefits asset	3,880,442	5,542,555	9,422,997	3,556,406
Noncurrent portion of receivables	1,577,267	-	1,577,267	791,444
Net pension asset	97,842,965	21,888,733	119,731,698	6,486,345
Capital assets not being depreciated	37,117,567	5,699,764	42,817,331	2,070,793
Capital assets, net of accumulated depreciation	133,234,857	164,020,549	297,255,406	23,222,204
<b>Total noncurrent assets</b>	<b>274,440,628</b>	<b>197,151,601</b>	<b>471,592,229</b>	<b>36,127,192</b>
<b>TOTAL ASSETS</b>	<b>317,793,201</b>	<b>235,078,267</b>	<b>552,871,468</b>	<b>48,124,751</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	377,843	259,836	637,679	-
Deferred outflows of resources related to pensions	41,895,878	9,372,649	51,268,527	2,777,421
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>42,273,721</b>	<b>9,632,485</b>	<b>51,906,206</b>	<b>2,777,421</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,940,475	1,798,884	3,739,359	1,734,595
Accrued payroll	993,026	-	993,026	-
Accrued interest payable	667,689	359,598	1,027,287	66,499
Other accrued liabilities	1,166,539	-	1,166,539	-
Deposits payable	348,036	727,798	1,075,834	-
Due to other governmental units	1,073,630	15,371	1,089,001	931,786
Unearned revenue	220,391	131,425	351,816	409,605
Current portion of advances from other governmental units	-	-	-0-	5,642
Current portion of compensated absences	2,189,962	398,444	2,588,406	167,255
Current portion of long-term debt	6,143,989	2,522,636	8,666,625	668,073
Current portion of uninsured claim liability	2,339,749	-	2,339,749	-
<b>Total current liabilities</b>	<b>17,083,486</b>	<b>5,954,156</b>	<b>23,037,642</b>	<b>3,983,455</b>
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	787,530
Noncurrent portion of compensated absences	4,128,767	351,757	4,480,524	58,484
Noncurrent portion of long-term debt	112,441,133	46,123,082	158,564,215	5,916,356
Noncurrent portion of uninsured claim liability	1,920,465	-	1,920,465	-
<b>Total noncurrent liabilities</b>	<b>118,490,365</b>	<b>46,474,839</b>	<b>164,965,204</b>	<b>6,762,370</b>
<b>TOTAL LIABILITIES</b>	<b>135,573,851</b>	<b>52,428,995</b>	<b>188,002,846</b>	<b>10,745,825</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable sales of future revenues	4,109,673	-	4,109,673	-
Deferred inflows of resources related to pensions	909,210	203,402	1,112,612	60,275
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,018,883</b>	<b>203,402</b>	<b>5,222,285</b>	<b>60,275</b>
<b>NET POSITION</b>				
Net investment in capital assets	121,402,730	141,668,888	263,071,618	25,292,997
Restricted				
Nonexpendable				
Expendable, restricted for:				
Major and local street projects	3,867,671	-	3,867,671	-
Solid waste program	184,176	-	184,176	-
Parks and recreation	856,818	-	856,818	-
Neighborhood and community development	1,068,135	-	1,068,135	-
Other purposes	4,346,648	2,164,039	6,510,687	-
Unrestricted	84,120,446	48,245,428	132,365,874	14,803,075
<b>TOTAL NET POSITION</b>	<b>\$ 219,474,188</b>	<b>\$ 192,078,355</b>	<b>\$ 411,552,543</b>	<b>\$ 40,096,072</b>

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 8,766,309	\$ 10,972,764	\$ 2,335,106	\$ -
Public safety	41,688,680	775,073	2,087,416	43,390
Public works	3,814,595	135,071	326,880	-
Streets	13,931,244	1,941	6,717,971	-
Community and economic development	6,429,186	1,668,372	1,654,419	-
Parks and recreation	2,026,717	329,358	235,911	-
Interest on long-term debt	4,626,913	-	600,289	-
Total governmental activities	81,283,644	13,882,579	13,957,992	43,390
Business-type activities				
Wastewater	21,637,512	19,819,546	13,521	17,828
Water	16,069,239	14,348,122	76,986	3,136,769
Kalamazoo Municipal Golf Association	1,682,965	1,676,382	-	-
City Market	21,847	19,520	-	-
Total business-type activities	39,411,563	35,863,570	90,507	3,154,597
Total primary government	\$ 120,695,207	\$ 49,746,149	\$ 14,048,499	\$ 3,197,987
Component units				
Downtown Development Authority	\$ 3,850,594	\$ 2,814,658	\$ -	\$ -
Economic Development Corporation	1,018,051	-	1,055,524	-
Brownfield Redevelopment Authority	2,164,610	-	862,656	-
Local Development Finance Authority	604,404	-	-	-
Metro Transit	17,255,137	2,729,080	10,743,051	2,349,738
Total component units	\$ 24,892,796	\$ 5,543,738	\$ 12,661,231	\$ 2,349,738

General revenues  
 Property taxes  
 State shared revenues  
 Investment earnings  
 Gain on disposal of capital assets  
 Donations  
 Miscellaneous

Total general revenues

Change in net position

Restated net position, beginning of the year

Net position, end of the year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ 4,541,561	\$ -	\$ 4,541,561	\$ -
(38,782,801)	-	(38,782,801)	-
(3,352,644)	-	(3,352,644)	-
(7,211,332)	-	(7,211,332)	-
(3,106,395)	-	(3,106,395)	-
(1,461,448)	-	(1,461,448)	-
<u>(4,026,624)</u>	<u>-</u>	<u>(4,026,624)</u>	<u>-</u>
(53,399,683)	-0-	(53,399,683)	-0-
-	(1,786,617)	(1,786,617)	-
-	1,492,638	1,492,638	-
-	(6,583)	(6,583)	-
<u>-</u>	<u>(2,327)</u>	<u>(2,327)</u>	<u>-</u>
-0-	<u>(302,889)</u>	<u>(302,889)</u>	-0-
(53,399,683)	(302,889)	(53,702,572)	-0-
-	-	-0-	(1,035,936)
-	-	-0-	37,473
-	-	-0-	(1,301,954)
-	-	-0-	(604,404)
<u>-</u>	<u>-</u>	<u>-0-</u>	<u>(1,433,268)</u>
-0-	-0-	-0-	(4,338,089)
32,085,449	-	32,085,449	4,864,725
8,505,032	-	8,505,032	-
74,925	111,566	186,491	15,291
31,638	-	31,638	-
1,737	-	1,737	-
<u>116,637</u>	<u>105,932</u>	<u>222,569</u>	<u>137,422</u>
<u>40,815,418</u>	<u>217,498</u>	<u>41,032,916</u>	<u>5,017,438</u>
(12,584,265)	(85,391)	(12,669,656)	679,349
<u>232,058,453</u>	<u>192,163,746</u>	<u>424,222,199</u>	<u>39,416,723</u>
<u>\$ 219,474,188</u>	<u>\$ 192,078,355</u>	<u>\$ 411,552,543</u>	<u>\$ 40,096,072</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2015

	General	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,061,882	\$ 6,039,234	\$ 14,101,116
Cash and cash equivalents - restricted	-	4,996,299	4,996,299
Investments	1,379,241	3,833,123	5,212,364
Investments with agents	-	2,777,675	2,777,675
Receivables			
Accounts	1,373,237	183,511	1,556,748
Interest	7,383	-	7,383
Special assessments	3,452	-	3,452
Taxes	2,353,025	171,856	2,524,881
Notes	724,390	951,973	1,676,363
Due from other funds	4,688,329	1,135,814	5,824,143
Due from other governmental units	306,215	4,521,528	4,827,743
Advances to other funds	340,000	-	340,000
Advances to other governmental units	-	793,172	793,172
Inventories	90,704	251,768	342,472
Prepays	57,528	4,520	62,048
	<u>\$ 19,385,386</u>	<u>\$ 25,660,473</u>	<u>\$ 45,045,859</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 669,218	\$ 1,231,407	\$ 1,900,625
Accrued liabilities	75,972	46,894	122,866
Due to other funds	3,056,777	5,609,454	8,666,231
Due to other governmental units	1,071,860	1,423	1,073,283
Deposits payable	20,000	328,036	348,036
Unearned revenue	-	220,391	220,391
	<u>4,893,827</u>	<u>7,437,605</u>	<u>12,331,432</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	3,286,658	1,515,465	4,802,123
<b>FUND BALANCES</b>			
Nonspendable	1,212,622	5,628,997	6,841,619
Restricted	-	9,337,109	9,337,109
Committed	-	1,741,297	1,741,297
Assigned	3,459,061	-	3,459,061
Unassigned	6,533,218	-	6,533,218
	<u>11,204,901</u>	<u>16,707,403</u>	<u>27,912,304</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 19,385,386</u>	<u>\$ 25,660,473</u>	<u>\$ 45,045,859</u>

See accompanying notes to financial statements.



City of Kalamazoo

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

December 31, 2015

**Total fund balance - governmental funds** \$ 27,912,304

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	\$ 346,551,096	
Accumulated depreciation is	<u>(176,198,672)</u>	
Capital assets, net		170,352,424

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

Net pension asset	97,842,965	
Net other post-employment benefits asset	3,880,442	
Deferred outflows of resources related to pensions	41,895,878	
Deferred inflows of resources related to pensions	(909,210)	
Deferred charges on refunding	<u>377,843</u>	
		143,087,918

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 4,802,123

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 (deficit) of governmental activities accounted for in governmental activities internal service funds		(1,109,041)
--	--	-------------

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	(117,131,026)	
Environmental matters liability	(432,453)	
Unamortized deferred amounts on debt issuance	(1,021,643)	
Accrued interest payable	(667,689)	
Compensated absences	<u>(6,318,729)</u>	
		<u>(125,571,540)</u>

**Net position of governmental activities** \$ 219,474,188

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2015

	General	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 29,990,474	\$ 2,268,364	\$ 32,258,838
Licenses and permits	2,464,874	-	2,464,874
Intergovernmental	10,334,425	10,502,423	20,836,848
Charges for services	10,049,353	233,674	10,283,027
Fines and forfeits	30,590	191,649	222,239
Interest and rents	339,801	1,724,507	2,064,308
Net investment earnings (loss)	-	(349,763)	(349,763)
Other revenue	345,306	1,018,282	1,363,588
<b>TOTAL REVENUES</b>	<b>53,554,823</b>	<b>15,589,136</b>	<b>69,143,959</b>
<b>EXPENDITURES</b>			
Current			
General government	6,610,372	584,219	7,194,591
Public safety	27,730,482	1,476,467	29,206,949
Public works	4,615,706	2,591,484	7,207,190
Streets	-	7,325,274	7,325,274
Community and economic development	1,446,013	3,964,155	5,410,168
Parks and recreation	1,762,434	371,004	2,133,438
Other	2,261,078	-	2,261,078
Debt service			
Principal	-	6,023,928	6,023,928
Interest and fiscal charges	25,750	4,397,541	4,423,291
Capital outlay	-	2,546,759	2,546,759
<b>TOTAL EXPENDITURES</b>	<b>44,451,835</b>	<b>29,280,831</b>	<b>73,732,666</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,102,988</b>	<b>(13,691,695)</b>	<b>(4,588,707)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	21,035,000	21,035,000
Issuance of OPEB debt	63,293,764	3,701,869	66,995,633
Payments to escrow agent	-	(16,821,549)	(16,821,549)
Bond premium	20,820	912,297	933,117
Transfers in	525,589	12,778,406	13,303,995
Transfers out	(6,169,776)	(6,608,630)	(12,778,406)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>57,670,397</b>	<b>14,997,393</b>	<b>72,667,790</b>
<b>SPECIAL ITEMS</b>			
Contribution to OPEB trust	(63,286,575)	(3,679,137)	(66,965,712)
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,486,810</b>	<b>(2,373,439)</b>	<b>1,113,371</b>
Fund balances, beginning of year	7,718,091	19,080,842	26,798,933
Fund balances, end of year	<u>\$ 11,204,901</u>	<u>\$ 16,707,403</u>	<u>\$ 27,912,304</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, 2015

**Net change in fund balances - total governmental funds** \$ 1,113,371

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

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	\$ 6,791,364
Depreciation expense	(7,102,326)
Net effect of disposal of capital assets	<u>(87,998)</u>

Excess of depreciation expense and other items over capital outlay (398,960)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (444,580)

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 loss of governmental activities internal service funds (1,066,983)

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

Bond proceeds	(88,417,748)
Debt principal retirement	<u>22,488,927</u>

(65,928,821)

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

(Decrease) in net pension asset	(44,220,415)
Increase in deferred outflows of resources related to pensions	41,895,878
(Increase) in deferred inflows of resources related to pensions	(909,210)
Increase in deferred charges on refunding	321,431
(Increase) in deferred amounts on debt issuance	(704,371)
(Increase) in accrued interest payable	(168,503)
(Increase) in compensated absences	(221,811)
(Increase) in environmental matters liability	(118,348)
Decrease in other post-employment benefits obligation	<u>58,267,057</u>

54,141,708

**Change in net position of governmental activities** \$ (12,584,265)

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended December 31, 2015

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 29,476,866	\$ 29,476,866	\$ 29,829,366	\$ 352,500
Licenses and permits	2,084,899	2,084,899	2,464,874	379,975
Intergovernmental	9,555,400	9,555,400	10,334,425	779,025
Charges for services	9,895,846	9,895,846	10,049,353	153,507
Fines and forfeits	23,300	23,300	30,590	7,290
Interest and rents	185,500	185,500	339,801	154,301
Other	564,119	592,938	345,306	(247,632)
<b>TOTAL REVENUES</b>	<b>51,785,930</b>	<b>51,814,749</b>	<b>53,393,715</b>	<b>1,578,966</b>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	73,705	78,350	78,350	-0-
Manager	721,534	771,270	769,734	1,536
Attorney	634,981	661,619	661,619	-0-
Clerk				
Administration	193,366	193,366	190,371	2,995
Election	147,247	173,528	184,596	(11,068)
Records management	139,817	139,817	104,019	35,798
Internal audit	85,043	85,043	84,959	84
Human resources	645,697	645,697	575,645	70,052
Management services				
Accounting	984,219	994,369	964,877	29,492
Assessor	472,756	472,756	434,729	38,027
Treasurer	1,126,844	1,146,725	1,183,900	(37,175)
Purchasing	272,647	272,647	272,420	227
Information technology	1,164,219	1,190,059	1,105,153	84,906
Total general government	6,662,075	6,825,246	6,610,372	214,874
Public safety				
Administration	940,665	947,260	942,631	4,629
K-Vet drug enforcement	1,717,358	1,717,358	1,697,694	19,664
Operations division	15,723,387	15,723,387	15,421,922	301,465
Criminal investigations	2,999,407	2,999,407	3,012,199	(12,792)
Service division	7,100,789	7,111,290	6,656,036	455,254
Total public safety	28,481,606	28,498,702	27,730,482	768,220
Public services				
Public works				
Forestry, creek, and environmental inspections	392,981	392,981	367,750	25,231
Sidewalks and pedestrian mall maintenance	668,544	667,629	430,295	237,334
Equipment maintenance	2,339,668	2,340,583	1,972,113	368,470
Engineering	1,115,949	1,115,949	1,151,074	(35,125)
City maintenance	690,215	690,818	694,474	(3,656)
Total public services	5,207,357	5,207,960	4,615,706	592,254

See accompanying notes to financial statements.

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - CONCLUDED

Year Ended December 31, 2015

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>EXPENDITURES - CONCLUDED</b>				
Current - concluded				
Community and economic development				
Economic development	\$ 105,410	\$ 105,410	\$ 76,468	\$ 28,942
Code administration	1,175,972	1,175,972	1,098,620	77,352
Planning	308,797	308,797	270,925	37,872
Total community and economic development	1,590,179	1,590,179	1,446,013	144,166
Parks and recreation				
Parks maintenance	817,465	825,695	761,992	63,703
Recreation	961,314	985,903	1,000,442	(14,539)
Total parks and recreation	1,778,779	1,811,598	1,762,434	49,164
Nondepartmental				
Street lighting	1,273,080	1,273,080	1,164,151	108,929
Other	982,191	1,242,876	1,096,927	145,949
Debt service	26,000	26,000	25,750	250
Total nondepartmental	2,281,271	2,541,956	2,286,828	255,128
<b>TOTAL EXPENDITURES</b>	<b>46,001,267</b>	<b>46,475,641</b>	<b>44,451,835</b>	<b>2,023,806</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>5,784,663</b>	<b>5,339,108</b>	<b>8,941,880</b>	<b>3,602,772</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of OPEB debt	(35,000)	63,251,575	63,293,764	42,189
Bond premium	22,000	22,000	20,820	(1,180)
Transfers in	636,855	636,855	525,589	(111,266)
Transfers out	(6,081,514)	(5,799,613)	(6,169,776)	(370,163)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,457,659)</b>	<b>58,110,817</b>	<b>57,670,397</b>	<b>(440,420)</b>
<b>SPECIAL ITEMS</b>				
Contribution to OPEB trust	-	(63,286,576)	(63,286,575)	1
<b>NET CHANGE IN FUND BALANCE</b>	<b>327,004</b>	<b>163,349</b>	<b>3,325,702</b>	<b>3,162,353</b>
Fund balance, beginning of year	9,845,819	9,845,819	9,845,819	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 10,172,823</u>	<u>\$ 10,009,168</u>	13,171,521	<u>\$ 3,162,353</u>
Accounting basis difference			(1,966,620)	
Fund balance, end of year (GAAP basis)			<u>\$ 11,204,901</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2015

	Enterprise Funds				Internal Service Fund
	Wastewater	Water	Nonmajor	Total	Insurance and Benefits
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 9,731,098	\$ 5,495,894	\$ 213,869	\$ 15,440,861	\$ 6,099,023
Cash and cash equivalents - restricted	1,193,093	2,579,903	-	3,772,996	-
Investments	8,452,753	2,815,882	-	11,268,635	953,666
Investments with agents	-	-	-	-0-	120,731
Receivables					
Customers	3,638,921	1,981,040	-	5,619,961	471,544
Interest	26,517	-	-	26,517	-
Special assessment	2,906	-	-	2,906	-
Due from management corporation	-	-	29,094	29,094	-
Due from other funds	3,992,065	126,947	-	4,119,012	1,788,998
Due from other governmental units	-	12,881	-	12,881	213,748
Inventories	368,568	278,480	-	647,048	-
Prepays	34,484	5,380	-	39,864	42,845
<b>Total current assets</b>	<b>27,440,405</b>	<b>13,296,407</b>	<b>242,963</b>	<b>40,979,775</b>	<b>9,690,555</b>
Noncurrent assets					
Net other post-employment benefits asset	3,978,164	1,564,391	-	5,542,555	-
Net pension asset	12,162,371	9,726,362	-	21,888,733	-
Capital assets not being depreciated	2,139,384	3,417,819	142,561	5,699,764	-
Capital assets, net of accumulated depreciation	72,477,659	90,281,404	1,261,486	164,020,549	-
<b>Total noncurrent assets</b>	<b>90,757,578</b>	<b>104,989,976</b>	<b>1,404,047</b>	<b>197,151,601</b>	<b>-0-</b>
<b>TOTAL ASSETS</b>	<b>118,197,983</b>	<b>118,286,383</b>	<b>1,647,010</b>	<b>238,131,376</b>	<b>9,690,555</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred amounts on refunding	63,041	193,307	3,488	259,836	-
Deferred outflows of resources related to pensions	5,207,868	4,164,781	-	9,372,649	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,270,909</b>	<b>4,358,088</b>	<b>3,488</b>	<b>9,632,485</b>	<b>-0-</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	1,281,285	517,591	8	1,798,884	39,850
Accrued payroll	-	-	-	-0-	993,026
Other accrued liabilities	-	-	-	-0-	1,043,673
Accrued interest payable	114,239	236,914	8,445	359,598	-
Deposit payable	-	727,798	-	727,798	-
Due to other funds	2,442,746	609,903	460	3,053,109	12,813
Due to other governmental units	8,232	7,139	-	15,371	347
Unearned revenue	-	-	131,425	131,425	-
Current portion of compensated absences	257,559	140,863	22	398,444	-
Current portion of long-term debt	880,559	1,417,237	224,840	2,522,636	-
Current portion of uninsured claim liability	-	-	-	-0-	2,339,749
<b>Total current liabilities</b>	<b>4,984,620</b>	<b>3,657,445</b>	<b>365,200</b>	<b>9,007,265</b>	<b>4,429,458</b>
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	259,344	92,382	31	351,757	-
Noncurrent portion of long-term debt	18,208,329	26,943,366	971,387	46,123,082	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,920,465
<b>Total noncurrent liabilities</b>	<b>18,467,673</b>	<b>27,035,748</b>	<b>971,418</b>	<b>46,474,839</b>	<b>2,260,465</b>
<b>TOTAL LIABILITIES</b>	<b>23,452,293</b>	<b>30,693,193</b>	<b>1,336,618</b>	<b>55,482,104</b>	<b>6,689,923</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable sales of future revenues	-	-	-	-0-	4,109,673
Deferred inflows of resources related to pensions	113,019	90,383	-	203,402	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>113,019</b>	<b>90,383</b>	<b>-0-</b>	<b>203,402</b>	<b>4,109,673</b>
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets	65,750,280	75,707,300	211,308	141,668,888	-
Restricted for bond reserves	805,768	1,358,271	-	2,164,039	-
Unrestricted	33,347,532	14,795,324	102,572	48,245,428	(1,109,041)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 99,903,580</b>	<b>\$ 91,860,895</b>	<b>\$ 313,880</b>	<b>\$ 192,078,355</b>	<b>\$ (1,109,041)</b>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2015

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
OPERATING REVENUES					
Charges for services	\$ 19,819,546	\$ 14,348,122	\$ 1,695,902	\$ 35,863,570	\$ 14,453,816
Other	11,339	54,269	39,162	104,770	43,492
TOTAL OPERATING REVENUES	19,830,885	14,402,391	1,735,064	35,968,340	14,497,308
OPERATING EXPENSES					
Operation and maintenance	16,261,847	11,791,040	1,472,825	29,525,712	-
Risk management	-	-	-	-0-	15,051,300
Depreciation	4,509,300	3,274,646	203,577	7,987,523	-
TOTAL OPERATING EXPENSES	20,771,147	15,065,686	1,676,402	37,513,235	15,051,300
OPERATING INCOME (LOSS)	(940,262)	(663,295)	58,662	(1,544,895)	(553,992)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	13,521	76,986	-	90,507	-
Interest revenue	82,258	29,280	28	111,566	12,598
(Loss) on sale of capital assets	(171,510)	(5,014)	-	(176,524)	-
Amortization of:					
Bond defeasance expenses	(9,314)	(17,789)	-	(27,103)	-
Bond premiums and discounts	1,162	4,564	-	5,726	-
Interest expense and fiscal charges	(685,541)	(985,314)	(28,410)	(1,699,265)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(769,424)	(897,287)	(28,382)	(1,695,093)	12,598
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,709,686)	(1,560,582)	30,280	(3,239,988)	(541,394)
CAPITAL CONTRIBUTIONS	17,828	3,136,769	-	3,154,597	-
TRANSFERS OUT	-	-	-	-0-	(525,589)
CHANGE IN NET POSITION	(1,691,858)	1,576,187	30,280	(85,391)	(1,066,983)
Restated net position (deficit), beginning of year	101,595,438	90,284,708	283,600	192,163,746	(42,058)
Net position (deficit), end of year	\$ 99,903,580	\$ 91,860,895	\$ 313,880	\$ 192,078,355	\$ (1,109,041)

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 19,614,546	\$ 14,534,447	\$ 1,722,289	\$ 35,871,282	\$ 16,325,295
Cash paid to suppliers	(19,531,288)	(16,635,783)	(1,489,321)	(37,656,392)	-
Cash paid to employees	(3,508,452)	(2,168,023)	(1,292)	(5,677,767)	-
Cash paid for employee benefits	(909,467)	(526,379)	(1,307)	(1,437,153)	(15,123,624)
Cash paid for interfund services provided	(262,194)	(6,447)	-	(268,641)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(4,596,855)</b>	<b>(4,802,185)</b>	<b>230,369</b>	<b>(9,168,671)</b>	<b>1,201,671</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental grant	13,521	76,986	-	90,507	-
Contributions	17,828	143,113	-	160,941	-
Interest paid on OPEB bonds	(342,432)	(313,767)	-	(656,199)	-
Proceeds from OPEB bond issuance	9,995,955	9,159,169	-	19,155,124	-
Payments on OPEB bonds	(224,196)	(205,428)	-	(429,624)	-
Transfer out	-	-	-	-0-	(525,589)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>9,460,676</b>	<b>8,860,073</b>	<b>-0-</b>	<b>18,320,749</b>	<b>(525,589)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(2,258,543)	(1,354,083)	(90,273)	(3,702,899)	-
Cash paid for disposal of capital assets	(15,437)	-	-	(15,437)	-
Interest paid	(313,823)	(651,950)	(23,675)	(989,448)	-
Proceeds from bond issuance	-	3,026,146	196,715	3,222,861	-
Payments on borrowings	(660,000)	(1,825,000)	(324,625)	(2,809,625)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,247,803)</b>	<b>(804,887)</b>	<b>(241,858)</b>	<b>(4,294,548)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(7,452,753)	(2,815,882)	-	(10,268,635)	(211,941)
Maturity of investments	1,600,741	899,259	-	2,500,000	-
Interest received	73,811	29,280	28	103,119	12,598
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(5,778,201)</b>	<b>(1,887,343)</b>	<b>28</b>	<b>(7,665,516)</b>	<b>(199,343)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,162,183)</b>	<b>1,365,658</b>	<b>(11,461)</b>	<b>(2,807,986)</b>	<b>476,739</b>
Cash and cash equivalents, beginning of year	15,086,374	6,710,139	225,330	22,021,843	5,622,284
Cash and cash equivalents, end of year	\$ 10,924,191	\$ 8,075,797	\$ 213,869	\$ 19,213,857	\$ 6,099,023

CONTINUED



City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2015

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (940,262)	\$ (663,295)	\$ 58,662	\$ (1,544,895)	\$ (553,992)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	4,509,300	3,274,646	203,577	7,987,523	-
(Increase) decrease in:					
Accounts receivable	(216,339)	191,177	550	(24,612)	513,038
Due from other funds	(2,107,219)	69,398	-	(2,037,821)	615,433
Due from other governmental units	-	(6,858)	-	(6,858)	(52,676)
Due from management corporation	-	-	(21,493)	(21,493)	-
Inventories	(28,421)	(61,112)	-	(89,533)	-
Prepays	11,305	8,178	-	19,483	(1,684)
Net other post-employment benefits asset	(3,978,164)	(1,564,391)	-	(5,542,555)	-
Net pension asset	5,496,819	4,395,858	2,306	9,894,983	-
Deferred outflows of resources	(5,207,868)	(4,164,781)	-	(9,372,649)	-
Increase (decrease) in:					
Accounts payable	500,195	224,036	8	724,239	(7,858)
Accrued liabilities	(6)	(3,912)	-	(3,918)	(71,420)
Due to other funds	1,845,025	(75,845)	80	1,769,260	(2,570,085)
Unearned revenue	-	-	-	-0-	3,419,217
Due to other governmental units	157	(7,152)	-	(6,995)	(96,940)
Deposits payable	-	(52,263)	-	(52,263)	-
Compensated absences	3,946	(3,605)	4	345	-
Uninsured claim liability	-	-	-	-0-	8,638
Other post-employment benefits obligation	(4,598,342)	(6,452,647)	-	(11,050,989)	-
Unearned revenue	-	-	(13,325)	(13,325)	-
Deferred inflows of resources	113,019	90,383	-	203,402	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (4,596,855)</b>	<b>\$ (4,802,185)</b>	<b>\$ 230,369</b>	<b>\$ (9,168,671)</b>	<b>\$ 1,201,671</b>
<b>NONCASH FINANCING ACTIVITIES</b>					
Contributions of capital assets	\$ -	\$ 2,993,656	\$ -	\$ 2,993,656	\$ -
Loss on sale of capital assets	(156,074)	(5,013)	-	(161,087)	-
<b>TOTAL NONCASH FINANCING ACTIVITIES</b>	<b>\$ (156,074)</b>	<b>\$ 2,988,643</b>	<b>\$ -0-</b>	<b>\$ 2,832,569</b>	<b>\$ -0-</b>

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2015

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 487,762	\$ 96,830	\$ 10,613,238
Investments			
U.S. Treasuries	83,090,590	-	-
U.S. Agencies	4,991,373	-	-
Corporate bonds	56,651,356	-	-
Collateralized mortgage obligations	23,463,536	-	-
Equity mutual funds	475,125,690	-	-
Real estate mutual funds	35,756,473	-	-
Receivables			
Interest and dividends	1,123,382	-	-
Taxes	-	-	33,840,763
	<u>680,690,162</u>	<u>96,830</u>	<u>\$ 44,454,001</u>
<b>LIABILITIES</b>			
Accounts payable	772,452	-	\$ -
Due to other governmental units	-	-	44,450,463
Due to individuals and agencies	-	52,575	3,538
	<u>772,452</u>	<u>52,575</u>	<u>\$ 44,454,001</u>
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>\$ 679,917,710</u>	<u>\$ 44,255</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2015

	<u>Pension and Other Post- Employment Benefits Trusts</u>	<u>General Private Purpose Trust</u>
ADDITIONS TO NET POSITION		
Investment income		
Change in fair value of investments	\$ (28,145,638)	\$ -
Interest and dividends	<u>19,010,038</u>	<u>-</u>
Total investment (loss)	(9,135,600)	-0-
Less investment expense	<u>(2,324,869)</u>	<u>-</u>
Net investment (loss)	(11,460,469)	-0-
Contributions		
Employer	92,898,532	-
Plan members	1,988,712	-
Other	<u>-</u>	<u>18,570</u>
Total contributions	<u>94,887,244</u>	<u>18,570</u>
TOTAL ADDITIONS TO NET POSITION	83,426,775	18,570
DEDUCTIONS FROM NET POSITION		
Benefits	37,758,514	-
Refunds of contributions	200,115	-
Administrative expenses	170,090	1,293
Miscellaneous	<u>174,885</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>38,303,604</u>	<u>1,293</u>
CHANGE IN NET POSITION	45,123,171	17,277
Net position, beginning of year	<u>634,794,539</u>	<u>26,978</u>
Net position, end of year	<u>\$ 679,917,710</u>	<u>\$ 44,255</u>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2015

	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 36,717	\$ 308,923	\$ 2,093,853
Cash and cash equivalents - restricted	1,042,798	-	-
Investments	-	-	325,622
Accounts receivable	123,789	-	317,162
Taxes receivable	794,954	-	-
Interest receivable	-	-	-
Due from other governmental units	-	191,252	437,171
Inventories	-	-	-
Prepays	1,593	-	-
Current portion of notes receivable	-	5,642	16,538
	<u>1,999,851</u>	<u>505,817</u>	<u>3,190,346</u>
Total current assets			
Noncurrent assets			
Net pension asset	-	-	-
Net other post-employment benefits asset	-	-	-
Noncurrent portion of notes receivable	-	105,827	685,617
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	494,070	-	-
	<u>552,232</u>	<u>105,827</u>	<u>685,617</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>			
	<u>2,552,083</u>	<u>611,644</u>	<u>3,875,963</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows of resources related to pensions	-	-	-
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	301,302	-	679,791
Accrued liabilities	-	-	-
Accrued interest payable	51,859	-	-
Due to other governmental units	-	4,355	66,855
Unearned revenue	8,274	-	-
Current portion of advances from other governmental units	-	5,642	-
Current portion of compensated absences	-	10,529	8,205
Current portion of long-term debt	577,677	-	-
	<u>939,112</u>	<u>20,526</u>	<u>754,851</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	14,155	6,751
Noncurrent portion of long-term debt	1,685,483	-	-
Noncurrent portion of advances from other governmental units	-	105,827	681,703
	<u>1,685,483</u>	<u>119,982</u>	<u>688,454</u>
Total noncurrent liabilities			
<b>TOTAL LIABILITIES</b>			
	<u>2,624,595</u>	<u>140,508</u>	<u>1,443,305</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows of resources related to pensions	-	-	-
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	552,232	-	-
Unrestricted	(624,744)	471,136	2,432,658
	<u>\$ (72,512)</u>	<u>\$ 471,136</u>	<u>\$ 2,432,658</u>
TOTAL NET POSITION (DEFICIT)			

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Total Component Units
\$ 762,864	\$ 3,263,748	\$ 6,466,105
-	-	1,042,798
-	-	325,622
111,474	37,621	590,046
-	72,751	867,705
-	-	-0-
7,408	1,528,164	2,163,995
-	379,375	379,375
-	138,140	139,733
-	-	22,180
881,746	5,419,799	11,997,559
-	6,486,345	6,486,345
-	3,556,406	3,556,406
-	-	791,444
-	2,012,631	2,070,793
-	22,728,134	23,222,204
-0-	34,783,516	36,127,192
881,746	40,203,315	48,124,751
-	2,777,421	2,777,421
336,072	417,430	1,734,595
-	-	-0-
-	14,640	66,499
527,398	333,178	931,786
-	401,331	409,605
-	-	5,642
-	148,521	167,255
-	90,396	668,073
863,470	1,405,496	3,983,455
-	37,578	58,484
-	4,230,873	5,916,356
-	-	787,530
-0-	4,268,451	6,762,370
863,470	5,673,947	10,745,825
-	60,275	60,275
-	24,740,765	25,292,997
18,276	12,505,749	14,803,075
<u>\$ 18,276</u>	<u>\$ 37,246,514</u>	<u>\$ 40,096,072</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Downtown Development Authority	\$ 3,850,594	\$ 2,814,658	\$ -	\$ -
Economic Development Corporation	1,018,051	-	1,055,524	-
Brownfield Redevelopment Authority	2,164,610	-	862,656	-
Local Development Finance Authority	604,404	-	-	-
<b>Business-type Activities</b>				
Metro Transit	17,255,137	2,729,080	10,743,051	2,349,738
<b>TOTALS</b>	<b>\$ 24,892,796</b>	<b>\$ 5,543,738</b>	<b>\$ 12,661,231</b>	<b>\$ 2,349,738</b>

General revenues

Property taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Restated net position (deficit), beginning of year

Net position (deficit), end of year

Net (Expense) Revenues and Changes in Net Position

Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Metro Transit	Total Component Units
\$ (1,035,936)	\$ -	\$ -	\$ -	\$ -	\$ (1,035,936)
-	37,473	-	-	-	37,473
-	-	(1,301,954)	-	-	(1,301,954)
-	-	-	(604,404)	-	(604,404)
-	-	-	-	(1,433,268)	(1,433,268)
(1,035,936)	37,473	(1,301,954)	(604,404)	(1,433,268)	(4,338,089)
1,924,888	-	1,421,928	641,603	876,306	4,864,725
1,085	-	4,960	-	9,246	15,291
92,570	-	43,350	-	1,502	137,422
2,018,543	-0-	1,470,238	641,603	887,054	5,017,438
982,607	37,473	168,284	37,199	(546,214)	679,349
(1,055,119)	433,663	2,264,374	(18,923)	37,792,728	39,416,723
<u>\$ (72,512)</u>	<u>\$ 471,136</u>	<u>\$ 2,432,658</u>	<u>\$ 18,276</u>	<u>\$ 37,246,514</u>	<u>\$ 40,096,072</u>

## **NOTES TO FINANCIAL STATEMENTS**



NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kalamazoo (the City) is the county seat for Kalamazoo County, Michigan, and has a population of approximately 75,922. The City is home to Western Michigan University and Kalamazoo College.

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

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

1. Reporting Entity

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

2. Blended Component Unit

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

3. Discretely Presented Component Units

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - Concluded

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

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2015.

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.

The Metro Transit System operates the public transportation system in the City of Kalamazoo and portions of the surrounding area. The system's budget is subject to approval by the City Commission.

Complete financial statements of the individual component units, except for the Brownfield Redevelopment Authority, Hospital Finance Authority, and Local Development Finance Authority, may be obtained at their respective administrative offices:

Downtown Development Authority  
141 East Michigan Avenue  
Kalamazoo, MI 49007

Economic Development Corporation  
241 West South Street  
Kalamazoo, MI 49007

Metro Transit System  
530 South Rose  
Kalamazoo, MI 49007

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - Continued

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental fund:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

- h. The private purpose trust fund accounts for assets of non-profit organizations held for outside parties in a trustee capacity for purposes other than those that support the government's programs.
- i. The agency fund accounts for taxes collected and distributed to other governments in an agency capacity.

5. Measurement Focus

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

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

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

6. Basis of Accounting

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Budgets and Budgetary Accounting

The City adopts a formal budget for the General and Special Revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplate expenditures for the following calendar year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The City Manager is authorized to transfer budgeted amounts between expenditure control accounts within a department as long as appropriations stay constant. Capital outlay expenditures in excess of the greater of \$10,000 or in amounts greater than 10 percent of any project cost or not used for the purpose for which they were originally appropriated, transfers that result in a change in appropriations, use of contingency funds and position classification changes require prior City Commission approval. The budgets are legally adopted at the fund level for the General Fund and Special Revenue funds.

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

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

The budget has been prepared in accordance with U.S. generally accepted accounting principles (GAAP), with the exception that property tax revenues have been recognized in the year levied, even though they would not be fully available to finance operations of the current year.

8. Cash, Cash Equivalents, and Investments

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

Investments are reported at amortized cost, which is not materially different from fair value. Investments consist of pension fund securities, mutual funds, and U.S. government securities with an original maturity of over 90 days.

9. Receivables

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

10. Inventories

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Prepays

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

12. Capital Assets

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

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

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

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

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

13. Compensated Absences

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

14. Long-Term Obligations

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Long-Term Obligations - Concluded

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

15. Unearned Revenue

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

16. Deferred Outflows/Inflows of Resources

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

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

17. Net Pension Asset

The net pension asset is deemed to be a noncurrent asset and is recognized in the government-wide financial statements as well as the enterprise funds.

18. Property Taxes

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

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 the Metro Transit System, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

18. 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, 2015, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2015 levy for property within the City was \$1,489,252,242.

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.

The Metro Transit System levied 0.6000 mills.

For budgeting purposes, the taxes levied in the current year are intended to finance the operations of the current year. Therefore, the Statement and Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual include the full amount of the current year tax levy as revenue of the current year, to be consistent with the budget presentation.

19. Notes Receivable

Notes receivable consist of amounts loaned to entities within the City under various community and economic development programs to finance activities during their operations, capital acquisitions, and other community improvements. The outstanding principal is reported as nonspendable fund balance in the fund financial statements for such receivables to reflect the amount not currently available for expenditure.

20. Advances to Other Funds/Governmental Units

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

21. Interfund Transactions

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

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

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

22. Restricted Net Position

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



NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

23. Federal Programs

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

24. Comparative Data

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

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

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

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

Deposits

There is a custodial credit risk related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2015, the carrying amount of the City's deposits was \$62,622,366 and the bank balance was \$65,765,279. The financial statements include \$6,900 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, 2015, the City accounts were insured by the Federal Deposit Insurance Corporation for \$1,686,216 and the amount of \$64,079,063 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

December 31, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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

Investments

As of December 31, 2015, the carrying amounts and market values for the investments are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>Standard &amp; Poor's Rating</u>	<u>Weighted Average Maturity</u>
Federal Home Loan Bank	\$ 5,000,000	\$ 5,000,000	28%	AA+	1,713 days
Fannie Mae	3,000,000	3,000,000	17%	AA+	659 days
Freddie Mac	3,000,000	3,000,000	17%	AA+	1,714 days
Federal Farm Credit Bank	2,000,000	2,000,000	11%	AA+	587 days
Fifth Third Bank	1,268,635	1,268,635	7%	A-1	671 days
Equity mutual funds	3,491,652	3,491,652	20%	Not rated	N/A
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 17,760,287</b>	<b>\$ 17,760,287</b>			

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 \$2,777,675 and \$120,731, respectively, as of December 31, 2015, are pooled with other KCF funds and MMRMA funds and invested at the discretion of KCF and MMRMA, which for purposes of the City essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk of Investments

Custodial credit risk, which is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2015, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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

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, 2015, the City investment in the U.S. Agencies investments were rated AA+ by Standard and Poor's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk

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

EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST

The deposits and investments of the Other Post-Employment Benefits Trust (the Trust) have been pooled with those of the Employees' Retirement System (the System). The Trust has effectively adopted the investment policies and strategies of the System. The purchases, maturities, and investment performance are allocated between the System and the Trust based on the fair value of their respective investments. As of December 31, 2015, the System's investments represented approximately 86.6 percent of the portfolio and the Trust's investments represented approximately 13.4 percent of the portfolio.

Deposits

Checking or other demand/time deposit accounts are not maintained. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2015, was \$487,762. These amounts were fully insured as of December 31, 2015.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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

Investments - Concluded

The adopted asset allocation policy as of December 31, 2015, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Rate of Return</u>
Micro Capitalization Domestic Equity	5.00%	6.00%
Small Capitalization Domestic Equity	10.00%	6.00%
Small Capitalization Value International Equity	10.00%	5.00%
S&P Index Funds	30.00%	5.00%
Large Capitalization Domestic Equity	5.00%	5.00%
Emerging Markets Equity	10.00%	6.75%
Intermediate Fixed Income	12.50%	0.75%
Long Fixed Income	12.50%	0.75%
Real Estate Securities	2.50%	3.75%
Real Estate	2.50%	3.75%

The System's and Trust's investments are held in ten (10) portfolios administered by five (5) investment managers. Following is a summary of the portfolio's investments as of December 31, 2015:

U.S. Treasuries	\$ 83,090,590
U.S. Agencies	4,991,373
Corporate bonds	56,651,356
Collateralized mortgage obligations	23,463,536
Equity mutual funds	475,125,690
Real estate mutual funds	<u>35,756,473</u>
Total investments	<u><u>\$ 679,079,018</u></u>

Custodial Credit Risk

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

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four (4) major investment grades as determined by two nationally recognized statistical rating organizations.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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

Credit Risk - Concluded

As of December 31, 2015, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard &amp; Poor's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ -	\$ 1,100,035	\$ 4,117,928
AA	-	8,309,209	97,308
A	-	21,727,326	-
BBB	-	25,191,853	-
Not rated	4,991,373	322,933	19,248,300
	<u>\$ 4,991,373</u>	<u>\$ 56,651,356</u>	<u>\$ 23,463,536</u>
 <u>Moody's</u>			
AAA	\$ -	\$ 1,640,743	\$ 1,438,200
AA	-	5,060,495	-
A	-	25,249,466	-
BAA	-	24,377,719	-
Not rated	4,991,373	322,933	22,025,336
	<u>\$ 4,991,373</u>	<u>\$ 56,651,356</u>	<u>\$ 23,463,536</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, 2015, 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, 2015, equity holdings accounted for 70% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2015.

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, 2015, maturities of the portfolio's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$ 83,090,590	\$ 4,277,244	\$ 39,109,428	\$ -	\$ 39,703,918
U.S. Agencies	4,991,373	-	4,482,169	-	509,204
Corporate bonds	56,651,356	1,068,275	10,759,976	24,713,277	20,109,828
Collateralized mortgage obligations	23,463,536	914	2,965,427	97,308	20,399,887
	<u>\$ 168,196,855</u>	<u>\$ 5,346,433</u>	<u>\$ 57,317,000</u>	<u>\$ 24,810,585</u>	<u>\$ 80,722,837</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED**

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

Derivatives

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

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2015, the portfolio had no U.S. currency futures contracts.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2015:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 35,641,000	\$ 6,466,105	\$ 11,197,830	\$ 53,304,935
Cash and cash equivalents - restricted	8,769,295	1,042,798	-	9,812,093
Investments	17,434,665	325,622	679,079,018	696,839,305
Investments with agents	<u>2,898,406</u>	<u>-</u>	<u>-</u>	<u>2,898,406</u>
	<u>\$ 64,743,366</u>	<u>\$ 7,834,525</u>	<u>\$ 690,276,848</u>	<u>\$ 762,854,739</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2015, are as follows:

Due to General Fund from:	
Wastewater Fund	\$ 2,260,870
Water Fund	343,347
Nonmajor governmental funds	2,070,992
Nonmajor enterprise funds	307
Internal service fund	<u>12,813</u>
	<u>\$ 4,688,329</u>
Due to Wastewater Fund from:	
General Fund	\$ 1,018,101
Water Fund	167,304
Nonmajor governmental funds	<u>2,806,660</u>
	<u>\$ 3,992,065</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED**

Due to Water Fund from:	
General Fund	\$ 56,933
Wastewater Fund	9,405
Nonmajor governmental funds	<u>60,609</u>
	<u>\$ 126,947</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 600,861
Nonmajor governmental funds	<u>534,953</u>
	<u>\$ 1,135,814</u>
Due to Internal service fund from:	
General Fund	\$ 1,380,882
Wastewater Fund	172,471
Water Fund	99,252
Nonmajor governmental funds	136,240
Nonmajor enterprise funds	<u>153</u>
	<u>\$ 1,788,998</u>

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

**NOTE D: ADVANCES RECEIVABLE AND PAYABLES**

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2015:

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

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

**NOTE E: INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Internal service fund	<u>\$ 525,589</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE E: INTERFUND TRANSFERS - CONCLUDED**

Transfers to nonmajor governmental funds from:	
General Fund	\$ 6,169,776
Nonmajor governmental funds	<u>6,608,630</u>
	<u><u>\$ 12,778,406</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.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

**Primary Government**

	<u>Balance</u> <u>Jan. 1, 2015</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 29,852,060	\$ 147,306	\$ (13,215)	\$ 29,986,151
Construction in progress	<u>4,914,785</u>	<u>6,076,077</u>	<u>(3,859,446)</u>	<u>7,131,416</u>
Subtotal	34,766,845	6,223,383	(3,872,661)	37,117,567
Capital assets being depreciated				
Land improvements	14,704,574	440,968	(12,420)	15,133,122
Buildings and improvements	53,341,547	562,953	-	53,904,500
Vehicles	13,784,732	1,047,820	(670,601)	14,161,951
Machinery and equipment	14,905,800	817,411	(321,886)	15,401,325
Intangible assets	2,521,705	27,202	-	2,548,907
Infrastructure	<u>206,764,651</u>	<u>1,531,073</u>	<u>(12,000)</u>	<u>208,283,724</u>
Subtotal	306,023,009	4,427,427	(1,016,907)	309,433,529
Less accumulated depreciation for:				
Land improvements	(5,483,423)	(637,756)	6,314	(6,114,865)
Buildings and improvements	(17,411,403)	(1,260,965)	-	(18,672,368)
Vehicles	(10,810,638)	(548,450)	661,015	(10,698,073)
Machinery and equipment	(11,286,792)	(797,010)	262,795	(11,821,007)
Intangible assets	(2,188,303)	(77,149)	-	(2,265,452)
Infrastructure	<u>(122,857,911)</u>	<u>(3,780,996)</u>	<u>12,000</u>	<u>(126,626,907)</u>
Subtotal	<u>(170,038,470)</u>	<u>(7,102,326)</u>	<u>942,124</u>	<u>(176,198,672)</u>
Net capital assets being depreciated	<u>135,984,539</u>	<u>(2,674,899)</u>	<u>(74,783)</u>	<u>133,234,857</u>
Capital assets, net	<u><u>\$ 170,751,384</u></u>	<u><u>\$ 3,548,484</u></u>	<u><u>\$ (3,947,444)</u></u>	<u><u>\$ 170,352,424</u></u>



City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

Depreciation expense was charged to the following governmental activities:

General government	\$ 1,016,525
Public safety	1,532,957
Community and economic development	23,064
Parks and recreation	475,149
Streets	3,783,856
Public works	<u>270,775</u>
Total depreciation expense	<u>\$ 7,102,326</u>

	<u>Balance Jan. 1, 2015</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2015</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,296,586	\$ 94	\$ -	\$ 3,296,680
Rights to liquor license	139,200	-	-	139,200
Construction in progress	<u>3,824,522</u>	<u>5,991,135</u>	<u>(7,551,773)</u>	<u>2,263,884</u>
Subtotal	7,260,308	5,991,229	(7,551,773)	5,699,764
Capital assets being depreciated				
Land improvements	15,948,729	435,959	-	16,384,688
Building and improvements	92,463,864	549,193	-	93,013,057
Vehicles	3,443,547	557,197	(195,568)	3,805,176
Machinery and equipment	63,630,397	1,624,228	(43,165)	65,211,460
Infrastructure	170,804,824	5,090,522	(164,622)	175,730,724
Intangible assets	<u>1,677,619</u>	<u>-</u>	<u>-</u>	<u>1,677,619</u>
Subtotal	347,968,980	8,257,099	(403,355)	355,822,724
Less accumulated depreciation for:				
Land improvements	(11,737,670)	(464,789)	-	(12,202,459)
Building and improvements	(46,722,581)	(1,823,340)	-	(48,545,921)
Vehicles	(2,663,376)	(135,043)	195,568	(2,602,851)
Machinery and equipment	(46,351,316)	(1,965,558)	43,165	(48,273,709)
Infrastructure	(75,078,975)	(3,488,986)	3,535	(78,564,426)
Intangible assets	<u>(1,503,002)</u>	<u>(109,807)</u>	<u>-</u>	<u>(1,612,809)</u>
Subtotal	<u>(184,056,920)</u>	<u>(7,987,523)</u>	<u>242,268</u>	<u>(191,802,175)</u>
Net capital assets being depreciated	<u>163,912,060</u>	<u>269,576</u>	<u>(161,087)</u>	<u>164,020,549</u>
Capital assets, net	<u>\$ 171,172,368</u>	<u>\$ 6,260,805</u>	<u>\$ (7,712,860)</u>	<u>\$ 169,720,313</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

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

Wastewater	\$ 4,509,300
Water	3,274,646
Kalamazoo Municipal Golf Association	199,617
City Market	<u>3,960</u>
Total depreciation expense	<u><u>\$ 7,987,523</u></u>

**Component Units**

	<u>Balance Jan. 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2015</u>
<b>Downtown Development Authority</b>				
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	612,756	7,824	-	620,580
Equipment under capital lease	<u>157,621</u>	<u>-</u>	<u>-</u>	<u>157,621</u>
Subtotal	1,665,982	7,824	-0-	1,673,806
Less accumulated depreciation for:				
Leasehold improvements	(249,865)	(41,277)	-	(291,142)
General and administrative equipment	(209,831)	(892)	-	(210,723)
Equipment	(487,729)	(32,521)	-	(520,250)
Equipment under capital lease	<u>(157,621)</u>	<u>-</u>	<u>-</u>	<u>(157,621)</u>
Subtotal	<u>(1,105,046)</u>	<u>(74,690)</u>	<u>-0-</u>	<u>(1,179,736)</u>
Net capital assets being depreciated	<u>560,936</u>	<u>(66,866)</u>	<u>-0-</u>	<u>494,070</u>
Capital assets, net	<u><u>\$ 619,098</u></u>	<u><u>\$ (66,866)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 552,232</u></u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Component Units - Concluded**

	Balance Jan. 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2015
<b>Metro Transit</b>				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	77,301	10,097	(87,398)	-0-
Subtotal	2,089,932	10,097	(87,398)	2,012,631
Capital assets being depreciated				
Building and improvements	18,077,671	98,179	-	18,175,850
Land improvements	325,335	-	-	325,335
Machinery and equipment	2,181,123	277,552	(132,556)	2,326,119
Vehicles	16,546,046	2,065,653	(974,895)	17,636,804
Intangible assets	2,925,444	15,000	-	2,940,444
Subtotal	40,055,619	2,456,384	(1,107,451)	41,404,552
Less accumulated depreciation for:				
Building and improvements	(6,582,158)	(518,489)	-	(7,100,647)
Land improvements	(271,570)	(5,316)	-	(276,886)
Machinery and equipment	(1,800,343)	(111,328)	132,556	(1,779,115)
Vehicles	(8,248,825)	(1,474,636)	974,895	(8,748,566)
Intangible assets	(467,863)	(303,341)	-	(771,204)
Subtotal	(17,370,759)	(2,413,110)	1,107,451	(18,676,418)
Net capital assets being depreciated	22,684,860	43,274	-0-	22,728,134
Capital assets, net	<u>\$ 24,774,792</u>	<u>\$ 53,371</u>	<u>\$ (87,398)</u>	<u>\$ 24,740,765</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended December 31, 2015:

**Primary Government**

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 48,167,205	\$ 88,417,748	\$ (21,758,927)	\$ 114,826,026	\$ 5,645,037
Revenue bonds	3,035,000	-	(730,000)	2,305,000	465,000
Compensated absences	6,096,918	3,433,854	(3,212,043)	6,318,729	2,189,962
Environmental matters	314,105	118,348	-	432,453	-
Uninsured claim liability	4,251,576	19,661,320	(19,652,682)	4,260,214	2,339,749
Subtotal	61,864,804	111,631,270	(45,353,652)	128,142,422	10,639,748
Deferred amounts on refunding	317,272	912,298	(207,927)	1,021,643	33,952
Total Governmental Activities	62,182,076	112,543,568	(45,561,579)	129,164,065	10,673,700

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE G: LONG-TERM DEBT - CONTINUED**

**Primary Government - Concluded**

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
Business-type Activities					
General obligation bonds	\$ 972,795	\$ 19,351,839	\$ (576,929)	\$ 19,747,705	\$ 549,567
Revenue bonds	28,105,000	3,035,000	(2,485,000)	28,655,000	1,900,000
Compensated absences	749,856	747,796	(747,451)	750,201	398,444
EDC contract	152,593	-	(31,529)	121,064	32,488
Equipment acquisitions	198,749	-	(145,791)	52,958	34,501
Subtotal	30,178,993	23,134,635	(3,986,700)	49,326,928	2,915,000
Deferred amounts on refunding	83,571	(8,854)	(5,726)	68,991	6,080
Total Business-type Activities	30,262,564	23,125,781	(3,992,426)	49,395,919	2,921,080
TOTAL PRIMARY GOVERNMENT	<u>\$ 92,444,640</u>	<u>\$ 135,669,349</u>	<u>\$ (49,554,005)</u>	<u>\$ 178,559,984</u>	<u>\$ 13,594,780</u>

**Component Units**

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 1,953,636	\$ -	\$ (452,259)	\$ 1,501,377	\$ 472,259
Rebated tax liabilities	666,080	205,990	(110,287)	761,783	105,418
Total Downtown Development Authority	<u>\$ 2,619,716</u>	<u>\$ 205,990</u>	<u>\$ (562,546)</u>	<u>\$ 2,263,160</u>	<u>\$ 577,677</u>
Economic Development Corporation					
Compensated absences	\$ 22,661	\$ 2,120	\$ (97)	\$ 24,684	\$ 10,529
Brownfield Redevelopment Authority					
Compensated absences	\$ 15,765	\$ 291	\$ (1,100)	\$ 14,956	\$ 8,205
Metro Transit					
Bonds and notes payable	\$ -	\$ 4,420,413	\$ (99,144)	\$ 4,321,269	\$ 90,396
Compensated absences	210,864	459,938	(484,703)	186,099	148,521
Total Metro Transit	<u>\$ 210,864</u>	<u>\$ 4,880,351</u>	<u>\$ (583,847)</u>	<u>\$ 4,507,368</u>	<u>\$ 238,917</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.

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 \$160,004,587. General obligation bonds currently outstanding are as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE G: LONG-TERM DEBT - CONTINUED**

General Obligation Bonds - Concluded

**Primary Government**

	Issuance Date	Interest Rates	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
<b>Governmental Activities</b>							
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	\$ 620,000	\$ -	\$ (185,000)	\$ 435,000	\$ 195,000
2005 Building Authority Parking Ramp	4/11/2005	5.00%-5.25%	4,620,000	-	(4,620,000)	-0-	-
2005B Building Authority Parking Ramp	10/12/2005	5.00%-5.25%	1,820,000	-	(1,820,000)	-0-	-
2005 Building Authority Refunding	7/26/2005	5.125%-5.50%	5,850,000	-	(5,850,000)	-0-	-
2006A Building Authority	1/23/2006	4.85%-5.50%	2,200,000	-	(2,200,000)	-0-	-
2006B Building Authority	10/26/2006	4.00%-4.40%	2,935,000	-	(2,735,000)	200,000	200,000
2007 Capital Improvement	7/12/2007	3.90%-4.75%	635,000	-	(40,000)	595,000	40,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	2,790,000	-	(265,000)	2,525,000	275,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	3,380,000	-	(275,000)	3,105,000	285,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	2,225,000	-	(170,000)	2,055,000	175,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	1,720,000	-	(400,000)	1,320,000	420,000
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	2,410,764	-	(243,821)	2,166,943	233,822
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	3,935,000	-	(270,000)	3,665,000	275,000
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	3,759,303	-	(259,254)	3,500,049	264,055
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	3,757,138	-	(247,624)	3,509,514	247,624
2014 Capital Improvement Bonds*	5/1/2014	2.88%	5,510,000	-	(461,996)	5,048,004	476,648
2015 Capital Improvement Bonds*	6/2/2015	2.00%-3.375%	-	4,953,285	-	4,953,285	285,000
2015 OPEB Bonds*	1/22/2015	0.75%-4.67%	-	67,379,463	(1,511,232)	65,868,231	1,377,888
2015A Refunding Bonds	8/4/2015	2.00%-5.00%	-	7,465,000	-	7,465,000	390,000
2015B Refunding Bonds	8/4/2015	0.54%-4.41%	-	8,620,000	(205,000)	8,415,000	505,000
<b>Total Governmental Activities</b>			<b>48,167,205</b>	<b>88,417,748</b>	<b>(21,758,927)</b>	<b>114,826,026</b>	<b>5,645,037</b>
<b>Business-type Activities</b>							
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	479,236	-	(116,178)	363,058	116,178
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	155,697	-	(10,746)	144,951	10,945
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	187,862	-	(12,376)	175,486	12,376
2014 Capital Improvement Bonds*	5/1/2014	2.88%	150,000	-	(8,005)	141,995	8,352
2015 Capital Improvement Bonds*	6/2/2015	2.00%-3.375%	-	196,715	-	196,715	10,000
2015 OPEB Bonds*	1/22/2015	0.75%-4.67%	-	19,155,124	(429,624)	18,725,500	391,716
<b>Total Business-type Activities</b>			<b>972,795</b>	<b>19,351,839</b>	<b>(576,929)</b>	<b>19,747,705</b>	<b>549,567</b>
<b>Total General Obligation Bonds</b>			<b>\$ 49,140,000</b>	<b>\$ 107,769,587</b>	<b>\$(22,335,856)</b>	<b>\$ 134,573,731</b>	<b>\$ 6,194,604</b>

\* These debt issues are split between governmental and business-type activities

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$5,865,000 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 2015, pledged revenue of \$5,562,140 funded debt service of \$834,293. The original amount of revenue bonds issued was \$37,365,000 for business-type activities. The revenue from Water and Wastewater system usage net of operating expense, maintenance and administration of the system, or the "net revenue" as defined in Michigan Public Act 94 of 1933 section 3, as well as investment income is pledged for payment of the business-type activity bonds through 2034. In 2015 pledged revenues of \$9,032,126 funded debt service of \$3,450,773. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
<b>Governmental Activities</b>							
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	\$ 2,360,000	\$ -	\$ (255,000)	\$ 2,105,000	\$ 265,000
2011 Michigan Transportation Fund	7/26/2011	2.00%-3.00%	675,000	-	(475,000)	200,000	200,000
<b>Total Governmental Activities</b>			<b>3,035,000</b>	<b>-0-</b>	<b>(730,000)</b>	<b>2,305,000</b>	<b>465,000</b>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE G: LONG-TERM DEBT - CONTINUED**

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
Business-type Activities							
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	\$ 2,045,000	\$ -	\$ (510,000)	\$ 1,535,000	\$ 115,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,545,000	-	(60,000)	1,485,000	60,000
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	2,025,000	-	(320,000)	1,705,000	325,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	5,670,000	-	(260,000)	5,410,000	265,000
2012 Water System Refunding	6/5/2012	1.50%	3,390,000	-	(975,000)	2,415,000	650,000
2014 Wastewater System Refunding	5/1/2014	3.45%	2,260,000	-	(80,000)	2,180,000	85,000
2014 Water Supply System Refunding	5/1/2014	3.45%	11,170,000	-	(280,000)	10,890,000	285,000
2015 Water Supply System	12/10/2015	2.00%-3.375%	-	3,035,000	-	3,035,000	115,000
Total Business-type Activities			28,105,000	3,035,000	(2,485,000)	28,655,000	1,900,000
Total Revenue Bonds			\$31,140,000	\$ 3,035,000	\$ (3,215,000)	\$ 30,960,000	\$ 2,365,000

Environmental Matters

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

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:

	2015	2014
Estimated liability, beginning of year	\$ 4,251,576	\$ 3,693,156
Estimated claims incurred, including changes in estimates	19,661,320	20,051,795
Claim payments	(19,652,682)	(19,493,375)
Estimated liability, end of year	\$ 4,260,214	\$ 4,251,576

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, and Metro Transit pay an indirect general insurance fee. In addition, all City departments and funds with employees pay a workers compensation fee as a personnel benefit cost.

EDC Contract

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE G: LONG-TERM DEBT - CONTINUED**

Equipment Acquisitions

The 2011 PNC equipment acquisition note is payable in annual installments of \$22,262, including imputed interest of 4.650%, through April 2017. The 2012 PNC equipment acquisition note is payable in monthly installments of \$1,196, including imputed interest of 5.26%, through April 2018.

Compensated Absences

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$6,318,729 and \$750,201 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2015. Of those amounts, \$2,189,962 and \$398,444 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 and Current Refundings

On August 4, 2015, the City defeased a portion of the 2005 Building Authority Refunding Bonds, which were due and payable through October 1, 2026, and a portion of the 2006B Building Authority Bonds, which were due and payable through October 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2015A Refunding Bonds in the amount of \$7,465,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$668,820, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$565,498.

On August 4, 2015, the City defeased a portion of the 2005 Building Authority Parking Ramp Bonds, which were due and payable through October 1, 2029, a portion of the 2005B Building Authority Parking Ramp Bonds which were due and payable through October 1, 2029, and a portion of the 2006A Building Authority Bonds, which were due and payable through October 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2015B Refunding Bonds in the amount of \$8,620,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$939,248, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$722,523.

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, 2015, \$24,280,000 of bonds outstanding from current and prior year refundings are considered defeased.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE G: LONG-TERM DEBT - CONTINUED**

No Commitment Debt

Excluded from the statement of net position are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings, and equipment. Also excluded 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 \$378,205,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

**Component Units**

Downtown Development Authority

Long-term bonds and notes at December 31, 2015, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Catalyst Development Co. 3, L.L.C. Note	12/31/2020	N/A	\$ 226,377

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$761,783 as of December 31, 2015, and debt service payments on \$1,501,377 of outstanding governmental activities general obligation bonds.

Economic Development Corporation

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the EDC follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$24,684 for vacation and sick at December 31, 2015. Of that total amount, \$10,529 has been recorded as a current liability.

Brownfield Redevelopment Authority

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the BRDA follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$14,956 for vacation and sick at December 31, 2015. Of that total amount, \$8,205 has been recorded as a current liability.

Metro Transit

In accordance with the City of Kalamazoo Metro Transit System's personnel policies and/or contracts negotiated with the various employee groups of the System, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$186,099 for vacation and sick at December 31, 2015. The amounts of \$148,521 and \$37,578 have been reported as current and noncurrent liabilities, respectively.



City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE G: LONG-TERM DEBT - CONCLUDED**

**Component Units - Concluded**

Metro Transit - Concluded

The Limited Tax General Obligation bonds are due in annual installments of \$90,396 to \$254,421 through December 1, 2044, with interest ranging from .75% to 4.67%.

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

Year Ending Dec. 31,	Primary Government							
	General Obligation Bonds				Revenue Bonds			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,645,037	\$ 4,348,378	\$ 549,567	\$ 792,531	\$ 465,000	\$ 87,143	\$ 1,900,000	\$ 962,400
2017	5,743,542	4,217,010	559,847	783,195	275,000	74,205	1,860,000	941,713
2018	5,630,140	4,064,994	571,791	771,191	290,000	62,478	1,865,000	895,132
2019	5,306,317	3,908,711	453,913	757,265	300,000	49,938	1,865,000	847,240
2020	5,194,106	3,757,083	463,937	746,742	975,000	66,969	1,460,000	796,550
2021-2025	27,479,708	16,063,173	2,546,281	3,523,222	-	-	6,110,000	3,302,362
2026-2030	18,738,705	11,388,807	2,921,439	3,050,014	-	-	7,350,000	2,056,107
2031-2035	11,819,464	8,466,593	3,360,123	2,406,944	-	-	5,410,000	623,233
2036-2040	14,761,327	5,518,133	4,198,311	1,568,735	-	-	835,000	86,738
2041-2045	14,507,680	1,731,671	4,122,496	492,292	-	-	-	-
	<u>\$ 114,826,026</u>	<u>\$ 63,464,553</u>	<u>\$ 19,747,705</u>	<u>\$ 14,892,131</u>	<u>\$ 2,305,000</u>	<u>\$ 340,733</u>	<u>\$ 28,655,000</u>	<u>\$ 10,511,475</u>

Year Ending Dec. 31,	Primary Government				Component Units			
	EDC Contract		Equipment Acquisitions		Downtown Development Authority		Metro Transit	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 32,488	\$ 3,188	\$ 34,501	\$ 2,315	\$ 577,677	\$ 58,071	\$ 90,396
2017	33,476	2,199	13,723	630	563,841	40,557	91,611	174,674
2018	34,495	1,181	4,734	51	610,041	21,358	93,069	173,233
2019	20,605	207	-	-	161,220	11,123	94,770	171,400
2020	-	-	-	-	83,949	9,852	96,957	169,201
2021-2025	-	-	-	-	266,432	39,408	529,011	801,914
2026-2030	-	-	-	-	-	-	629,856	701,106
2031-2035	-	-	-	-	-	-	775,413	555,448
2036-2040	-	-	-	-	-	-	968,841	362,015
2041-2045	-	-	-	-	-	-	951,345	113,606
	<u>\$ 121,064</u>	<u>\$ 6,775</u>	<u>\$ 52,958</u>	<u>\$ 2,996</u>	<u>\$ 2,263,160</u>	<u>\$ 180,369</u>	<u>\$ 4,321,269</u>	<u>\$ 3,398,277</u>

**NOTE H: SHORT-TERM DEBT**

During the year ended December 31, 2015, the City issued and repaid \$3,000,000 of tax revenue anticipation notes. The purpose of this short-term debt was to provide liquidity for the governmental operations financed by property taxes, which are collected throughout the year.

	Issuance Date	Interest Rate	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Tax Anticipation Note, Series 2015	1/22/2015	1.00%	\$ -0-	\$ 3,000,000	\$ (3,000,000)	\$ -0-

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE I: DEFINED BENEFIT PENSION PLAN**

Plan Description

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

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

Plan Membership

At December 31, 2015, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	957
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>628</u>
Total employees covered by the Plan	<u><u>1,633</u></u>

Benefits Provided

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Benefits Provided - Concluded

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

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

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

Contributions

System members are required to contribute between 1.0 to 6.5 percent of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2015; however the City chose to contribute \$1,602,053.

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.62) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset

The net pension asset reported at December 31, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Net Pension Asset - Concluded

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a)-(b)
Balances at December 31, 2014	\$ 442,209,424	\$ 625,472,082	\$ (183,262,658)
Changes for the Year			
Service cost	6,187,334	-	6,187,334
Interest on total pension liability	32,334,356	-	32,334,356
Difference between expected and actual experience	(1,574,739)	-	(1,574,739)
Changes in assumptions	12,509,343	-	12,509,343
Employer contributions	-	1,602,053	(1,602,053)
Employee contributions	-	1,084,798	(1,084,798)
Net investment income	-	(9,974,517)	9,974,517
Benefit payments, including employee refunds	(28,356,700)	(28,356,700)	-0-
Administrative expense	-	(125,770)	125,770
Other	-	(174,885)	174,885
Net changes	<u>21,099,594</u>	<u>(35,945,021)</u>	<u>57,044,615</u>
Balances as of December 31, 2015	<u>\$ 463,309,018</u>	<u>\$ 589,527,061</u>	<u>\$ (126,218,043)</u>

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

For the year ended December 31, 2015, the City recognized pension expense of \$5,773,607. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,172,887
Changes in assumptions	9,317,125	-
Net difference between projected and actual earnings on pension plan investments	<u>44,728,823</u>	<u>-</u>
Total	<u>\$ 54,045,948</u>	<u>\$ 1,172,887</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONTINUED**

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

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

<u>Years Ending December 31,</u>	<u>Pension Expense</u>
2016	\$ 13,972,572
2017	13,972,572
2018	13,745,712
2019	<u>11,182,205</u>
	<u><u>\$ 52,873,061</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods including in the measurement:

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

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

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONCLUDED**

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Small Cap (Manager 1)	5.00%	6.00%
U.S. Small Cap (Manager 2)	10.00%	6.00%
International Developed Equity	10.00%	5.00%
U.S. Large Cap (Manager 1)	30.00%	5.00%
U.S. Large Cap (Manager 2)	5.00%	5.00%
Emerging Markets	10.00%	6.75%
Domestic Fixed Income	25.00%	0.75%
Real Estate (Manager 1)	2.50%	3.75%
Real Estate (Manager 2)	2.50%	3.75%

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

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

	<u>1% Decrease Rate 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase Rate 8.50%</u>
Total pension liability	\$ 518,767,716	\$ 463,309,018	\$ 417,118,840
Plan fiduciary net position	<u>589,527,061</u>	<u>589,527,061</u>	<u>589,527,061</u>
City's net pension liability (asset)	<u>\$ (70,759,345)</u>	<u>\$ (126,218,043)</u>	<u>\$ (172,408,221)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Kalamazoo Postretirement Welfare Benefits Plan (the "Plan") is a single-employer defined other post-employment benefit plan administered by the City of Kalamazoo. The City provides medical and dental insurance benefits to eligible retirees and their spouses. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. In addition to the healthcare benefits described above, the Plan provides a death benefit of \$1,000 to all eligible retirees. 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 Other Post-Employment Benefits Trust, 241 W. South Street, MI 49007.

Membership in the plan at December 31, 2013 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	968
Active plan members	<u>442</u>
	<u><u>1,410</u></u>

Funded Status and Funding Progress

The Plan's funding policy provides for periodic contributions by the City at actuarially determined rates expressed as a percentage of annual covered payroll. The City is required to contribute at a rate of 41.7% of annual covered payroll. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

Actuarial Methods and Assumptions

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, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities or benefits.

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.

For year ended December 31, 2015, the City's annual cost for other post-employment benefits (OPEB) was \$12,953,055. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 4.0% investment rate of return (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0.0% to 12.0% per year depending on age, seniority and merit, (d) the healthcare cost trend inflation rate of 4.0% to 9.0%, and (e) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on a closed basis.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED**

Actuarial Methods and Assumptions - Concluded

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

Annual required contribution (ARC)	\$ 14,118,858
Interest on net OPEB obligation	2,615,361
Adjustment to annual required contribution	<u>(3,781,163)</u>
Annual OPEB cost	12,953,056
Contributions made	<u>91,316,479</u>
Decrease in net OPEB obligation	(78,363,423)
Net OPEB obligation - beginning of year	<u>65,384,020</u>
Net OPEB (asset) - end of year	<u><u>\$ (12,979,403)</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31, were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 13,512,540	\$ 12,998,338	\$ 12,953,056
Percentage contributed	108.2%	78.8%	705.0%
Net OPEB obligation (asset)	62,630,665	65,384,020	(12,979,403)

The schedule of funding progress of the plan based on the most recent valuations is as follows:

	<u>2009</u>	<u>2011</u>	<u>2013</u>
Actuarial value of assets	\$ -	\$ -	\$ 6,931,353
Actuarial accrued liability (AAL)	263,181,931	190,631,174	194,792,158
Unfunded AAL (UAAL)	263,181,931	190,631,174	187,860,805
Funded ratio	0%	0%	3.6%
Annual covered payroll	44,060,796	44,227,533	37,509,463
Ratio of UAAL to covered payroll	597.3%	431.0%	500.8%

**NOTE K: RISK MANAGEMENT**

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



NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE K: RISK MANAGEMENT - CONCLUDED**

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 are used to pay claims to the retention limits, the ultimate liability for those claims remains with the City.

**NOTE L: COMMITMENTS AND CONTINGENCIES**

Legal Contingencies

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2015 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. In addition, the City is also a defendant in a lawsuit filed by the Gull Lake Sewer and Water Authority that raises breach of contract and other claims in connection with the Water and Wastewater service agreements, and seeks monetary and other relief. At the time of this report, the City's exposure cannot be reasonably estimated.

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 \$432,453 in the government-wide financial statements. The City has set aside \$246,241 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

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

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$2,419,238, bus purchases for \$673,764, fire engine purchase for \$500,650, community development grants for \$1,257,287, Brownfield grants for \$470,206, and general contractual commitments for \$1,038,500. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE M: BUDGET/GAAP RECONCILIATION**

The Statement and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and Solid Waste Fund (a nonmajor governmental fund), respectively, are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.

	<u>Budgetary Basis</u>	<u>Accounting Basis Difference</u>	<u>GAAP Basis</u>
<b>General Fund</b>			
Unavailable revenue	\$ 1,320,038	\$ 1,966,620	\$ 3,286,658
Property taxes	29,829,366	161,108	29,990,474
Fund balance, beginning of year	9,845,819	(2,127,728)	7,718,091
Fund balance, end of year	13,171,521	(1,966,620)	11,204,901
<b>Solid Waste Fund</b>			
Unavailable revenue	-	147,223	147,223
Property taxes	2,256,082	12,282	2,268,364
Fund balance, beginning of year	734,845	(159,505)	575,340
Fund balance, end of year	331,399	(147,223)	184,176

**NOTE N: 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, 2015:

<b>PRIMARY GOVERNMENT</b>	
Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	3,867,671
Solid waste program	184,176
Parks and recreation	856,818
Neighborhood and community development	1,068,135
Other purposes	
Drug enforcement	434,195
Cemetery perpetual care	1,958,207
Capital improvements	1,350,565
Cork Street Landfill cap	87,901
Grants and donations	515,780
	<u>\$ 13,951,012</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE N: RESTRICTED NET POSITION - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED	
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 805,768
Water Fund	<u>1,358,271</u>
	<u>\$ 2,164,039</u>

**NOTE O: SUBSEQUENT EVENTS**

The City issued one note after the end of the fiscal year. On January 26, 2016, the Tax Anticipation Note (Limited Tax General Obligation) was issued for \$3,000,000, to provide financial resources prior to the collection of the summer tax levy.

**NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

**Fund Balance Classification Policies and Procedures**

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

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED**

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

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Inventory	\$ 90,704	\$ 251,768	\$ 342,472
Prepays	57,528	4,520	62,048
Advances	340,000	793,172	1,133,172
Notes receivable	724,390	951,973	1,676,363
Cemetery perpetual care	-	1,735,160	1,735,160
Endowments	-	1,892,404	1,892,404
Restricted			
Highways	-	3,623,110	3,623,110
Solid waste	-	184,176	184,176
Grants and donations	-	781,697	781,697
Drug enforcement	-	434,195	434,195
Recreation activities	-	516,618	516,618
Park activities	-	340,200	340,200
Cemetery perpetual care	-	1,958,207	1,958,207
Debt service	-	60,440	60,440
Capital improvements	-	1,438,466	1,438,466
Committed			
Economic development programs	-	1,496,186	1,496,186
Cemeteries	-	245,111	245,111
Assigned			
Subsequent year's expenditures	3,459,061	-	3,459,061
Unassigned	6,533,218	-	6,533,218
	<u>\$ 11,204,901</u>	<u>\$ 16,707,403</u>	<u>\$ 27,912,304</u>
TOTAL FUND BALANCES			

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE Q: 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, 2015, is as follows:

	<u>Employees' Retirement System</u>	<u>Other Post- Employment Benefits</u>	<u>Total</u>
<b>Additions</b>			
Employer contributions	\$ 1,602,053	\$ 91,296,479	\$ 92,898,532
Plan member contributions	1,084,798	903,914	1,988,712
Net investment income	(9,974,517)	(1,485,952)	(11,460,469)
<b>Deductions</b>			
Benefits	28,156,585	9,601,929	37,758,514
Refunds of contributions	200,115	-	200,115
Administrative expenses	125,770	44,320	170,090
Miscellaneous expenses	174,885	-	174,885
Change in net position	(35,770,136)	81,068,192	45,298,056
Total assets	589,568,535	91,121,627	680,690,162
Total liabilities	41,474	730,978	772,452
Net position	589,527,061	90,390,649	679,917,710

**NOTE R: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities, business-type activities, wastewater fund, water fund, city market fund, and Metro Transit component unit fund due to the implementation of GASB Statement No. 68 during the year.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Wastewater</u>	<u>Water</u>	<u>City Market</u>	<u>Metro Transit</u>
Beginning net position	\$ 91,086,485	\$ 161,728,976	\$ 84,716,649	\$ 76,726,421	\$ 116,233	\$ 28,509,212
Net pension asset (liability)	140,971,968	30,434,770	16,878,789	13,558,287	(2,306)	9,283,516
Restated beginning net position	<u>\$ 232,058,453</u>	<u>\$ 192,163,746</u>	<u>\$ 101,595,438</u>	<u>\$ 90,284,708</u>	<u>\$ 113,927</u>	<u>\$ 37,792,728</u>

**NOTE S: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE T: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In March 2015, the GASB issued Statement No. 72 *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is 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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the 2017 fiscal year.

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

In August 2015, the GASB issues Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

**NOTE U: NET POSITION DEFICIT**

The following fund had a net position deficit at December 31, 2015:

PRIMARY GOVERNMENT	
Internal Service Fund	
Insurance and Benefits	<u>\$ 1,109,041</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Defined Benefit Pension Plan

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

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

	<u>2015</u>	<u>2014</u>
<b>CHANGE IN TOTAL PENSION LIABILITY</b>		
Service cost	\$ 6,187,334	\$ 6,259,728
Interest	32,334,356	31,603,299
Difference between expected and actual experience	(1,574,739)	-
Changes of assumptions	12,509,343	-
Benefit payments, including employee refunds	<u>(28,356,700)</u>	<u>(27,802,129)</u>
Net Change in Total Pension Liability	21,099,594	10,060,898
Total Pension Liability, beginning	<u>442,209,424</u>	<u>432,148,526</u>
Total Pension Liability, ending	<u>\$ 463,309,018</u>	<u>\$ 442,209,424</u>
<b>CHANGE IN PLAN FIDUCIARY NET POSITION</b>		
Contributions - employer	\$ 1,602,053	\$ 760,912
Contributions - employee	1,084,798	1,067,029
Net investment income (loss)	(9,974,517)	41,065,447
Benefit payments, including employee refunds	(28,356,700)	(27,802,131)
Administrative expenses	(125,770)	(122,107)
Other	<u>(174,885)</u>	<u>(110,326)</u>
Net Change in Plan Fiduciary Net Position	(35,945,021)	14,858,824
Plan Fiduciary Net Position, beginning	<u>625,472,082</u>	<u>610,613,258</u>
Plan Fiduciary Net Position, ending	<u>\$ 589,527,061</u>	<u>\$ 625,472,082</u>
City's Net Pension (Asset)	<u>\$ (126,218,043)</u>	<u>\$ (183,262,658)</u>
Plan fiduciary net position as a percentage of the total pension liability	127.24%	141.44%
Covered employee payroll	\$ 37,198,788	\$ 36,331,892
City's net pension asset as a percentage of covered employee payroll	(339.31%)	(504.41%)



City of Kalamazoo  
 Defined Benefit Pension Plan  
 SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	1,602,053	760,912	905,746	905,746	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ (1,602,053)</u>	<u>\$ (760,912)</u>	<u>\$ (905,746)</u>	<u>\$ (905,746)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 37,198,788	36,331,892	36,538,969	42,305,663	43,007,800	44,435,753	44,159,590	42,889,419	42,164,958	40,944,435
Contributions as a percentage of covered employee payroll	4.31%	2.09%	2.48%	2.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF INVESTMENT RETURNS

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

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

City of Kalamazoo

Other Post-Employment Benefits Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2013	\$ 6,931,353	\$ 194,792,158	\$ 187,860,805	3.6%	\$ 37,509,463	500.8%
12/31/2011	-	190,631,174	190,631,174	0.0%	44,227,533	431.0%
12/31/2009	-	263,181,931	263,181,931	0.0%	44,060,796	597.3%
12/31/2007	-	206,854,739	206,854,739	0.0%	45,214,897	457.5%

Schedule of Employer Contributions

Year Ended December 31,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation (Asset)
2015	\$ 12,953,056	705%	\$ (12,979,403)
2014	12,998,338	79%	65,384,020
2013	13,512,540	108%	62,630,665
2012	13,777,124	50%	63,732,853
2011	23,417,368	29%	56,790,113
2010	22,717,456	32%	40,037,492
2009	18,959,646	34%	24,483,885
2008	18,129,246	34%	11,920,257

City of Kalamazoo

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

**NOTE A: DEFINED BENEFIT PENSION AND OPEB PLANS**

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

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

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

Defined Benefit Pension Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2015
Basis for contribution	December 31, 2014
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	Rolling 10 year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Cost-of living adjustments	Determined annually
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Mortality Combined Healthy Tables

OPEB Plan

Actuarial valuation:	
Frequency	Biennially
Latest date	December 31, 2013
Basis for contribution	December 31, 2013
Actuarial cost method	Individual entry age
Amortization method	Level dollar on a closed basis
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Projected salary increases	4.0% - 16.0%
*Includes inflation at:	4.0%
Healthcare cost trend rate	4.0% - 9.0%

## **OTHER SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,346,132	\$ 63,252	\$ 425,916	\$ 203,934	\$ 6,039,234
Cash and cash equivalents - restricted	1,820,542	-	3,175,757	-	4,996,299
Investments	341,471	-	-	3,491,652	3,833,123
Investments with agents	28,453	-	-	2,749,222	2,777,675
Receivables					
Accounts	89,222	-	94,289	-	183,511
Taxes	171,856	-	-	-	171,856
Notes	951,973	-	-	-	951,973
Due from other funds	769,535	174	366,105	-	1,135,814
Due from other governmental units	2,737,676	1,320,000	463,852	-	4,521,528
Advances to other governmental units	793,172	-	-	-	793,172
Inventories	251,768	-	-	-	251,768
Prepays	4,520	-	-	-	4,520
<b>TOTAL ASSETS</b>	<b>\$ 13,306,320</b>	<b>\$ 1,383,426</b>	<b>\$ 4,525,919</b>	<b>\$ 6,444,808</b>	<b>\$ 25,660,473</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 924,845	\$ 750	\$ 305,812	\$ -	\$ 1,231,407
Accrued liabilities	44,675	-	-	2,219	46,894
Due to other funds	3,120,060	2,236	2,487,158	-	5,609,454
Due to other governmental units	1,423	-	-	-	1,423
Deposits payable	81,795	-	246,241	-	328,036
Unearned revenue	220,391	-	-	-	220,391
<b>TOTAL LIABILITIES</b>	<b>4,393,189</b>	<b>2,986</b>	<b>3,039,211</b>	<b>2,219</b>	<b>7,437,605</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	147,223	1,320,000	48,242	-	1,515,465
<b>FUND BALANCES</b>					
Nonspendable	2,001,433	-	-	3,627,564	5,628,997
Restricted	5,023,178	60,440	1,438,466	2,815,025	9,337,109
Committed	1,741,297	-	-	-	1,741,297
<b>TOTAL FUND BALANCES</b>	<b>8,765,908</b>	<b>60,440</b>	<b>1,438,466</b>	<b>6,442,589</b>	<b>16,707,403</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 13,306,320</b>	<b>\$ 1,383,426</b>	<b>\$ 4,525,919</b>	<b>\$ 6,444,808</b>	<b>\$ 25,660,473</b>

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>REVENUES</b>					
Property taxes	\$ 2,268,364	\$ -	\$ -	\$ -	\$ 2,268,364
Intergovernmental	10,175,543	-	326,880	-	10,502,423
Charges for services	203,824	-	-	29,850	233,674
Fines and forfeits	191,649	-	-	-	191,649
Interest and rents	45,061	1,492,713	1,489	185,244	1,724,507
Net investment earnings (loss)	(545)	-	-	(349,218)	(349,763)
Other	329,852	-	670,823	17,607	1,018,282
<b>TOTAL REVENUES</b>	<b>13,213,748</b>	<b>1,492,713</b>	<b>999,192</b>	<b>(116,517)</b>	<b>15,589,136</b>
<b>EXPENDITURES</b>					
Current					
General government	562,220	-	-	21,999	584,219
Public safety	1,476,467	-	-	-	1,476,467
Public works	2,591,484	-	-	-	2,591,484
Streets	7,325,274	-	-	-	7,325,274
Community and economic development	3,964,155	-	-	-	3,964,155
Parks and recreation	251,239	-	-	119,765	371,004
Debt service					
Principal	-	6,023,928	-	-	6,023,928
Interest and fiscal charges	-	4,397,541	-	-	4,397,541
Capital outlay	-	-	2,546,759	-	2,546,759
<b>TOTAL EXPENDITURES</b>	<b>16,170,839</b>	<b>10,421,469</b>	<b>2,546,759</b>	<b>141,764</b>	<b>29,280,831</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(2,957,091)</b>	<b>(8,928,756)</b>	<b>(1,547,567)</b>	<b>(258,281)</b>	<b>(13,691,695)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	2,703,500	16,085,000	2,246,500	-	21,035,000
Issuance of OPEB debt	3,701,869	-	-	-	3,701,869
Payments to escrow agent	-	(16,821,549)	-	-	(16,821,549)
Bond premium	-	833,059	79,238	-	912,297
Transfers in	1,847,063	8,831,339	2,100,004	-	12,778,406
Transfers out	(3,648,631)	-	(2,569,173)	(390,826)	(6,608,630)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,603,801</b>	<b>8,927,849</b>	<b>1,856,569</b>	<b>(390,826)</b>	<b>14,997,393</b>
<b>SPECIAL ITEMS</b>					
Contributions to OPEB trust	(3,679,137)	-	-	-	(3,679,137)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,032,427)</b>	<b>(907)</b>	<b>309,002</b>	<b>(649,107)</b>	<b>(2,373,439)</b>
Fund balances, beginning of year	10,798,335	61,347	1,129,464	7,091,696	19,080,842
Fund balances, end of year	<u>\$ 8,765,908</u>	<u>\$ 60,440</u>	<u>\$ 1,438,466</u>	<u>\$ 6,442,589</u>	<u>\$ 16,707,403</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.



City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2015

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,617,860	\$ 715,737	\$ 228,955	\$ 229,498
Cash and cash equivalents - restricted	1,231,097	589,445	-	-
Investments	-	-	34,408	27,848
Investments with agents	-	-	-	-
Receivables				
Accounts	7,440	-	4,525	-
Taxes	-	-	-	171,856
Notes	-	-	-	-
Due from other funds	39,579	187,582	-	2,544
Due from other governmental units	1,130,779	336,095	-	0
Advances to other governmental units	-	-	-	-
Inventories	244,561	-	-	-
Prepays	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 4,271,316</u>	<u>\$ 1,828,859</u>	<u>\$ 267,888</u>	<u>\$ 431,746</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 255,181	\$ 133,377	\$ 6,040	\$ 35,688
Accrued liabilities	-	-	-	-
Due to other funds	1,422,497	421,449	16,737	63,569
Due to other governmental units	-	-	-	1,090
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	1,677,678	554,826	22,777	100,347
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	-	-	147,223
<b>FUND BALANCES</b>				
Nonspendable	244,561	-	-	-
Restricted	2,349,077	1,274,033	-	184,176
Committed	-	-	245,111	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	2,593,638	1,274,033	245,111	184,176
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
	<u>\$ 4,271,316</u>	<u>\$ 1,828,859</u>	<u>\$ 267,888</u>	<u>\$ 431,746</u>

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Total
\$ 252,289	\$ 1,402,810	\$ 437,646	\$ 461,337	\$ 5,346,132
-	-	-	-	1,820,542
-	178,606	57,421	43,188	341,471
-	-	28,453	-	28,453
58,294	-	18,963	-	89,222
-	-	-	-	171,856
790,491	161,482	-	-	951,973
168,156	62	371,612	-	769,535
774,358	-	490,980	5,464	2,737,676
-	793,172	-	-	793,172
7,207	-	-	-	251,768
-	-	4,520	-	4,520
<u>\$ 2,050,795</u>	<u>\$ 2,536,132</u>	<u>\$ 1,409,595</u>	<u>\$ 509,989</u>	<u>\$ 13,306,320</u>
\$ 239,887	\$ -	\$ 232,247	\$ 22,425	\$ 924,845
-	-	-	44,675	44,675
590,484	85,212	515,421	4,691	3,120,060
67	80	186	-	1,423
77,792	-	-	4,003	81,795
74,430	-	145,961	-	220,391
982,660	85,292	893,815	75,794	4,393,189
-	-	-	-	147,223
797,698	954,654	4,520	-	2,001,433
270,437	-	511,260	434,195	5,023,178
-	1,496,186	-	-	1,741,297
<u>1,068,135</u>	<u>2,450,840</u>	<u>515,780</u>	<u>434,195</u>	<u>8,765,908</u>
<u>\$ 2,050,795</u>	<u>\$ 2,536,132</u>	<u>\$ 1,409,595</u>	<u>\$ 509,989</u>	<u>\$ 13,306,320</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2015

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 2,268,364
Intergovernmental	4,979,680	1,688,579	-	-
Charges for services	-	-	176,689	-
Fines and forfeits	-	-	-	-
Interest	3,028	1,291	386	456
Net investment earnings (loss)	-	-	-	-
Other	9,611	74,846	-	-
<b>TOTAL REVENUES</b>	<b>4,992,319</b>	<b>1,764,716</b>	<b>177,075</b>	<b>2,268,820</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	562,220	-
Public safety	-	-	-	-
Public works	-	-	-	2,591,484
Streets	4,724,538	2,600,736	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,724,538</b>	<b>2,600,736</b>	<b>562,220</b>	<b>2,591,484</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>267,781</b>	<b>(836,020)</b>	<b>(385,145)</b>	<b>(322,664)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,703,500	1,000,000	-	-
Issuance of OPEB debt	1,218,797	1,127,842	-	1,355,230
Transfers in	-	900,000	390,826	-
Transfers out	(2,703,963)	(771,767)	-	(76,822)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>218,334</b>	<b>2,256,075</b>	<b>390,826</b>	<b>1,278,408</b>
<b>SPECIAL ITEMS</b>				
Contribution to OPEB trust	(1,211,313)	(1,120,916)	-	(1,346,908)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(725,198)</b>	<b>299,139</b>	<b>5,681</b>	<b>(391,164)</b>
Fund balances, beginning of year	3,318,836	974,894	239,430	575,340
Fund balances, end of year	\$ 2,593,638	\$ 1,274,033	\$ 245,111	\$ 184,176

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,268,364
2,166,102	-	1,324,066	17,116	10,175,543
18,119	-	7,471	1,545	203,824
-	-	-	191,649	191,649
1,020	37,481	784	615	45,061
-	-	(545)	-	(545)
-	-	232,029	13,366	329,852
<u>2,185,241</u>	<u>37,481</u>	<u>1,563,805</u>	<u>224,291</u>	<u>13,213,748</u>
-	-	-	-	562,220
-	-	1,136,250	340,217	1,476,467
-	-	-	-	2,591,484
-	-	-	-	7,325,274
2,300,123	1,150,000	514,032	-	3,964,155
-	-	251,239	-	251,239
<u>2,300,123</u>	<u>1,150,000</u>	<u>1,901,521</u>	<u>340,217</u>	<u>16,170,839</u>
(114,882)	(1,112,519)	(337,716)	(115,926)	(2,957,091)
-	-	-	-	2,703,500
-	-	-	-	3,701,869
96,079	-	460,158	-	1,847,063
<u>(10,867)</u>	<u>(85,212)</u>	<u>-</u>	<u>-</u>	<u>(3,648,631)</u>
85,212	(85,212)	460,158	-0-	4,603,801
-	-	-	-	(3,679,137)
(29,670)	(1,197,731)	122,442	(115,926)	(2,032,427)
<u>1,097,805</u>	<u>3,648,571</u>	<u>393,338</u>	<u>550,121</u>	<u>10,798,335</u>
<u>\$ 1,068,135</u>	<u>\$ 2,450,840</u>	<u>\$ 515,780</u>	<u>\$ 434,195</u>	<u>\$ 8,765,908</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL

Year Ended December 31, 2015

	<u>Major Streets Fund</u>			Variances with Final Budget
	Original Budget	Final Amended Budget	Actual	Positive (Negative)
<b>REVENUES</b>				
Intergovernmental				
Federal revenue	\$ 1,381,000	\$ 1,381,000	\$ -	\$ (1,381,000)
State trunkline maintenance	250,000	250,000	175,611	(74,389)
Gas and weight tax distribution	4,069,790	4,069,790	4,336,895	267,105
Other state revenue	371,324	371,324	408,400	37,076
Local revenue	-	84,000	58,774	(25,226)
Interest	5,000	5,000	3,028	(1,972)
Other	5,000	5,000	9,611	4,611
<b>TOTAL REVENUES</b>	<b>6,082,114</b>	<b>6,166,114</b>	<b>4,992,319</b>	<b>(1,173,795)</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	928,534	936,019	1,052,733	(116,714)
Repair	153,436	153,436	227,766	(74,330)
Maintenance	975,800	975,800	509,815	465,985
Pavement painting	148,000	148,000	100,211	47,789
Traffic signals	284,172	284,172	293,038	(8,866)
Traffic signs	14,000	14,000	67,808	(53,808)
Construction	3,210,000	5,071,717	2,473,167	2,598,550
<b>TOTAL EXPENDITURES</b>	<b>5,713,942</b>	<b>7,583,144</b>	<b>4,724,538</b>	<b>2,858,606</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>368,172</b>	<b>(1,417,030)</b>	<b>267,781</b>	<b>1,684,811</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,829,000	1,703,500	1,703,500	-0-
Issuance of OPEB debt	-	1,218,797	1,218,797	-0-
Transfers out	(2,711,807)	(2,688,606)	(2,703,963)	(15,357)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(882,807)</b>	<b>233,691</b>	<b>218,334</b>	<b>(15,357)</b>
<b>SPECIAL ITEMS</b>				
Contribution to OPEB trust	-	(1,211,313)	(1,211,313)	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(514,635)</b>	<b>(2,394,652)</b>	<b>(725,198)</b>	<b>1,669,454</b>
Fund balance, beginning of year	3,318,836	3,318,836	3,318,836	-0-
Fund balance, end of year	<u>\$ 2,804,201</u>	<u>\$ 924,184</u>	<u>\$ 2,593,638</u>	<u>\$ 1,669,454</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2015

	<u>Local Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental				
Gas and weight tax distribution	\$ 1,149,663	\$ 1,149,663	\$ 1,225,244	\$ 75,581
Other state revenue	248,091	248,091	463,335	215,244
Interest	2,000	2,000	1,291	(709)
Other	500	52,500	74,846	22,346
<b>TOTAL REVENUES</b>	<b>1,400,254</b>	<b>1,452,254</b>	<b>1,764,716</b>	<b>312,462</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	707,138	714,064	708,933	5,131
Repair	160,787	165,637	245,587	(79,950)
Maintenance	837,394	832,544	558,684	273,860
Pavement painting	6,000	6,000	1,713	4,287
Traffic signs	15,650	15,650	47,038	(31,388)
Construction	1,000,000	1,210,419	1,038,781	171,638
<b>TOTAL EXPENDITURES</b>	<b>2,726,969</b>	<b>2,944,314</b>	<b>2,600,736</b>	<b>343,578</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,326,715)</b>	<b>(1,492,060)</b>	<b>(836,020)</b>	<b>656,040</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,000,000	1,000,000	1,000,000	-0-
Issuance of OPEB debt	-	1,127,842	1,127,842	-0-
Transfers in	1,280,000	1,130,000	900,000	(230,000)
Transfers out	(789,943)	(762,617)	(771,767)	(9,150)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,490,057</b>	<b>2,495,225</b>	<b>2,256,075</b>	<b>(239,150)</b>
<b>SPECIAL ITEMS</b>				
Contribution to OPEB trust	-	(1,120,917)	(1,120,916)	1
<b>NET CHANGE IN FUND BALANCE</b>	<b>163,342</b>	<b>(117,752)</b>	<b>299,139</b>	<b>416,891</b>
Fund balance, beginning of year	974,894	974,894	974,894	-0-
Fund balance, end of year	<u>\$ 1,138,236</u>	<u>\$ 857,142</u>	<u>\$ 1,274,033</u>	<u>\$ 416,891</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2015

	<u>Cemeteries Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 151,350	\$ 151,350	\$ 176,689	\$ 25,339
Interest	-	-	386	386
TOTAL REVENUES	151,350	151,350	177,075	25,725
EXPENDITURES				
Current				
General government				
Burials	127,042	127,042	130,125	(3,083)
Maintenance	204,765	204,765	221,269	(16,504)
Construction	180,000	316,714	210,826	105,888
TOTAL EXPENDITURES	511,807	648,521	562,220	86,301
EXCESS OF REVENUES (UNDER) EXPENDITURES	(360,457)	(497,171)	(385,145)	112,026
OTHER FINANCING SOURCES				
Transfers in	303,840	440,554	390,826	(49,728)
NET CHANGE IN FUND BALANCE	(56,617)	(56,617)	5,681	62,298
Fund balance, beginning of year	239,430	239,430	239,430	-0-
Fund balance, end of year	\$ 182,813	\$ 182,813	\$ 245,111	\$ 62,298

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2015

	<u>Solid Waste Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 2,210,378	\$ 2,210,378	2,256,082	\$ 45,704
Interest	10,000	10,000	456	(9,544)
TOTAL REVENUES	2,220,378	2,220,378	2,256,538	36,160
EXPENDITURES				
Current				
Public works	2,478,440	2,592,983	2,591,484	1,499
EXCESS OF REVENUES (UNDER) EXPENDITURES	(258,062)	(372,605)	(334,946)	37,659
OTHER FINANCING SOURCES (USES)				
Issuance of OPEB debt	-	1,355,230	1,355,230	-0-
Transfers out	(44,856)	(76,822)	(76,822)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(44,856)	1,278,408	1,278,408	-0-
SPECIAL ITEMS				
Contribution to OPEB trust	-	(1,346,908)	(1,346,908)	-0-
NET CHANGE IN FUND BALANCE	(302,918)	(441,105)	(403,446)	37,659
Fund balance, beginning of year	734,845	734,845	734,845	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 431,927</u>	<u>\$ 293,740</u>	331,399	<u>\$ 37,659</u>
Accounting basis difference			<u>(147,223)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 184,176</u>	



City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2015

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,057,285	\$ 3,686,635	\$ 2,166,102	\$ (1,520,533)
Charges for services	30,000	30,000	18,119	(11,881)
Interest	-	994	1,020	26
Other	-	4,986	-	(4,986)
<b>TOTAL REVENUES</b>	<b>1,087,285</b>	<b>3,722,615</b>	<b>2,185,241</b>	<b>(1,537,374)</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development				
Demolition revolving	-	-	269	(269)
Program administration services	937,285	937,285	915,826	21,459
Community Development Block Grant	150,000	1,677,017	814,547	862,470
Emergency shelter	-	240,066	118,526	121,540
HOME	-	1,009,465	419,370	590,095
Façade improvement	-	40,414	31,585	8,829
<b>TOTAL EXPENDITURES</b>	<b>1,087,285</b>	<b>3,904,247</b>	<b>2,300,123</b>	<b>1,604,124</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>-0-</b>	<b>(181,632)</b>	<b>(114,882)</b>	<b>66,750</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	158,066	96,079	(61,987)
Transfers out	-	-	(10,867)	(10,867)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>158,066</b>	<b>85,212</b>	<b>(72,854)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>(23,566)</b>	<b>(29,670)</b>	<b>(6,104)</b>
Fund balance, beginning of year	1,097,805	1,097,805	1,097,805	-0-
Fund balance, end of year	<u>\$ 1,097,805</u>	<u>\$ 1,074,239</u>	<u>\$ 1,068,135</u>	<u>\$ (6,104)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2015

	<u>Economic Development Programs Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 45,356	\$ 45,356	\$ 37,481	\$ (7,875)
EXPENDITURES				
Current				
Community and economic development	<u>131,488</u>	<u>1,281,488</u>	<u>1,150,000</u>	<u>131,488</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(86,132)	(1,236,132)	(1,112,519)	123,613
OTHER FINANCING (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(85,212)</u>	<u>(85,212)</u>
NET CHANGE IN FUND BALANCE	(86,132)	(1,236,132)	(1,197,731)	38,401
Fund balance, beginning of year	<u>3,648,571</u>	<u>3,648,571</u>	<u>3,648,571</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,562,439</u>	<u>\$ 2,412,439</u>	<u>\$ 2,450,840</u>	<u>\$ 38,401</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2015

	<u>Grants and Donations</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 416,000	\$ 1,651,178	\$ 1,324,066	\$ (327,112)
Charges for services	1,000	1,014	7,471	6,457
Interest	193	193	784	591
Net investment earnings (loss)	2,400	2,400	(545)	(2,945)
Other	156,300	198,057	232,029	33,972
TOTAL REVENUES	575,893	1,852,842	1,563,805	(289,037)
EXPENDITURES				
Current				
Public safety	478,598	1,430,325	1,136,250	294,075
Community and economic development	94,217	783,371	514,032	269,339
Parks and recreation	78	376,327	251,239	125,088
TOTAL EXPENDITURES	572,893	2,590,023	1,901,521	688,502
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,000	(737,181)	(337,716)	399,465
OTHER FINANCING SOURCES				
Transfers in	-	395,554	460,158	64,604
NET CHANGE IN FUND BALANCE	3,000	(341,627)	122,442	464,069
Fund balance, beginning of year	393,338	393,338	393,338	-0-
Fund balance, end of year	\$ 396,338	\$ 51,711	\$ 515,780	\$ 464,069

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CONCLUDED

Year Ended December 31, 2015

	<u>Drug Enforcement Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 23,000	\$ 23,000	\$ 17,116	\$ (5,884)
Charges for services	-	-	1,545	1,545
Fines and forfeits	230,000	230,000	191,649	(38,351)
Interest	-	-	615	615
Other	50,000	50,000	13,366	(36,634)
	<u>303,000</u>	<u>303,000</u>	<u>224,291</u>	<u>(78,709)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	<u>358,030</u>	<u>416,029</u>	<u>340,217</u>	<u>75,812</u>
NET CHANGE IN FUND BALANCE	(55,030)	(113,029)	(115,926)	(2,897)
Fund balance, beginning of year	<u>550,121</u>	<u>550,121</u>	<u>550,121</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 495,091</u>	<u>\$ 437,092</u>	<u>\$ 434,195</u>	<u>\$ (2,897)</u>

## NONMAJOR DEBT SERVICE FUNDS

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

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

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

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

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

City of Kalamazoo  
 Nonmajor Debt Service Funds  
 COMBINING BALANCE SHEET  
 December 31, 2015

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	OPEB Bond Debt Service	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 59,990	\$ 237	\$ 1,525	\$ 1,500	\$ -	\$ 63,252
Due from other funds	-	-	-	174	-	174
Due from other governmental units	1,320,000	-	-	-	-	1,320,000
<b>TOTAL ASSETS</b>	<b>\$ 1,379,990</b>	<b>\$ 237</b>	<b>\$ 1,525</b>	<b>\$ 1,674</b>	<b>\$ -0-</b>	<b>\$ 1,383,426</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 750	\$ -	\$ 750
Due to other funds	962	-	350	924	-	2,236
<b>TOTAL LIABILITIES</b>	<b>962</b>	<b>-0-</b>	<b>350</b>	<b>1,674</b>	<b>-0-</b>	<b>2,986</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	1,320,000	-	-	-	-	1,320,000
<b>FUND BALANCES</b>						
Restricted	59,028	237	1,175	-	-	60,440
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,379,990</b>	<b>\$ 237</b>	<b>\$ 1,525</b>	<b>\$ 1,674</b>	<b>\$ -0-</b>	<b>\$ 1,383,426</b>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2015

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	OPEB Bond Debt Service	Total
<b>REVENUES</b>						
Interest and rents	\$ 1,492,713	\$ -	\$ -	\$ -	\$ -	\$ 1,492,713
<b>EXPENDITURES</b>						
Debt service						
Principal	1,793,822	-	730,000	1,988,874	1,511,232	6,023,928
Interest and fiscal charges	1,092,843	-	105,293	891,180	2,308,225	4,397,541
<b>TOTAL EXPENDITURES</b>	<b>2,886,665</b>	<b>-0-</b>	<b>835,293</b>	<b>2,880,054</b>	<b>3,819,457</b>	<b>10,421,469</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,393,952)</b>	<b>-0-</b>	<b>(835,293)</b>	<b>(2,880,054)</b>	<b>(3,819,457)</b>	<b>(8,928,756)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	16,085,000	-	-	-	-	16,085,000
Payments to escrow agent	(16,821,549)	-	-	-	-	(16,821,549)
Bond premium	833,059	-	-	-	-	833,059
Transfers in	1,296,535	-	835,293	2,880,054	3,819,457	8,831,339
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,393,045</b>	<b>-0-</b>	<b>835,293</b>	<b>2,880,054</b>	<b>3,819,457</b>	<b>8,927,849</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(907)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(907)</b>
Fund balances, beginning of year	59,935	237	1,175	-	-	61,347
Fund balances, end of year	\$ 59,028	\$ 237	\$ 1,175	\$ -0-	\$ -0-	\$ 60,440

## NONMAJOR CAPITAL PROJECTS FUNDS

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

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



City of Kalamazoo  
 Nonmajor Capital Projects Funds  
 COMBINING BALANCE SHEET  
 December 31, 2015

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 425,916	\$ 425,916
Cash and cash equivalents - restricted	2,039,397	1,136,360	3,175,757
Accounts receivable	93,289	1,000	94,289
Due from other funds	-	366,105	366,105
Due from other governmental units	-	463,852	463,852
	<u>\$ 2,132,686</u>	<u>\$ 2,393,233</u>	<u>\$ 4,525,919</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 305,812	\$ 305,812
Due to other funds	1,798,544	688,614	2,487,158
Deposits payable	246,241	-	246,241
	<u>2,044,785</u>	<u>994,426</u>	<u>3,039,211</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	48,242	48,242
<b>FUND BALANCES</b>			
Restricted	<u>87,901</u>	<u>1,350,565</u>	<u>1,438,466</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 2,132,686</u>	<u>\$ 2,393,233</u>	<u>\$ 4,525,919</u>

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2015

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
REVENUES			
Intergovernmental	\$ -	\$ 326,880	\$ 326,880
Interest	-	1,489	1,489
Other	-	670,823	670,823
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>999,192</b>	<b>999,192</b>
EXPENDITURES			
Capital outlay	3,102	2,543,657	2,546,759
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(3,102)</b>	<b>(1,544,465)</b>	<b>(1,547,567)</b>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	2,246,500	2,246,500
Bond premium	-	79,238	79,238
Transfers in	-	2,100,004	2,100,004
Transfers out	-	(2,569,173)	(2,569,173)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>1,856,569</b>	<b>1,856,569</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,102)</b>	<b>312,104</b>	<b>309,002</b>
Fund balances, beginning of year	91,003	1,038,461	1,129,464
Fund balances, end of year	<u>\$ 87,901</u>	<u>\$ 1,350,565</u>	<u>\$ 1,438,466</u>

## NONMAJOR PERMANENT FUNDS

**Cemetery Perpetual Care** - The Cemetery Perpetual Care Fund accounts for money held in trust for the perpetual care of graves in the City cemeteries. Revenues consist of interest earnings from the investments, gain on sale of investments, and charges for services.

**Recreation Endowment** - The Recreation Endowment Fund accounts for monies accumulated for the eventual endowment of recreation activities. Revenues consist of donations and interest earnings of the endowment fund.

**Parks Endowment** - The Parks Endowment Fund accounts for monies accumulated for the eventual endowment of park activities. Revenues consist of donations and interest earnings of the endowment fund.

City of Kalamazoo

Nonmajor Permanent Funds

COMBINING BALANCE SHEET

December 31, 2015

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 203,934	\$ -	\$ -	\$ 203,934
Investments	3,491,652	-	-	3,491,652
Investments with agents	-	1,453,824	1,295,398	2,749,222
	<u>3,695,586</u>	<u>1,453,824</u>	<u>1,295,398</u>	<u>6,444,808</u>
<b>TOTAL ASSETS</b>				
	<u>\$ 3,695,586</u>	<u>\$ 1,453,824</u>	<u>\$ 1,295,398</u>	<u>\$ 6,444,808</u>
<b>LIABILITIES</b>				
Contract payable	\$ 2,219	\$ -	\$ -	\$ 2,219
<b>FUND BALANCES</b>				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	1,958,207	516,618	340,200	2,815,025
	<u>3,693,367</u>	<u>1,453,824</u>	<u>1,295,398</u>	<u>6,442,589</u>
<b>TOTAL FUND BALANCES</b>				
	<u>3,693,367</u>	<u>1,453,824</u>	<u>1,295,398</u>	<u>6,442,589</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>				
	<u>\$ 3,695,586</u>	<u>\$ 1,453,824</u>	<u>\$ 1,295,398</u>	<u>\$ 6,444,808</u>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2015

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>REVENUES</b>				
Charges for services	\$ 29,850	\$ -	\$ -	\$ 29,850
Interest and dividends	185,244	-	-	185,244
Net investment earnings (loss)	(293,359)	(29,967)	(25,892)	(349,218)
Other	-	17,607	-	17,607
<b>TOTAL REVENUES</b>	<b>(78,265)</b>	<b>(12,360)</b>	<b>(25,892)</b>	<b>(116,517)</b>
<b>EXPENDITURES</b>				
Current				
General government	21,999	-	-	21,999
Parks and recreation	-	89,140	30,625	119,765
<b>TOTAL EXPENDITURES</b>	<b>21,999</b>	<b>89,140</b>	<b>30,625</b>	<b>141,764</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(100,264)</b>	<b>(101,500)</b>	<b>(56,517)</b>	<b>(258,281)</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(390,826)	-	-	(390,826)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(491,090)</b>	<b>(101,500)</b>	<b>(56,517)</b>	<b>(649,107)</b>
Fund balances, beginning of year	4,184,457	1,555,324	1,351,915	7,091,696
Fund balances, end of year	<u>\$ 3,693,367</u>	<u>\$ 1,453,824</u>	<u>\$ 1,295,398</u>	<u>\$ 6,442,589</u>

## NONMAJOR ENTERPRISE FUNDS

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

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

City of Kalamazoo  
Nonmajor Proprietary Funds  
COMBINING STATEMENT OF NET POSITION  
December 31, 2015

	Kalamazoo Municipal Golf Association	City Market	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 159,870	\$ 53,999	\$ 213,869
Due from management corporation	29,094	-	29,094
Total current assets	188,964	53,999	242,963
Noncurrent assets			
Capital assets not being depreciated	139,200	3,361	142,561
Capital assets, net of accumulated depreciation	1,206,697	54,789	1,261,486
Total noncurrent assets	1,345,897	58,150	1,404,047
<b>TOTAL ASSETS</b>	1,534,861	112,149	1,647,010
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts on refunding	3,488	-	3,488
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	8	8
Accrued interest payable	8,445	-	8,445
Due to other funds	-	460	460
Unearned revenue	131,425	-	131,425
Current portion of compensated absences	-	22	22
Current portion of long-term debt	224,840	-	224,840
Total current liabilities	364,710	490	365,200
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	31	31
Noncurrent portion of long-term debt	971,387	-	971,387
Total noncurrent liabilities	971,387	31	971,418
<b>TOTAL LIABILITIES</b>	1,336,097	521	1,336,618
<b>NET POSITION</b>			
Net investment in capital assets	153,158	58,150	211,308
Unrestricted	49,094	53,478	102,572
<b>TOTAL NET POSITION</b>	\$ 202,252	\$ 111,628	\$ 313,880

City of Kalamazoo

Nonmajor Proprietary Funds

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

Year Ended December 31, 2015

	Kalamazoo Municipal Golf Association	City Market	Total
OPERATING REVENUES			
Charges for services	\$ 1,676,382	\$ 19,520	\$ 1,695,902
Other	39,162	-	39,162
<b>TOTAL OPERATING REVENUES</b>	<b>1,715,544</b>	<b>19,520</b>	<b>1,735,064</b>
OPERATING EXPENSES			
Operation and maintenance	1,454,938	17,887	1,472,825
Depreciation	199,617	3,960	203,577
<b>TOTAL OPERATING EXPENSES</b>	<b>1,654,555</b>	<b>21,847</b>	<b>1,676,402</b>
<b>OPERATING INCOME (LOSS)</b>	<b>60,989</b>	<b>(2,327)</b>	<b>58,662</b>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	28	28
Interest expense and fiscal charges	(28,410)	-	(28,410)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(28,410)</b>	<b>28</b>	<b>(28,382)</b>
<b>CHANGE IN NET POSITION</b>	<b>32,579</b>	<b>(2,299)</b>	<b>30,280</b>
Restated net position, beginning of year	169,673	113,927	283,600
<b>Net position, end of year</b>	<b>\$ 202,252</b>	<b>\$ 111,628</b>	<b>\$ 313,880</b>



City of Kalamazoo

Nonmajor Proprietary Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Kalamazoo Municipal Golf Association	City Market	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 1,702,219	\$ 20,070	\$ 1,722,289
Cash paid to suppliers	(1,476,431)	(12,890)	(1,489,321)
Cash paid to employees	-	(1,292)	(1,292)
Cash paid for employee benefits	-	(1,307)	(1,307)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>225,788</b>	<b>4,581</b>	<b>230,369</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(90,273)	-	(90,273)
Interest paid	(23,675)	-	(23,675)
Proceeds from bond issuance	196,715	-	196,715
Payments on borrowings	(324,625)	-	(324,625)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(241,858)</b>	<b>-0-</b>	<b>(241,858)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	28	28
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(16,070)</b>	<b>4,609</b>	<b>(11,461)</b>
Cash and cash equivalents, beginning of year	175,940	49,390	225,330
Cash and cash equivalents, end of year	<u>\$ 159,870</u>	<u>\$ 53,999</u>	<u>\$ 213,869</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 60,989	\$ (2,327)	\$ 58,662
<b>Adjustments to reconcile operating loss to net cash provided by operating activities</b>			
Depreciation	199,617	3,960	203,577
<b>(Increase) decrease in:</b>			
Accounts receivable	-	550	550
Due from management corporation	(21,493)	-	(21,493)
Net pension asset	-	2,306	2,306
<b>Increase (decrease) in:</b>			
Accounts payable	-	8	8
Due to other funds	-	80	80
Unearned revenue	(13,325)	-	(13,325)
Compensated absences	-	4	4
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 225,788</u></b>	<b><u>\$ 4,581</u></b>	<b><u>\$ 230,369</u></b>

## 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 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 Board of Trustees.

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF NET POSITION

December 31, 2015

	Employees' Retirement System	Other Post- Employment Benefits	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 411,012	\$ 76,750	\$ 487,762
Investments			
U.S. Treasuries	71,968,941	11,121,649	83,090,590
U.S. Agencies	4,323,279	668,094	4,991,373
Corporate bonds	49,068,590	7,582,766	56,651,356
Collateralized mortgage obligations	20,322,949	3,140,587	23,463,536
Equity mutual funds	411,530,267	63,595,423	475,125,690
Real estate mutual funds	30,970,480	4,785,993	35,756,473
Receivables			
Interest and dividends	973,017	150,365	1,123,382
<b>TOTAL ASSETS</b>	<b>589,568,535</b>	<b>91,121,627</b>	<b>680,690,162</b>
<b>LIABILITIES</b>			
Accounts payable	41,474	730,978	772,452
<b>NET POSITION</b>			
Held in trust for benefits	<u>\$ 589,527,061</u>	<u>\$ 90,390,649</u>	<u>\$ 679,917,710</u>

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2015

	Employees' Retirement System	Other Post- Employment Benefits	Total
<b>ADDITIONS TO NET POSITION</b>			
Investment income			
Change in fair value of investments	\$ (24,387,321)	\$ (3,758,317)	\$ (28,145,638)
Interest and dividends	16,452,203	2,557,835	19,010,038
Total investment (loss)	(7,935,118)	(1,200,482)	(9,135,600)
Less investment expense	(2,039,399)	(285,470)	(2,324,869)
Net investment (loss)	(9,974,517)	(1,485,952)	(11,460,469)
Contributions			
Employer	1,602,053	91,296,479	92,898,532
Plan members	1,084,798	903,914	1,988,712
Total contributions	2,686,851	92,200,393	94,887,244
TOTAL ADDITIONS TO NET POSITION	(7,287,666)	90,714,441	83,426,775
<b>DEDUCTIONS FROM NET POSITION</b>			
Benefits	28,156,585	9,601,929	37,758,514
Refunds of contributions	200,115	-	200,115
Administrative expenses	125,770	44,320	170,090
Miscellaneous expenses	174,885	-	174,885
TOTAL DEDUCTIONS	28,657,355	9,646,249	38,303,604
CHANGE IN NET POSITION	(35,945,021)	81,068,192	45,123,171
Net position, beginning of year	625,472,082	9,322,457	634,794,539
Net position, end of year	\$ 589,527,061	\$ 90,390,649	\$ 679,917,710

## **AGENCY FUND**

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

City of Kalamazoo

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2015

	<u>Tax Collector's Fund</u>			
	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,718,240	\$ 81,802,964	\$ 81,907,966	\$ 10,613,238
Taxes receivable	28,892,187	64,247,886	59,299,310	33,840,763
Other receivables	2,979	47,246	50,225	-0-
	<u>39,613,406</u>	<u>146,098,096</u>	<u>141,257,501</u>	<u>44,454,001</u>
<b>TOTAL ASSETS</b>	<b>\$ 39,613,406</b>	<b>\$ 146,098,096</b>	<b>\$ 141,257,501</b>	<b>\$ 44,454,001</b>
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 992	\$ 21,030,290	\$ 21,027,744	\$ 3,538
Due to other governmental units	39,612,414	67,189,713	62,351,664	44,450,463
	<u>39,613,406</u>	<u>88,220,003</u>	<u>83,379,408</u>	<u>44,454,001</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 39,613,406</b>	<b>\$ 88,220,003</b>	<b>\$ 83,379,408</b>	<b>\$ 44,454,001</b>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2015

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,093,853
Investments	325,622
Receivables	
Accounts	317,162
Notes	702,155
Due from other governmental units	<u>437,171</u>
 TOTAL ASSETS	 <u><u>\$ 3,875,963</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 679,791
Due to other governmental units	66,855
Advance from other governmental units	<u>681,703</u>
 TOTAL LIABILITIES	 1,428,349
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	11,230
 <b>FUND BALANCE</b>	
Nonspendable	20,452
Committed	475,998
Unassigned	<u>1,939,934</u>
 TOTAL FUND BALANCE	 <u>2,436,384</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u><u>\$ 3,875,963</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2015

**Total fund balance - governmental fund** \$ 2,436,384

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 11,230

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Long-term liabilities at year-end consist of:

Compensated absences (14,956)

**Net position of governmental activities** \$ 2,432,658



City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2015

	<u>General</u>
REVENUES	
Taxes	\$ 1,444,780
Intergovernmental	862,656
Interest	4,960
Other	<u>43,350</u>
TOTAL REVENUES	2,355,746
EXPENDITURES	
Current	
Community and economic development	<u>2,165,419</u>
NET CHANGE IN FUND BALANCE	190,327
Fund balance, beginning of year	<u>2,246,057</u>
Fund balance, end of year	<u><u>\$ 2,436,384</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, 2015

**Net change in fund balance - governmental fund** \$ 190,327

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

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

Change in unavailable revenue (22,852)

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 809

**Change in net position of governmental activities** \$ 168,284

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2015

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 762,864
Accounts receivable	111,474
Due from other governmental units	<u>7,408</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 881,746</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 336,072
Due to other governmental units	<u>527,398</u>
<b>TOTAL LIABILITIES</b>	863,470
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	9,696
<b>FUND BALANCE</b>	
Unassigned	<u>8,580</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 881,746</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, 2015

**Total fund balance - governmental fund** \$ 8,580

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 9,696

**Net position of governmental activities** \$ 18,276

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2015

	<u>General</u>
REVENUES	
Taxes	\$ 641,801
EXPENDITURES	
Current	
Community and economic development	<u>604,404</u>
NET CHANGE IN FUND BALANCE	37,397
Fund (deficit), beginning of year	<u>(28,817)</u>
Fund balance, end of year	<u><u>\$ 8,580</u></u>

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2015

**Net change in fund balance - governmental fund** \$ 37,397

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

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

Change in unavailable revenue (198)

**Change in net position of governmental activities** \$ 37,199

# 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.

<b>Contents</b>	<b>Page</b>
Financial Trends	105-114
<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	115-118
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	119-126
<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	127-128
<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	129-135
<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	136-168

## NET POSITION BY COMPONENT

2006-2015  
(Unaudited)  
(Accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities				
Net investment in capital assets	\$ 109,408,557	\$ 114,330,019	\$ 117,057,211	\$ 116,294,415
Restricted	28,757,898	30,795,758	26,784,242	12,721,683
Unrestricted	<u>18,356,265</u>	<u>15,674,572</u>	<u>6,069,437</u>	<u>13,197,414</u>
Total governmental activities net position	<u>\$ 156,522,720</u>	<u>\$ 160,800,349</u>	<u>\$ 149,910,890</u>	<u>\$ 142,213,512</u>
Business-type activities				
Net investment in capital assets	\$ 152,082,594	\$ 154,384,778	\$ 154,535,045	\$ 143,501,852
Restricted	11,618,293	10,915,639	-	2,577,935
Unrestricted	<u>13,279,738</u>	<u>9,931,524</u>	<u>21,785,289</u>	<u>26,067,765</u>
Total business-type activities net position	<u>\$ 176,980,625</u>	<u>\$ 175,231,941</u>	<u>\$ 176,320,334</u>	<u>\$ 172,147,552</u>
Primary government				
Net investment in capital assets	\$ 261,491,151	\$ 268,714,797	\$ 271,592,256	\$ 259,796,267
Restricted	40,376,191	41,711,397	26,784,242	15,299,618
Unrestricted	<u>31,636,003</u>	<u>25,606,096</u>	<u>27,854,726</u>	<u>39,265,179</u>
Total primary government net position	<u>\$ 333,503,345</u>	<u>\$ 336,032,290</u>	<u>\$ 326,231,224</u>	<u>\$ 314,361,064</u>



Table 1

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 123,355,990	\$ 125,529,739	\$ 122,960,589	\$ 123,492,323	\$ 122,338,669	\$ 121,402,730
12,050,021	11,045,791	13,946,502	14,512,704	15,031,494	13,951,012
(8,666,188)	(22,606,617)	(35,131,160)	(42,557,926)	(46,283,678)	84,120,446
<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>
\$ 150,485,254	\$ 152,806,937	\$ 149,416,222	\$ 145,375,261	\$ 143,182,090	\$ 141,668,888
2,577,960	2,524,960	2,831,960	2,831,960	2,454,033	2,164,039
18,046,633	7,408,224	11,411,854	15,684,847	16,092,853	48,245,428
<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>
\$ 273,841,244	\$ 278,336,676	\$ 272,376,811	\$ 268,867,584	\$ 265,520,759	\$ 263,071,618
14,627,981	13,570,751	16,778,462	17,344,664	17,485,527	16,115,051
9,380,445	(15,198,393)	(23,719,306)	(26,873,079)	(30,190,825)	132,365,874
<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>

## CHANGES IN NET POSITION

2006-2015  
(Unaudited)  
(Accrual basis of accounting)

	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,491,807	\$ 3,370,219	\$ 11,449,623	\$ 8,805,148
Public safety	29,898,894	31,437,072	37,207,556	43,098,269
Public works	11,891,558	19,369,127	17,285,103	13,479,086
Community and economic development	5,578,544	5,685,485	7,505,930	6,430,431
Recreation and culture	2,749,809	3,093,331	2,099,090	2,554,547
Interest on long-term debt	3,091,454	2,986,121	2,957,164	2,792,089
Total governmental activities expenses	<u>59,702,066</u>	<u>65,941,355</u>	<u>78,504,466</u>	<u>77,159,570</u>
Business-type activities:				
Wastewater	20,370,767	20,240,292	20,584,823	22,079,492
Water	11,875,242	13,819,287	14,686,137	13,944,668
Other	40,649	44,672	49,291	48,805
Total business-type activities expenses	<u>32,286,658</u>	<u>34,104,251</u>	<u>35,320,251</u>	<u>36,072,965</u>
Total primary government expenses	<u>\$ 91,988,724</u>	<u>\$ 100,045,606</u>	<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 2,988,396	\$ 2,797,940	\$ -	\$ 5,094,411
Community development and planning	1,166,367	1,748,885	-	642,866
Other	1,085,864	1,310,053	-	616,485
Operating grants and contributions	13,439,433	15,685,545	12,966,562	12,915,313
Capital grants and contributions	393,565	661,968	151,241	21,686
Total governmental activities program revenues	<u>19,073,625</u>	<u>22,204,391</u>	<u>13,117,803</u>	<u>19,290,761</u>
Business-type activities:				
Charges for services				
Wastewater	17,996,945	15,941,791	21,201,437	18,220,534
Water	10,933,129	11,774,026	11,604,749	11,922,529
Other	45,611	45,071	50,244	52,059
Operating grants and contributions	1,010,733	962,170	451,421	-
Capital grants and contributions	3,618,003	3,965,417	2,959,418	2,599,746
Total business-type activities program revenues	<u>33,604,421</u>	<u>32,688,475</u>	<u>36,267,269</u>	<u>32,794,868</u>
Total primary government program revenues	<u>\$ 52,678,046</u>	<u>\$ 54,892,866</u>	<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>
Net (Expense) Revenue				
Governmental activities	\$(40,628,441)	\$ (43,736,964)	\$ (65,386,663)	\$ (57,868,809)
Business-type activities	<u>1,317,763</u>	<u>(1,415,776)</u>	<u>947,018</u>	<u>(3,278,097)</u>
Total primary government net expense	<u>\$ (39,310,678)</u>	<u>\$ (45,152,740)</u>	<u>\$ (64,439,645)</u>	<u>\$ (61,146,906)</u>

Table 2

2010	2011	2012	2013	2014	2015
\$ 9,371,185	\$ 8,471,082	\$ 10,168,516	\$ 8,416,014	\$ 9,930,643	\$ 8,766,309
43,495,846	45,215,879	36,120,760	36,060,961	34,662,862	41,688,680
13,814,938	20,094,540	16,862,523	18,023,279	17,534,605	17,745,839
8,746,176	15,666,823	8,667,696	5,056,773	4,718,105	6,429,186
3,223,463	3,182,766	2,781,196	2,589,433	3,054,139	2,026,717
2,672,721	2,717,822	2,378,583	2,169,930	2,189,831	4,626,913
<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>
22,825,084	23,435,464	21,769,136	22,461,092	22,214,421	21,637,512
14,946,226	15,415,808	14,525,327	14,019,746	14,617,217	16,069,239
44,230	135,204	67,778	1,616,741	1,638,861	1,704,812
<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>\$ 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>
\$ 4,731,626	\$ 11,900,982	\$ 10,614,076	\$ 10,880,322	\$ 11,316,006	\$ 10,972,764
246,453	1,240,353	1,069,568	1,525,283	1,471,008	1,668,372
733,970	1,023,442	975,170	1,029,481	1,052,534	1,241,443
15,255,631	20,982,518	15,765,684	11,661,313	12,679,339	13,957,992
868,221	1,163,643	655,181	5,744	6,618	43,390
<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>
19,085,813	18,178,855	20,484,471	21,111,243	20,758,450	19,819,546
12,759,940	12,451,401	14,583,205	13,480,979	12,948,883	14,348,122
58,832	67,287	91,621	1,628,563	1,566,381	1,695,902
-	238,233	266,929	212,011	155,215	90,507
4,001,255	3,308,895	1,733,898	1,834,883	870,240	3,154,597
<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>\$ 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>
\$ (59,488,428)	\$ (59,037,974)	\$ (47,899,595)	\$ (47,214,247)	\$ (45,564,680)	\$ (53,399,683)
(1,909,700)	(4,741,805)	797,883	170,100	(2,171,330)	(302,889)
<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>

## CHANGES IN NET POSITION - CONCLUDED

2006-2015  
(Unaudited)  
(Accrual basis of accounting)

	2006	2007	2008	2009
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
General revenues				
Property taxes	\$ 35,148,859	\$ 35,263,246	\$ 36,221,234	\$ 36,421,813
Grants and contributions not restricted to specific programs	10,967,559	10,243,913	10,548,626	8,968,211
Unrestricted investment earnings	1,757,763	2,038,489	1,382,472	1,999,482
Gain on sale of assets	-	-	-	-
Contributions to permanent funds	44,577	36,458	34,800	-
Other	-	-	-	60,947
Transfers - internal activities	-	432,487	(97,939)	(455,622)
Total governmental activities	<u>47,918,758</u>	<u>48,014,593</u>	<u>48,089,193</u>	<u>46,994,831</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	8,645	7,390	1,326	-
Unrestricted investment earnings	36,799	41,592	3,590	165,786
Gain on sale of assets	146,851	50,597	38,520	41,767
Other	-	-	-	572,923
Transfers - internal activities	-	(432,487)	97,939	455,622
Special item - loss on sale of capital assets/inventory	-	-	-	-
Total business-type activities	<u>192,295</u>	<u>(332,908)</u>	<u>141,375</u>	<u>1,236,098</u>
Total primary government	<u>\$ 48,111,053</u>	<u>\$ 47,681,685</u>	<u>\$ 48,230,568</u>	<u>\$ 48,230,929</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 7,290,317	\$ 4,277,629	\$ (17,297,470)	\$ (10,873,978)
Business-type activities	<u>1,510,058</u>	<u>(1,748,684)</u>	<u>1,088,393</u>	<u>(2,041,999)</u>
Total primary government	<u>\$ 8,800,375</u>	<u>\$ 2,528,945</u>	<u>\$ (16,209,077)</u>	<u>\$ (12,915,977)</u>

Table 2

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 34,292,608	\$ 33,313,845	\$ 30,457,012	\$ 31,011,014	\$ 31,834,240	\$ 32,085,449
8,669,650	8,063,444	7,939,441	8,851,208	8,441,077	8,505,032
1,411,281	206,017	1,285,649	1,438,503	672,910	74,925
-	6,270	-	7,800	74,590	31,638
-	-	-	-	-	-
304,588	900,135	824,508	219,059	167,497	118,374
<u>(663,388)</u>	<u>3,777,353</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
<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>
-	-	-	-	-	-
28,161	32,163	41,803	48,810	56,253	111,566
7,418	6,346	4,450	168,408	(98,631)	-
173,028	110,923	75,779	170,578	50,616	105,932
663,388	(3,777,353)	-	50,000	-	-
-	-	-	-	-	-
<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>\$ 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>
\$ (15,473,689)	\$ (12,770,910)	\$ (7,392,985)	\$ (5,736,663)	\$ (4,360,616)	\$ (12,584,265)
<u>(1,037,705)</u>	<u>(8,369,726)</u>	<u>919,915</u>	<u>607,896</u>	<u>(2,163,092)</u>	<u>(85,391)</u>
<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>

## FUND BALANCES

## GOVERNMENTAL FUNDS

2006-2015  
(Unaudited)  
(Modified accrual basis of accounting)

	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 600,835	\$ 673,046	\$ 756,760	\$ 504,595	\$ 504,164
Unreserved	5,554,688	4,617,629	3,461,861	4,740,113	3,881,019
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 6,155,523</u>	<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>
All other governmental funds					
Reserved	\$ 9,177,854	\$ 12,935,798	\$ 9,410,736	\$ 10,641,923	\$ 12,011,218
Unreserved, reported in:					
Special revenue funds	4,006,455	4,141,477	4,241,786	4,874,600	5,028,383
Debt service funds	248,595	210,130	124,551	127,942	91,569
Capital project funds	7,897,735	3,751,120	3,934,958	3,847,713	1,994,543
Permanent funds	2,610,660	2,658,294	1,195,345	1,956,373	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Total all other governmental funds	<u>\$ 23,941,299</u>	<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>

Table 3

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
730,673	626,548	637,833	1,339,401	1,212,622
3,504,897	3,503,397	922,527	403,248	3,459,061
<u>5,325,787</u>	<u>3,557,092</u>	<u>3,921,706</u>	<u>5,975,442</u>	<u>6,533,218</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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
13,522,951	8,698,303	7,774,612	7,286,926	5,628,997
7,509,890	8,419,230	9,264,935	10,133,623	9,337,109
<u>1,660,542</u>	<u>2,756,697</u>	<u>2,864,507</u>	<u>1,660,293</u>	<u>1,741,297</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>

## CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

2006-2015  
(Unaudited)  
(Modified accrual basis of accounting)

	2006	2007	2008	2009
<b>Revenues</b>				
Property taxes and special assessments	\$ 34,508,937	\$ 35,199,103	\$ 35,569,119	\$ 37,997,860
Licenses and permits	1,937,580	2,077,407	1,951,085	1,770,824
Intergovernmental revenue	20,120,520	21,082,782	20,762,621	19,150,714
Charges for services	1,599,259	1,417,088	1,582,665	5,289,988
Fines and forfeits	241,075	288,650	279,435	326,755
Interest and rents	4,936,149	5,310,737	4,507,507	3,989,784
Net investment earnings	660,122	(22,516)	(1,858,775)	1,207,786
Other revenue	7,580,521	7,650,248	6,696,145	1,699,387
<b>Total revenues</b>	<b>71,584,163</b>	<b>73,003,499</b>	<b>69,489,802</b>	<b>71,433,098</b>
<b>Expenditures</b>				
Current Expenditures:				
General government	9,543,763	9,992,094	10,767,415	7,300,485
Public safety	30,547,482	33,513,942	33,718,520	34,409,853
Public works	12,964,423	13,413,733	12,038,364	11,703,326
Community and economic development	5,692,502	5,743,272	6,921,457	5,803,640
Recreation and culture	2,587,159	2,971,644	2,820,672	2,598,348
Other	169,271	50,000	-	1,184,639
Debt service:				
Principal	5,067,709	5,206,300	4,997,000	5,245,000
Interest and fiscal charges	2,912,669	2,930,686	2,932,497	2,796,889
Capital outlay	5,125,701	5,692,545	5,264,042	1,869,810
<b>Total expenditures</b>	<b>74,610,679</b>	<b>79,514,216</b>	<b>79,459,967</b>	<b>72,911,990</b>
Excess (deficiency) of revenues over expenditures	(3,026,516)	(6,510,717)	(9,970,165)	(1,478,892)
Other financing sources (uses)				
Transfers in	10,001,607	11,474,277	8,280,263	8,772,072
Transfers out	(10,758,458)	(11,041,790)	(8,378,202)	(8,272,072)
Proceeds from the sale of capital assets	36,705	274,136	32,020	-
Issuance of long-term debt	7,110,000	4,715,000	4,165,000	4,585,000
Issuance of OPEB debt	-	-	-	-
Payments to advance refunding escrow agent	-	-	-	-
Bond premium (discount)	23,732	(20,235)	9,587	(38,846)
<b>Total other financing sources (uses)</b>	<b>6,413,586</b>	<b>5,401,388</b>	<b>4,108,668</b>	<b>5,046,154</b>
Special items				
Contribution to OPEB trust	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 3,387,070</b>	<b>\$ (1,109,329)</b>	<b>\$ (5,861,497)</b>	<b>\$ 3,567,262</b>
Debt service as a percentage of noncapital expenditures	12.5%	11.8%	11.3%	11.7%



Table 4

2010	2011	2012	2013	2014	2015
\$ 35,071,496	\$ 35,163,954	\$ 32,665,097	\$ 31,172,950	\$ 31,922,256	\$ 32,258,838
1,867,123	1,897,096	1,641,248	2,060,482	2,183,405	2,464,874
22,470,227	28,241,290	22,421,096	18,992,137	19,362,091	20,836,848
5,622,676	10,318,577	9,022,197	9,173,002	9,571,894	10,283,027
296,200	642,680	280,426	262,385	529,900	222,239
3,429,583	3,304,621	3,219,392	2,936,162	2,568,116	2,064,308
780,472	(370,143)	688,741	1,053,215	191,328	(349,763)
1,668,632	1,474,703	1,902,634	1,129,797	1,434,156	1,363,588
<u>71,206,409</u>	<u>80,672,778</u>	<u>71,840,831</u>	<u>66,780,130</u>	<u>67,763,146</u>	<u>69,143,959</u>
7,169,369	7,618,751	7,255,900	6,615,189	6,643,957	7,194,591
34,804,767	35,476,959	32,805,831	32,188,577	32,709,081	29,206,949
11,981,237	16,122,984	14,588,245	14,955,973	14,961,783	14,532,464
7,763,530	14,182,010	8,562,088	4,682,899	4,653,737	5,410,168
2,806,451	2,806,756	2,359,248	2,129,592	2,222,040	2,133,438
2,761,908	2,560,728	3,161,774	2,793,985	2,254,801	2,261,078
5,125,000	5,510,000	5,650,000	5,928,958	5,606,130	6,023,928
2,721,982	2,757,767	2,378,365	2,332,509	2,211,867	4,423,291
2,861,401	3,408,241	1,338,386	2,123,126	1,595,160	2,546,759
<u>77,995,645</u>	<u>90,444,196</u>	<u>78,099,837</u>	<u>73,750,808</u>	<u>72,858,556</u>	<u>73,732,666</u>
(6,789,236)	(9,771,418)	(6,259,006)	(6,970,678)	(5,095,410)	(4,588,707)
10,646,777	16,291,542	11,821,576	11,376,270	11,702,851	13,303,995
(9,962,957)	(9,009,217)	(9,887,596)	(10,485,854)	(9,389,594)	(12,778,406)
-	-	-	-	-	-
2,855,000	12,910,000	4,400,000	4,000,000	5,510,000	21,035,000
-	-	-	-	-	66,995,633
-	(8,051,763)	-	-	(1,336,964)	(16,821,549)
68,053	145,167	31,550	80,115	21,930	933,117
<u>3,606,873</u>	<u>12,285,729</u>	<u>6,365,530</u>	<u>4,970,531</u>	<u>6,508,223</u>	<u>72,667,790</u>
-	-	-	-	-	(66,965,712)
<u>\$ (3,182,363)</u>	<u>\$ 2,514,311</u>	<u>\$ 106,524</u>	<u>\$ (2,000,147)</u>	<u>\$ 1,412,813</u>	<u>\$ 1,113,371</u>
11.6%	10.0%	10.9%	12.1%	11.4%	15.6%

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				
2006	\$ 1,393,452,901	\$ 225,841,898	\$ 23,178,428	\$ 1,642,473,227	21.9049	\$ 3,841,553,300	42.8%
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205	3,952,364,600	43.4%
2008	1,502,840,795	218,611,900	31,002,494	1,752,455,189	21.8205	4,016,038,212	43.6%
2009	1,484,940,414	228,339,500	34,292,423	1,747,572,337	20.8205	3,795,628,106	46.0%
2010	1,407,653,177	226,482,900	55,290,258	1,689,426,335	21.4205	3,653,847,390	46.2%
2011	1,363,745,396	225,838,500	57,115,455	1,646,699,351	21.4205	3,528,848,624	46.7%
2012	1,275,001,407	221,212,200	56,471,112	1,552,684,719	21.4205	3,224,039,828	48.2%
2013	1,260,004,911	223,183,160	45,132,312	1,528,320,383	21.4205	3,160,534,680	48.4%
2014	1,269,889,280	202,698,640	53,340,534	1,525,928,454	21.4205	3,227,882,104	47.3%
2015	1,293,261,250	209,982,700	53,831,794	1,557,075,744	21.4205	3,310,022,160	47.0%

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, 2015. 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 2015 roll by \$575,281.

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	Total City Millage (A)	Kalamazoo Public Schools (B)	County	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
2006	19.1606	1.7500	0.9943	21.9049	23.3500	6.5862	6.0000	4.5416	2.8135	3.9583	69.1545	51.1545
2007	19.2705	1.5500	1.0000	21.8205	23.3500	6.7162	6.0000	4.5416	2.8135	3.9583	69.2001	51.2001
2008	19.2705	1.5500	1.0000	21.8205	23.3500	6.3312	6.0000	4.8316	2.8135	3.9583	69.1051	51.1051
2009	19.2705	1.5500	0.0000	20.8205	23.3500	6.7212	6.0000	4.8316	2.8135	3.9583	68.4951	50.4951
2010	19.2705	1.5500	0.6000	21.4205	23.3500	6.7412	6.0000	4.8566	2.8135	3.9583	69.1401	51.1401
2011	19.2705	1.5500	0.6000	21.4205	23.3500	6.7555	6.0000	4.8616	2.8135	3.9583	69.1594	51.1594
2012	19.2705	1.5500	0.6000	21.4205	24.2500	6.7596	6.0000	4.8666	2.8135	3.9583	70.0685	52.0685
2013	19.2705	1.5500	0.6000	21.4205	24.9500	6.7695	6.0000	4.8916	2.8135	3.9583	70.8034	52.8034
2014	19.2705	1.5500	0.6000	21.4205	24.9500	6.7695	6.0000	4.8916	2.8135	3.9583	70.8034	52.8034
2015	19.2705	1.5500	0.6000	21.4205	24.9500	6.8890	6.0000	6.4066	2.8135	3.9583	72.4379	54.4379

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, 2015 ranged from \$23.0000 to 25.7500 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.

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago  
(Unaudited)

Taxpayer	Industry	2015			Rank	(B) Percent of Total	2005 (C)		
		Taxable Value of Property					Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Zoetis	Pharmaceuticals	\$ 64,898,777	\$ 4,245,700	\$ 69,144,477	1	4.44%	\$ 127,303,564	1	8.07%
Graphic Packaging	Paper Products	30,069,716	17,410,800	47,480,516	2	3.05%	31,572,492	2	2.00%
Consumer's Energy	Utility	44,086,939	-	44,086,939	3	2.83%	25,708,115	3	1.63%
Catalyst Development	Real Estate	23,251,549	-	23,251,549	4	1.49%	20,414,847	4	1.29%
Fabri-Kal Corporation	Plastics production, design	4,069,416	12,301,412	16,370,828	5	1.05%	-		0.00%
Plaza Corp Properties	Healthcare services, property holdings	14,602,258	-	14,602,258	6	0.94%	-		0.00%
Cytec Industries Inc	Retirement Community	6,553,305	5,185,600	11,738,905	7	0.75%	-		0.00%
MIMG LXVI Drakes Pond, LLC	Rental Properties	11,582,600	-	11,582,600	8	0.74%	12,703,059	6	0.80%
Lifecare (Friendship Village)	Apartment complexes	10,705,019	-	10,705,019	9	0.69%	9,526,178	8	0.60%
Bronson Hospital	Aerospace Manufacturer	10,320,755	-	10,320,755	10	0.66%	10,591,962	7	0.67%
Former Top 10 Taxpayers	various						30,811,968	5,9,10	1.95%
		<u>\$ 220,140,334</u>	<u>\$ 39,143,512</u>	<u>\$ 259,283,846</u>		<u>16.64%</u>	<u>\$ 268,632,185</u>		<u>17.01%</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 \$1,557,075,744 for the year ending December 31, 2015 includes the taxable value of property granted tax abatement under Act 198 and board adjustments through April 8, 2015. See Table 5 for data on taxable values.
- (C) Values are the basis for the 2005 Assessment Roll and the 2005 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,578,415,384.

## PROPERTY TAX LEVIES AND COLLECTIONS

## General Property Tax Levy

Last Ten Years  
(Unaudited)

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B)		
				Collection Subsequent to the Year of Tax Levy	Percent of Total Collections to Tax Levy	
				Total Collections		
2006	\$ 30,861,994	\$ 26,574,222	86.11%	\$ 4,205,989	\$ 30,780,211	99.74%
2007	32,254,963	27,691,394	85.85%	4,485,387	32,176,781	99.76%
2008	32,525,352	28,058,610	86.27%	4,391,795	32,450,405	99.77%
2009	33,379,476	30,786,313	92.23%	2,524,205	33,310,518	99.79%
2010	31,984,275	29,781,694	93.11%	2,147,388	31,929,082	99.83%
2011	31,198,694	29,212,109	93.63%	1,933,122	31,145,231	99.83%
2012	29,256,743	27,505,148	94.01%	1,687,249	29,192,397	99.78%
2013	28,847,614	27,356,314	94.83%	1,414,475	28,770,789	99.73%
2014	28,827,524	27,525,133	95.48%	1,052,663	28,577,796	99.13%
2015	29,455,095	27,894,844	94.70%	-	27,894,844	94.70%

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

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

(B) Data totals for Tax Years 2005 through 2008 are frozen as of 12-31-09 due to a change in methodology for collecting these delinquent taxes. All real property taxes (excluding Buildings on Leased Land) for these years were turned over to the County of Kalamazoo for collection rather than continuing to be retained by the city for that purpose. Data totals for Tax Year 2015 are current through 12-31-15.

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	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts			
2006	\$ 50,920,000	\$ 9,805,000	\$ 433,300	\$ 335,000	\$ -	\$ 23,735,000	\$ -	\$ 85,228,300	4.40%	\$ 1,105
2007	48,070,000	12,480,000	167,000	285,000	-	24,215,000	-	85,217,000	4.85%	1,173
2008	48,765,000	11,090,000	80,000	235,000	-	22,755,000	-	82,925,000	4.35%	1,142
2009	49,590,000	9,735,000	-	185,000	-	31,490,000	-	91,000,000	5.10%	1,250
2010	48,785,000	8,325,000	-	140,000	-	29,800,000	-	87,050,000	4.78%	1,172
2011	49,640,000	6,905,000	-	95,000	-	28,155,000	-	84,795,000	4.66%	1,142
2012	49,750,000	5,595,000	-	45,000	-	32,500,000	-	87,890,000	6.41%	1,176
2013	48,368,335	4,240,000	-	-	951,665	30,405,000	-	83,965,000	6.08%	1,118
2014	48,167,205	3,035,000	-	-	972,795	28,105,000	-	80,280,000	5.75%	1,063
2015	114,826,026	2,305,000	-	-	19,747,705	28,655,000	-	165,533,731	11.44%	2,220

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) and therefore are excluded from this schedule to demonstrate the burden of principal balances.
- (C) See the Schedule of Demographic and Economic Statistics at Table 14 for personal income and population data.

## 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)
2006	\$ 50,920,000	\$ 89,319	\$ 50,830,681	1.49%	\$ 658.90
2007	48,070,000	46,450	48,023,550	1.35%	661.14
2008	48,765,000	48,270	48,716,730	1.33%	670.69
2009	49,590,000	127,942	49,462,058	1.29%	679.19
2010	48,775,000	49,257	48,725,743	1.23%	656.13
2011	49,640,000	61,469	49,578,531	1.23%	667.62
2012	49,750,000	237,326	49,512,674	1.30%	662.44
2013	49,320,000	61,851	49,258,149	1.35%	655.97
2014	49,140,000	62,266	49,077,734	1.36%	649.62
2015	134,573,731	59,966	134,513,765	4.06%	1,771.74

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

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2015  
(Unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 3,783,000	13.00%	\$ 491,790
Kalamazoo School District	167,305,000	58.27%	97,488,624
Parchment School District	36,752,902	0.97%	356,503
Portage School District	101,800,000	1.53%	1,557,540
Kalamazoo County	37,304,246	18.46%	6,886,364
Kalamazoo Intermediate School District	14,525,000	20.18%	2,931,145
Kalamazoo Library District	9,835,000	18.33%	1,802,756
<b>Total overlapping debt</b>	<b><u>\$ 371,305,148</u></b>		<b><u>\$ 111,514,722</u></b>

**Direct:**

	<u>Gross Debt</u>
General obligation bonds:	
Building Authority	\$ 18,681,943
Downtown Development	1,320,000
Capital improvement	28,952,567
OPEB	88,915,000
Revenue bonds	
Michigan Transportation Fund	2,305,000
<b>Total direct debt</b>	<b><u>\$ 140,174,510</u></b>
<b>Total net direct and overlapping debt of governmental activities</b>	<b><u>\$ 251,689,232</u></b>

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

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



## COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2015  
(Unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,595,505,852
Tax abated property	28,476,200
Revenue Sharing	<u>399,357,765</u>
<b>Total State Equalized Value (SEV)</b>	<u><u>\$ 2,023,339,817</u></u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
<b>Legal Limitation</b>	<u><u>\$ 202,333,982</u></u>
Debt Obligations of the Primary Government (B)	\$ 168,535,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (28,655,000)
Michigan Transportation Fund Bonds	<u>(2,305,000)</u>
	(30,960,000)
<b>Total Debt of the City Subject to Limitation</b>	<u><u>\$ 137,575,000</u></u>
<b>LEGAL DEBT MARGIN</b>	<u><u>\$ 64,758,982</u></u>

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

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

(A) State equalized assessed property values are assessed at December 31, 2014 for the basis of the year ending December 31, 2015 tax levy. See supplemental Schedule of State Equalized Value at Table 22 for property value data.

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

## LEGAL DEBT MARGIN HISTORICAL INFORMATION

Last Ten Years  
(Unaudited)

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2006	\$ 191,839,442	\$ 51,535,300	\$ 140,304,142	26.9%
2007	195,978,550	48,237,000	147,741,550	24.6%
2008	198,924,061	48,845,000	150,079,061	24.6%
2009	195,978,550	49,590,000	146,388,550	25.3%
2010	178,041,985	48,775,000	129,266,985	27.4%
2011	172,045,531	49,640,000	122,405,531	28.9%
2012	152,641,528	49,750,000	102,891,528	32.6%
2013	150,241,644	49,320,000	100,921,644	32.8%
2014	197,332,997	49,140,000	148,192,997	24.9%
2015	202,333,982	137,575,000	64,758,982	68.0%

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

## PLEDGED-REVENUE COVERAGE

Last Ten Years  
(Unaudited)

<b>Michigan Transportation Revenue Bonds (A)</b>					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
2006	\$ 5,278,013	\$ 1,590,000	\$ 466,840	\$ 2,056,840	2.57
2007	5,245,597	1,185,000	400,901	1,585,901	3.31
2008	5,017,964	1,390,000	540,732	1,930,732	2.60
2009	4,868,269	1,355,000	445,145	1,800,145	2.70
2010	4,880,147	1,410,000	388,805	1,798,805	2.71
2011	4,983,054	1,480,000	319,935	1,799,935	2.77
2012	5,104,738	1,310,000	222,420	1,532,420	3.33
2013	5,210,499	1,355,000	176,264	1,531,264	3.40
2014	5,314,650	1,205,000	132,808	1,337,808	3.97
2015	5,562,139	730,000	104,293	834,293	6.67

<b>Special Assessment Bonds (B)</b>					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
2006	\$ 61,480	\$ 45,000	\$ 19,210	\$ 64,210	0.96
2007	50,887	50,000	17,139	67,139	0.76
2008	18,848	50,000	14,380	64,380	0.29
2009	14,591	50,000	11,980	61,980	0.24
2010	16,334	45,000	9,530	54,530	0.30
2011	38,955	45,000	7,280	52,280	0.75
2012	4,122	50,000	4,985	54,985	0.07
2013	2,438	45,000	2,385	47,385	0.05
2014	237	-	-	-	-
2015	-	-	-	-	-

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

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

(B) Special assessment bonds were issued in 1999.

PLEDGED-REVENUE COVERAGE - CONCLUDED

Last Ten Years  
(Unaudited)

	Wastewater System Revenue Bonds									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues (C)										
Operating Revenues	\$ 18,005,527	\$ 15,949,058	\$ 21,202,678	\$ 18,302,929	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376	\$ 21,113,101	\$ 20,758,450	\$ 19,819,546
Interest Revenue	639,428	594,163	288,958	155,562	(4,039)	20,167	30,564	36,474	41,072	82,258
Intergovernmental	-	-	-	-	-	50,628	50,044	46,020	55,906	13,521
<b>Total Revenues</b>	<b>18,644,955</b>	<b>16,468,896</b>	<b>17,491,460</b>	<b>20,368,388</b>	<b>20,667,651</b>	<b>18,277,881</b>	<b>20,568,984</b>	<b>21,195,595</b>	<b>20,855,428</b>	<b>19,915,325</b>
Direct Operating Expenses (D)										
Operation and Maintenance (O&M)	16,337,479	15,896,890	15,588,587	17,932,573	18,852,129	18,947,736	17,199,488	17,260,718	17,305,246	16,261,847
Other Post Employment Benefits (OPEB)	-	-	-	-	-	-	-	-	-	-
OPEB Debt Service										
Principal	-	-	-	-	-	-	-	-	-	224,196
Interest	-	-	-	-	-	-	-	-	-	342,432
Less: Net OPEB in O&M	-	-	-	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)	(642,212)	(404,370)	(1,358,067)
Add: OPEB Contributions Made (E)	-	-	-	-	-	-	-	-	-	-
Less:										
Payment in Lieu of Taxes	(586,070)	(611,381)	(627,809)	(659,336)	(649,932)	(656,772)	(680,148)	(691,464)	(703,596)	(718,176)
<b>Total Direct Operating Expenses</b>	<b>15,751,409</b>	<b>15,285,509</b>	<b>14,960,778</b>	<b>15,883,114</b>	<b>16,481,249</b>	<b>16,437,346</b>	<b>15,751,206</b>	<b>15,927,042</b>	<b>16,197,280</b>	<b>14,752,232</b>
<b>Net Available Revenue</b>	<b>2,893,546</b>	<b>1,183,387</b>	<b>2,530,682</b>	<b>4,485,274</b>	<b>4,186,402</b>	<b>1,840,535</b>	<b>4,817,778</b>	<b>5,268,553</b>	<b>4,658,148</b>	<b>5,163,093</b>
Debt Service										
Principal	195,000	200,000	210,000	220,000	330,000	310,000	295,000	495,000	595,000	660,000
Interest	185,123	177,810	170,010	161,610	254,199	302,267	211,699	494,608	355,092	352,909
<b>Total Debt Service</b>	<b>380,123</b>	<b>377,810</b>	<b>380,010</b>	<b>381,610</b>	<b>584,199</b>	<b>612,267</b>	<b>506,699</b>	<b>989,608</b>	<b>950,092</b>	<b>1,012,909</b>
<b>Coverage</b>	<b>7.61</b>	<b>3.13</b>	<b>6.66</b>	<b>11.75</b>	<b>7.17</b>	<b>3.01</b>	<b>9.51</b>	<b>5.32</b>	<b>4.90</b>	<b>5.10</b>

	Water System Revenue Bonds									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues (C)										
Operating Revenues	\$ 11,000,811	\$ 11,793,782	\$ 11,675,879	\$ 12,018,699	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342	\$ 13,560,159	\$ 12,976,357	\$ 14,402,391
Interest Revenue	303,686	348,374	91,418	6,710	28,312	11,916	11,179	12,316	15,160	29,280
Intergovernmental	-	-	-	-	-	187,605	216,885	165,991	99,309	76,986
<b>Total Revenues</b>	<b>11,304,497</b>	<b>12,142,156</b>	<b>11,767,297</b>	<b>12,025,409</b>	<b>12,900,339</b>	<b>12,725,708</b>	<b>14,837,406</b>	<b>13,738,466</b>	<b>13,090,826</b>	<b>14,508,657</b>
Direct Operating Expenses (D)										
Operation and Maintenance (O&M)	8,396,955	9,930,265	10,546,477	10,500,491	10,888,856	10,877,839	9,802,781	9,715,638	10,565,861	11,791,040
Other Post Employment Benefits (OPEB)	-	-	-	-	-	-	-	-	-	-
OPEB Debt Service										
Principal	-	-	-	-	-	-	-	-	-	205,428
Interest	-	-	-	-	-	-	-	-	-	313,767
Less: Net OPEB in O&M	-	-	-	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)	(565,523)	(427,422)	(1,085,887)
Add: OPEB Contributions Made (E)	-	-	-	-	-	-	-	-	-	-
Less:										
Payment in Lieu of Taxes	(487,000)	(506,500)	(520,110)	(546,229)	(538,440)	(544,104)	(563,472)	(572,844)	(582,900)	(584,724)
<b>Total Direct Operating Expenses</b>	<b>7,909,955</b>	<b>9,423,765</b>	<b>10,026,367</b>	<b>8,730,146</b>	<b>8,835,002</b>	<b>8,701,480</b>	<b>8,562,824</b>	<b>8,577,271</b>	<b>9,555,539</b>	<b>10,639,624</b>
<b>Net Available Revenue</b>	<b>3,394,542</b>	<b>2,718,391</b>	<b>1,740,930</b>	<b>3,295,263</b>	<b>4,065,337</b>	<b>4,024,228</b>	<b>6,274,582</b>	<b>5,161,195</b>	<b>3,535,287</b>	<b>3,869,033</b>
Debt Service										
Principal	1,050,000	1,220,000	1,250,000	1,315,000	1,360,000	1,425,000	1,351,351	1,600,000	1,675,000	1,825,000
Interest	845,568	821,500	918,596	859,744	1,150,010	1,247,232	1,255,318	968,005	798,448	651,950
<b>Total Debt Service</b>	<b>1,895,568</b>	<b>2,041,500</b>	<b>2,168,596</b>	<b>2,174,744</b>	<b>2,510,010</b>	<b>2,672,232</b>	<b>2,606,669</b>	<b>2,568,005</b>	<b>2,473,448</b>	<b>2,476,950</b>
<b>Coverage</b>	<b>1.79</b>	<b>1.33</b>	<b>0.80</b>	<b>1.52</b>	<b>1.62</b>	<b>1.51</b>	<b>2.41</b>	<b>2.01</b>	<b>1.43</b>	<b>1.56</b>

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

- (C) 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.
- (D) 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.
- (E) 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.

## DOWNTOWN DEVELOPMENT AUTHORITY

## PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE

December 31, 2015  
(Unaudited)

Year	Tax Increment Revenues Available for Operations and the Bonds	2011 Downtown Development Refunding Bonds			Total Authority Debt Service	Debt Service Coverage
		PRINCIPAL (4/1)	RATE	INTEREST (4/1 & 10/1)		
2014	\$ 1,251,946	\$ 385,000	2.50%	\$ 67,513	\$ 452,513	2.77
2015	1,344,871	400,000	3.00%	56,700	456,700	2.94
2016	1,398,580	420,000	3.50%	43,350	463,350	3.02
2017	1,548,861	450,000	4.00%	27,000	477,000	3.25
2018	1,621,699	450,000	4.00%	9,000	459,000	3.53
		<u>\$ 2,105,000</u>		<u>\$ 203,563</u>	<u>\$ 2,308,563</u>	

Source: 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
2006	77,145	\$ 25,089	\$ 1,935,490,905	26.1	15,800	7.2%
2007	72,637	24,180	1,756,362,892	26.1	15,150	8.6%
2008	72,637	26,241	1,906,069,914	26.2	16,688	13.4%
2009	72,825	24,517	1,785,459,351	26.2	15,851	13.9%
2010	74,262	24,517	1,820,690,455	24.7	15,598	11.3%
2011	74,262	24,517	1,820,690,455	24.7	15,964	7.7%
2012	74,743	18,348	1,371,384,564	26.2	12,216	7.3%
2013	75,092	18,402	1,381,842,984	26.2	12,216	7.4%
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%

## Data Sources:

- (A) United States Census Bureau. Based on 2014 Census estimates.
- (B) City of Kalamazoo, Management Services Department. Michigan.gov
- (C) Michigan Department of Labor and Economic Growth - Office of Labor Market Information  
See the Schedule of Employment Statistics at Table 27 for employment data.

Note: Population and median age are based on the most current available census data. Personal income information is an estimate based on the per capita income of the Kalamazoo County. Unemployment rate information is an unadjusted annual rate for the City of Kalamazoo as included in Table 27. School enrollment is based on student counts in 2010.

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago  
(Unaudited)

Company	Principal Product or Service	2015			2005		
		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	4,779	1	3.7%	3,000	3	2.4%
Borgess Medical Center	Health Care	4,201	2	3.3%	2,440	5	1.9%
Western Michigan University	Education	4,045	3	3.2%	3,500	2	2.7%
Pfizer Corporation	Pharmaceuticals	3,200	4	2.5%	5,700	1	4.5%
Kalamazoo Public Schools	Education	2,220	5	1.7%	2,100	6	1.6%
Stryker Corporation	Medical Equipment	2,089	6	1.6%	1,400	7	1.1%
PNC Bank	Banking Services	1,700	7	1.3%	-	-	0.0%
MPI Research	Toxicology Contract & Research	1,600	8	1.3%	1,000	12	0.8%
Meijer, Inc.	Retail Goods & Household Products	1,500	9	1.2%	1,200	9	0.9%
Summit Polymers	Auto Supplier - Interior Trim	1,200	10	0.9%	1,200	8	0.9%
Total		26,534		20.7%	21,540		16.8%

Sources:

Kalamazoo Regional Chamber of Commerce

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

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

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years  
(Unaudited)

Function/Program	Full-time Equivalent Employees (A)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	74	74	74	75	65	75	65	60	60	59
Public safety	296	301	301	301	287	287	290	262	257	259
Economic development	7	6	6	6	6	6	5	4	4	4
Community development and planning	41	40	40	40	39	40	37	36	30	30
Parks and recreation	20	19	19	19	18	18	22	14	14	14
Public works	44	50	49	44	43	42	47	39	37	37
Streets	28	33	33	33	30	35	28	27	23	25
Wastewater	111	103	90	94	87	87	84	64	67	68
Water	88	85	85	79	76	61	63	50	51	47
<b>Total</b>	<b>709</b>	<b>711</b>	<b>697</b>	<b>691</b>	<b>651</b>	<b>651</b>	<b>641</b>	<b>556</b>	<b>543</b>	<b>543</b>

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

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



## OPERATING INDICATORS BY FUNCTION

Last Ten Years  
(Unaudited)

	2006	2007	2008
General Government:			
Assessors:			
Number of real property parcels	24,404	24,404	22,848
Cost to assess real property - per parcel	\$16.21	\$16.21	\$17.29
Revenue gained per real property parcel for new development	\$11.37	\$11.37	\$11.00
Number of personal property accounts	3,030	3,030	3,180
Cost to assess personal property - per parcel	\$38.38	\$38.38	\$37.18
New personal property accounts	270	270	150
Cost savings due to office realignment - per period			
Treasury:			
Percent of City operation tax collected at year end	85%	85%	84%
Average rate of return on investments	4.85%	4.95%	T-Bill + 22 basis pts
Public Safety:			
Fire safety:			
Number of residential fires/Number of fatal fires	103/1	120 / 1	140 / 1
Number of fire inspections completed	2,700	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):			
Number of investigations	933	979	989
Number of arrests (includes warrants)	923	724	704
Operations:			
Number of calls for service	88,259	93,444	96,603
Number of persons arrested	10,580	9,850	8,975
Traffic citations issued	34,262	35,070	30,567
Traffic accidents / OUIL Arrests	3,479 / 240	3,123 / 312	3,001 / 373
Economic development:			
Number of tax exempt acres redeveloped	6.35	1.2	34.4
Private investment leveraged / jobs created	\$34,218 / 101	\$3,100,000 / 50	\$17,000,000 / 82
New taxable value added to the City	\$13,623,641	\$812,500	\$4,200,000
Community development and planning:			
Number of housing inspections	14,491	14,828	14,357
Number of rental units inspected/reinspected	13,000	N/A	N/A
Number of rental units certified	7,245	N/A	N/A
Zoning enforcement actions	240	245	216
Number of persons impacted by housing-related grant award activities	2,277	820	2,452
Parks and recreation:			
Number of park reservations and public events	190	190	196
Number of family programs	14	14	12
Number of people served through family programs	10,425	10,425	7,311
Number of youth development programs	43	43	56
Number of people served through youth development programs	9,230	9,230	9,520
Number of youth served through grant programs	13,265	-	-

Table 17

2009	2010	2011	2012	2013	2014 (B)	2015 (A)
23,430	23,987	23,350	23,380	23,256	23,788	23,275
\$21.90	\$18.29	\$22.09	\$21.49	\$18.38	\$18.38	\$17.27
(\$9.70)	(\$85.14)	(\$0.36)	\$0.60	\$3.11	\$0.00	\$0.00
3,632	3,322	3,064	2,935	2,985	3,243	3,064
\$49.89	\$43.71	\$42.08	\$42.79	\$23.93	\$23.79	\$23.15
292	184	N/A	N/A	N/A	N/A	N/A
		(\$2.86)	(\$0.71)	\$18.86	\$0.14	\$0.78
92%	93%	94%	94%	95%	95%	95%
T-Bill + 203 basis pts	T-Bill + 63 basis pts	T-Bill +22 basis pts	T-Bill +20 basis pts	T-Bill +20 basis pts	T-Bill +20 basis pts	T-Bill +20 basis pts
140 / 2	140 / 0	N/A	N/A	N/A	N/A	N/A
2,700	2,700	N/A	N/A	N/A	N/A	N/A
989	909	975	871	640	871	1,000
783	729	790	871	660	871	800
97,100	94,100	73,433	101,000	101,000	101,000	102,000
8,672	8,900	7,800	8,836	8,500	8,836	8,500
28,058	25,000	12,348	17,537	15,000	17,537	15,000
3,069 / 393	3,069 / 400	2,917	2,700	3,000	2,700	3,000
34.4	0	2.19	0.98	2.62	2.62	2.23
\$17,000,000 / 82	\$6,100,000 / 120	\$16,800,000 / 114	\$12,500,000/28	\$12,900,000/47	\$12,900,000/47	\$10,100,000/128
\$4,200,000	\$2,400,000	\$2,199,000	\$822,000	\$727,000	\$727,000	\$4,400,000
13,654	14,089	12,802	7,364	10,100	10,310	0
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
235	568	N/A	147	268	N/A	N/A
2,063	2,702	N/A	510	428	N/A	N/A
194	211	225	225	170	180	180
12	7	9	9	N/A	N/A	N/A
9,083	7,212	6,788	3,851	N/A	N/A	N/A
57	54	48	48	50	N/A	N/A
10,818	12,566	2,440	6,245	4,883	N/A	N/A
-	-	-	-	-	-	-

## OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Ten Years  
(Unaudited)

	2006	2007	2008
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	127	127	85
Volume of leaves collected (cubic yards)	67,879	67,879	70,000
Volume of material recycled (tons)	2,224	2,224	2,350
Number of housing units participating in recycling activities	50,000	20,000	21,000
Volume of solid waste collected (cubic yards)	9,972	9,972	9,975
Streets:			
Number of repairs on major streets	185	105	181
Value of Repairs per staff hour on major streets	\$298	\$326	\$295
Number of repairs on local streets	482	307	484
Value of Repairs per staff hour on local streets	\$252	\$226	\$245
Water:			
Cubic meters of water billed (millions)	22.8	22.8	22.4
Average operating cost to produce one cubic meter of water	\$0.438	\$0.438	\$0.440
Number of utility bills mailed	225,961	225,961	251,449
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.0	36.2
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442	\$0.440
Number of sanitary main line stoppages	14	26	14

Source: City of Kalamazoo Adopted Budget

(A) 2015 data is projected in conjunction with the City of Kalamazoo 2016 proposed budget procedures.  
Actual data is not currently available.

(B) 2014 data has been updated from estimated to actual numbers.

Table 17

2009	2010	2011	2012	2013	2014 (B)	2015 (A)
87	92	N/A	N/A	N/A	N/A	N/A
90,000	90,000	90,500	90,500	90,000	90,000	90,000
2,400	2,400	2,510	2,510	2,550	2,550	2,550
21,500	21,500	21,575	21,575	21,700	8,200	8,200
9,845	9,958	9,989	9,989	10,000	17,451	15,625
185	180	N/A	N/A	N/A	N/A	N/A
\$300	\$315	N/A	N/A	N/A	N/A	N/A
475	450	N/A	N/A	N/A	N/A	N/A
\$255	\$265	N/A	N/A	N/A	N/A	N/A
22.6	22.6	22.4	22.4	22.9	21.36	20.19
\$0.460	\$0.460	\$0.550	\$0.520	\$0.510	\$0.500	\$0.800
252,780	252,780	N/A	N/A	N/A	N/A	N/A
36.2	34.9	35.6	35.5	35.2	35.58	35.95
\$0.440	\$0.550	\$0.650	\$0.620	\$0.610	\$0.500	\$0.660
14	28	N/A	N/A	N/A	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years  
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	6	8	8	8	7	7	7	4	4	4
Parking lots	7	7	7	7	7	7	7	7	7	12
Parking ramps	3	3	3	3	3	3	3	3	3	3
Public safety:										
Public safety headquarters building	1	1	1	1	1	1	1	1	1	1
Public safety stations	7	7	7	7	7	7	6	6	6	6
Training facility	1	1	1	1	1	1	1	1	1	1
Vehicles	194	193	198	196	191	192	204	165	162	161
Community development and planning:										
Vehicles	25	26	27	27	27	27	24	15	13	13
Parks and recreation:										
Administration building	1	1	1	1	1	1	1	1	1	1
Youth development center	1	1	1	1	1	1	1	1	1	1
Acreage of parks:										
Mini-parks	8.9	8.9	8.9	8.9	8.9	8.9	4.8	5.7	5.7	5.7
Neighborhood parks and playgrounds	111.5	111.5	111.5	111.5	111.5	111.5	87.1	86.5	86.5	86.5
Major community parks	728.5	728.5	728.5	728.5	728.5	728.5	n/a	n/a	n/a	n/a
Open green space and preserves	137.0	137.0	137.0	137.0	137.0	137.0	n/a	n/a	n/a	n/a
Community parks	n/a	n/a	n/a	n/a	n/a	n/a	161.7	188.2	158.2	158.2
Large urban parks	n/a	n/a	n/a	n/a	n/a	n/a	181.0	181.0	181.0	181.0
Small urban parks	n/a	n/a	n/a	n/a	n/a	n/a	6.2	6.2	6.1	6.1
Sports complex	n/a	n/a	n/a	n/a	n/a	n/a	93.1	93.1	93.1	93.1
Natural resources areas	n/a	n/a	n/a	n/a	n/a	n/a	89.2	89.2	92.6	92.6
Green spaces	n/a	n/a	n/a	n/a	n/a	n/a	6.0	6.0	25.9	25.9
Islands and right of ways	n/a	n/a	n/a	n/a	n/a	n/a	16.2	16.2	182.2	182.2
Number of parks (C):										
Mini-parks	9	9	9	9	9	9	7	8	8	8
Neighborhood parks and playgrounds	14	14	14	14	14	14	15	14	14	14
Major community parks	8	8	8	8	8	8	n/a	n/a	n/a	n/a
Open green space and preserves	17	17	17	17	17	17	n/a	n/a	n/a	n/a
Community parks	n/a	n/a	n/a	n/a	n/a	n/a	6.0	6	6	6
Large urban parks	n/a	n/a	n/a	n/a	n/a	n/a	1.0	1	1	1
Small urban parks	n/a	n/a	n/a	n/a	n/a	n/a	4.0	4	4	4
Sports complex	n/a	n/a	n/a	n/a	n/a	n/a	1.0	1	1	1
Natural resources areas	n/a	n/a	n/a	n/a	n/a	n/a	1.0	1	2	2
Green spaces	n/a	n/a	n/a	n/a	n/a	n/a	6.0	6	10	10
Islands and right of ways	n/a	n/a	n/a	n/a	n/a	n/a	28.0	28	40	40
Festival site	1	1	1	1	1	1	1	1	1	1
Farmers market	1	1	1	1	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Swimming pool	1	1	1	1	1	1	1	1	1	1
Beach	1	1	1	1	1	1	1	1	1	1
Golf courses	3	3	3	3	3	3	3	3	3	3
Vehicles	2	2	2	3	3	3	3	2	3	3
Public works:										
Gravel pit	1	1	1	1	1	1	1	1	1	1
Salt storage building	1	1	1	1	1	1	1	1	1	1
Streets:										
Local streets (miles)	166.29	166.29	166.29	166.29	166.29	166.29	166.38	166.38	166.38	166.30
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	82.39	83.62	83.62	83.62	83.62
Traffic signals	135	135	135	135	135	136	85	85	85	85

## CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Ten Years  
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Wastewater:										
Sanitary sewers (miles)	293	293	293	293	293	293	294	294	294	294
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	187.5	188.0	188.1	188.7	188.9
Number of lift stations maintained	52	54	54	54	54	59	60	60	60	60
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.3
Water:										
Water facility	1	1	1	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	18	16	16	16	17
Booster/bleeder stations	13	13	13	13	13	15	17	17	17	15
Water mains (miles)	665	665	665	665	807	812	753	755	756	758
Wells in Service	103	99	99	99	99	99	99	99	99	98
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	66.79	66.79	60.00	60.00	60.00	66.75
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	17.80	17.80	15.10	15.10	15.10	15.30
Internal service:										
Public works equipment (A)										
Utility and other vehicles	95	93	90	91	95	76	112	107	99	99
Public utilities equipment (B)										
Utility and other vehicles	120	136	136	136	130	115	89	81	79	86

Sources: Various city departments.

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

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

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

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

For the Year Ended December 31, 2015  
(Unaudited)

REVENUES	
Building Permits	\$ 308,576
Electrical Permits	176,617
Mechanical Permits	195,028
Plumbing Permits	88,367
Other Permits & License Fees	<u>41,950</u>
TOTAL REVENUES	810,538
EXPENDITURES	
Wages, Salaries and Benefits	344,593
Supplies	2,756
Services	154,902
Administrative Overhead*	<u>70,277</u>
TOTAL EXPENDITURES	<u>572,528</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ 238,010</u></u>

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

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

Last Ten Years  
(Unaudited)

**Revenue by Source**

Year Ended December 31	Employee Contributions	Employer Contributions (B)	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
2006	1,518,785	-	-	66,454,372	67,973,157
2007	1,599,967	-	-	10,662,101	12,262,068
2008	1,723,718	-	-	(135,688,146)	(133,964,428)
2009	1,689,006	-	-	97,711,550	99,400,556
2010	1,689,077	-	-	76,195,624	77,884,701
2011	1,519,670	-	-	(11,039,051)	(9,519,381)
2012	1,199,113	905,746	2.48%	71,755,266	73,860,125
2013	1,110,057	905,746	2.49%	104,987,302	107,003,105
2014	1,067,029	760,912	2.05%	41,283,239	43,111,180
2015	1,084,798	1,602,053	2.05%	(9,974,518)	(7,287,667)

**Expenses by Type**

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
2006	14,256,358	435,034	109,250	14,800,642
2007	15,800,304	479,032	125,963	16,405,299
2008	15,719,908	477,130	246,526	16,443,564
2009	16,439,540	503,138	223,634	17,166,312
2010	16,976,057	453,272	164,360	17,593,689
2011	18,140,577	426,033	249,948	18,816,558
2012	24,886,037	433,752	181,872	25,501,661
2013	27,111,793	470,974	46,718	27,629,485
2014	27,775,093	450,226	27,035	28,252,354
2015	28,156,585	300,655	200,115	28,657,355

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

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



TAXABLE VALUE

Last Nine 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
2006	2007	2007	1,685,212,099	15,504,261	1,700,716,360	3.84%
2007	2008	2008	1,719,463,219	-	1,719,463,219	2.02%
2008	2009	2009	1,716,496,933	35,537,323	1,752,034,256	0.97%
2009	2010	2010	1,638,373,891	29,040,285	1,667,414,176	-4.83%
2010	2011	2011	1,597,347,235	29,798,234	1,627,145,469	-2.42%
2011	2012	2012	1,496,984,718	29,430,562	1,526,415,280	-6.19%
2012	2013	2013	1,478,655,275	23,761,162	1,502,416,437	-1.57%
2013	2014	2014	1,476,212,436	27,865,273	1,504,077,709	-1.46%
2014	2015	2015	1,500,947,195	28,072,053	1,529,019,248	1.77%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2014 (3) ..... \$ 20,554.46

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, 2015, the Taxable Value of the property located in the Zone totaled \$5,445,007.

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

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

TAXABLE VALUE - CONCLUDED

Last Nine Years  
(Unaudited)

		Years Ended December 31								
		2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Use</b>										
Commercial	\$	591,866,114	589,583,943	606,607,218	563,036,502	541,614,381	507,611,427	495,648,966	486,985,744	495,189,274
Industrial		281,518,175	289,483,928	288,393,750	267,710,185	266,864,890	256,822,892	249,610,325	258,266,381	193,572,902
Residential		827,332,071	856,069,445	857,033,288	836,667,489	818,666,198	761,980,961	757,157,146	758,825,584	771,446,995
	\$	<u>1,700,716,360</u>	<u>1,735,137,316</u>	<u>1,752,034,256</u>	<u>1,667,414,176</u>	<u>1,627,145,469</u>	<u>1,526,415,280</u>	<u>1,502,416,437</u>	<u>1,504,077,709</u>	<u>1,460,209,171</u>
<b>Class</b>										
Real	\$	1,470,085,410	1,511,176,716	1,511,695,056	1,428,165,026	1,386,487,819	1,289,740,130	1,269,604,837	1,278,969,209	1,302,965,923
Personal		230,630,950	223,960,600	240,339,200	239,249,150	240,657,650	236,675,150	232,811,600	225,108,500	226,053,325
	\$	<u>1,700,716,360</u>	<u>1,735,137,316</u>	<u>1,752,034,256</u>	<u>1,667,414,176</u>	<u>1,627,145,469</u>	<u>1,526,415,280</u>	<u>1,502,416,437</u>	<u>1,504,077,709</u>	<u>1,529,019,248</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

		Years Ended December 31								
		2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Use</b>										
Commercial		34.80%	33.98%	34.62%	33.77%	33.29%	33.26%	32.99%	32.38%	33.91%
Industrial		16.55%	16.68%	16.46%	16.06%	16.40%	16.83%	16.61%	17.17%	13.26%
Residential		48.65%	49.34%	48.92%	50.18%	50.31%	49.92%	50.40%	50.45%	52.83%
		<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>
<b>Class</b>										
Real		86.44%	87.09%	86.28%	85.65%	85.21%	84.49%	84.50%	85.03%	85.22%
Personal		13.56%	12.91%	13.72%	14.35%	14.79%	15.51%	15.50%	14.97%	14.78%
		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

STATE EQUALIZED VALUATION

Last Eight 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
2006	2007	2007	1,943,943,350	15,842,150	1,959,785,500	2.16%
2007	2008	2008	1,973,015,306	16,225,300	1,989,240,606	1.50%
2008	2009	2009	1,876,466,814	36,568,300	1,913,035,114	-3.83%
2009	2010	2010	1,750,636,695	29,783,150	1,780,419,845	-6.93%
2010	2011	2011	1,690,093,209	30,362,100	1,720,455,309	-3.37%
2011	2012	2012	1,546,057,614	29,826,350	1,575,883,964	-8.40%
2012	2013	2013	1,525,084,602	24,156,950	1,549,241,552	-1.69%
2013	2014	2014	1,549,376,700	28,283,050	1,577,659,750	1.83%
2014	2015	2015	1,595,505,852	28,476,200	1,623,982,052	2.94%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2014 (3) ..... \$ 21,244.51

(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, 2015, the State Equalized Value of the property located in the Zone totaled \$8,161,400.

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

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

STATE EQUALIZED VALUATION - CONCLUDED

Last Nine Years  
(Unaudited)

<b>Total SEV by Use and Class</b>									
Years Ended December 31									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Use</b>									
Commercial	\$ 656,955,700	\$ 655,406,800	\$ 659,635,900	\$ 594,185,500	\$ 572,537,400	\$ 525,231,000	\$ 509,014,740	\$ 517,882,600	\$ 528,394,800
Industrial	288,315,850	297,254,500	295,190,600	272,429,550	270,606,100	259,257,328	251,795,650	260,347,050	264,425,400
Residential	1,014,513,950	1,036,579,306	958,208,614	913,804,795	877,311,809	791,395,636	788,431,162	799,430,100	831,161,852
	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,913,035,114</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>	<u>\$ 1,549,241,552</u>	<u>\$ 1,577,659,750</u>	<u>\$ 1,623,982,052</u>
<b>Class</b>									
Real	\$ 1,729,154,550	\$ 1,765,280,006	\$ 1,672,739,514	\$ 1,541,173,395	\$ 1,479,786,159	\$ 1,339,202,714	\$ 1,316,663,802	\$ 1,353,057,350	\$ 1,398,629,102
Personal	230,630,950	223,960,600	240,295,600	239,246,450	240,669,150	236,681,250	232,577,750	224,602,400	225,352,950
	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,913,035,114</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>	<u>\$ 1,549,241,552</u>	<u>\$ 1,577,659,750</u>	<u>\$ 1,623,982,052</u>
<b>Percent of Total SEV by Use and Class</b>									
Years Ended December 31									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Use</b>									
Commercial	33.52%	32.95%	34.48%	33.37%	33.28%	33.33%	32.86%	32.83%	32.54%
Industrial	14.71%	14.94%	15.43%	15.30%	15.73%	16.45%	16.25%	16.50%	16.28%
Residential	51.77%	52.11%	50.09%	51.33%	50.99%	50.22%	50.89%	50.67%	51.18%
	<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>
<b>Class</b>									
Real	87.92%	88.23%	87.44%	86.56%	86.01%	84.98%	84.99%	85.76%	86.12%
Personal	12.08%	11.77%	12.56%	13.44%	13.99%	15.02%	15.01%	14.24%	13.88%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

## MAXIMUM AND ACTUAL TAX RATES

December 31, 2015  
(Unaudited)

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction (A)</u>	<u>Maximum Allowable Millage</u>	<u>Actual Millage Levied</u>
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	3.0000	0.9635	2.8906	1.5500
Mass Transportation	<u>0.6000</u>	0.0000	<u>0.6000</u>	<u>0.6000</u>
	<u>23.6000</u>		<u>22.7611</u>	<u>21.4205</u>

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

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

REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Ten Years  
(Unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Constitutional	\$ 5,270,861	\$ 5,169,916	\$ 5,342,525	\$ 5,038,645	\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666	\$ 5,591,705
Statutory	<u>4,920,760</u>	<u>4,797,829</u>	<u>4,625,220</u>	<u>4,625,220</u>	<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>
Total payments received	10,191,621	9,967,745	9,967,745	9,663,865	8,595,042	8,063,444	7,893,905	7,969,012	8,475,454	8,505,032
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	-	-	-	-	-	-	-	-
Net revenue sharing	<u>\$ 9,948,438</u>	<u>\$ 9,724,562</u>	<u>\$ 9,967,745</u>	<u>\$ 9,663,865</u>	<u>\$ 8,595,042</u>	<u>\$ 8,063,444</u>	<u>\$ 7,893,905</u>	<u>\$ 7,969,012</u>	<u>\$ 8,475,454</u>	<u>\$ 8,505,032</u>
% of General Fund revenue (2)	18.8%	18.4%	18.5%	18.6%	16.8%	15.0%	16.1%	16.1%	16.6%	16.6%

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

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

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Ten Years  
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Cash Basis</b>										
Major Streets	\$ 4,145,499	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194	\$ 3,800,114	\$ 3,856,427	\$ 3,970,573	\$ 4,058,818	\$ 4,142,990	\$ 4,305,689
Local Streets	1,159,416	1,146,604	1,193,602	1,073,035	1,076,285	1,089,278	1,119,306	1,144,434	1,170,270	1,216,344
	<u>\$ 5,304,915</u>	<u>\$ 5,246,649</u>	<u>\$ 5,638,312</u>	<u>\$ 4,858,229</u>	<u>\$ 4,876,399</u>	<u>\$ 4,945,705</u>	<u>\$ 5,089,879</u>	<u>\$ 5,203,252</u>	<u>\$ 5,313,260</u>	<u>\$ 5,522,033</u>
<b>Accrual Basis</b>										
Major Streets	\$ 4,124,532	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932	\$ 3,803,492	\$ 3,885,881	\$ 3,982,120	\$ 4,064,225	\$ 4,144,079	\$ 4,336,895
Local Streets	1,153,481	1,146,418	1,105,811	1,075,337	1,076,655	1,097,173	1,122,618	1,146,275	1,170,571	1,225,244
	<u>\$ 5,278,013</u>	<u>\$ 5,245,597</u>	<u>\$ 5,017,964</u>	<u>\$ 4,868,269</u>	<u>\$ 4,880,147</u>	<u>\$ 4,983,054</u>	<u>\$ 5,104,738</u>	<u>\$ 5,210,500</u>	<u>\$ 5,314,650</u>	<u>\$ 5,562,139</u>

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

## LABOR CONTRACTS

December 31, 2015  
(Unaudited)

<u>Bargaining Unit</u>	<u>Membership</u>	<u>Contract Expiration Date</u>
American Federation of State, County and Municipal Employees	110	October 6, 2016
Kalamazoo Municipal Employees Association	86	December 31, 2017
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	48	December 31, 2017
Kalamazoo Police Officers Association (Officers and Detectives)	183	December 31, 2017
Amalgamated Transit Union (Bus Drivers and Mechanics)	91	January 31, 2019
<u>Non-Union</u>	<u>122</u>	<u>Not Applicable</u>
<b>Total Employees</b>	<b><u>640</u></b>	

Source: City of Kalamazoo, Human Resources



## EMPLOYMENT STATISTICS

Last Ten Years  
(Unaudited)

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
2006	37,382	2,859	40,241	7.1%	4,723,000	349,000	5,072,000	6.9%
2007	37,818	2,947	40,765	7.2%	4,681,000	357,000	5,038,000	7.1%
2008	37,369	3,517	40,886	8.6%	4,554,000	412,000	4,966,000	8.3%
2009	34,829	5,409	40,238	13.4%	4,211,000	648,000	4,859,000	13.3%
2010	34,176	5,512	39,688	13.9%	4,193,000	597,000	4,790,000	12.5%
2011	33,469	4,255	37,724	11.3%	4,178,000	480,000	4,658,000	10.3%
2012	34,327	2,872	37,199	7.7%	4,245,000	364,000	4,609,000	7.9%
2013	37,631	2,976	40,607	7.3%	4,667,000	357,000	5,024,000	7.1%
2014	35,718	2,853	38,571	7.4%	4,420,000	317,000	4,737,000	6.7%
2015	35,088	1,910	36,998	5.2%	4,493,000	258,000	4,751,000	5.4%

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

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

## WATER SUPPLY SYSTEM

Water Supply Franchises  
(Unaudited)

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

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

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

WATER SUPPLY SYSTEM

Approximate Number of Water Supply Customers  
by Location and User Classification

Last Five Years  
(Unaudited)

Customer Location and Classification	2011		2012		2013		2014		2015	
City:										
Residential	17,171	38.13%	18,267	38.45%	17,291	37.47%	17,279	37.38%	17,289	37.08%
Commercial / Industrial	5,939	13.19%	6,052	12.74%	6,050	13.11%	6,029	13.04%	6,047	12.97%
Total City	23,110	51.31%	24,319	51.18%	23,341	50.58%	23,308	50.43%	23,336	50.04%
Out City:										
Residential	16,501	36.64%	17,192	36.18%	16,862	36.54%	17,072	36.94%	17,225	36.94%
Commercial / Industrial	5,427	12.05%	6,002	12.63%	5,946	12.88%	5,841	12.64%	6,070	13.02%
Total Out City	21,928	48.69%	23,194	48.82%	22,808	49.42%	22,913	49.57%	23,295	49.96%
Total System:										
Residential	33,672	74.76%	35,459	74.63%	34,153	74.01%	34,351	74.32%	34,514	74.02%
Commercial / Industrial	11,366	25.24%	12,054	25.37%	11,996	25.99%	11,870	25.68%	12,117	25.98%
Total System	45,038	100.00%	47,513	100.00%	46,149	100.00%	46,221	100.00%	46,631	100.00%

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

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

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

WATER SUPPLY SYSTEM

Approximate Number of Water Customers by Location and Size of Meter or Fire Protection Line/Hydrant

Last Three Years  
(Unaudited)

		2013		2014		2015	
<b><u>Meter Location and Size</u></b>							
City:	5/8" - 3/4"	16,459	35.67%	16,418	35.52%	16,401	35.29%
	1"	2,405	5.21%	2,428	5.25%	2,452	5.28%
	1 1/2"	246	0.53%	247	0.53%	248	0.53%
	2"	1,061	2.30%	1,064	2.30%	1,062	2.29%
	3"	202	0.44%	203	0.44%	204	0.44%
	4"	101	0.22%	102	0.22%	102	0.22%
	6"	9	0.02%	7	0.02%	0	0.00%
	8"	0	0.00%	0	0.00%	0	0.00%
Total City		20,483	44.39%	20,469	44.29%	20,469	44.05%
Out City:	5/8" - 3/4"	8,429	18.27%	8,419	18.21%	8,394	18.06%
	1"	9,241	20.02%	9,397	20.33%	9,618	20.70%
	1 1/2"	360	0.78%	366	0.79%	366	0.79%
	2"	944	2.05%	953	2.06%	965	2.08%
	3"	119	0.26%	118	0.26%	118	0.25%
	4"	50	0.11%	51	0.11%	53	0.11%
	6"	12	0.03%	13	0.03%	13	0.03%
	8"	0	0.00%	0	0.00%	0	0.00%
Total Out City		19,155	41.51%	19,317	41.79%	19,527	42.02%
Total Meters		39,638	85.89%	39,786	86.08%	39,996	86.07%
<b><u>Location and Size of Fire Protection Line/Hydrant</u></b>							
City:	4"	213	0.46%	224	0.48%	213	0.46%
	6"	166	0.36%	167	0.36%	164	0.35%
	8"	84	0.18%	86	0.19%	85	0.18%
	10"	2	0.00%	2	0.00%	2	0.00%
	Hydrants	2,390	5.18%	2,360	5.11%	2,392	5.15%
Total City		2,855	6.19%	2,839	6.14%	2,856	6.15%
Out City:	4"	190	0.41%	195	0.42%	198	0.43%
	6"	99	0.21%	100	0.22%	98	0.21%
	8"	69	0.15%	70	0.15%	72	0.15%
	10"	5	0.01%	5	0.01%	5	0.01%
	Hydrants	3,292	7.13%	3,226	6.98%	3,245	6.98%
Total Out City		3,655	7.92%	3,596	7.78%	3,618	7.79%
Total Fire Protection		6,510	14.11%	6,435	13.92%	6,474	13.93%
Total Service Connections		46,148	100.00%	46,221	100.00%	46,470	100.00%

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

## WATER SUPPLY SYSTEM

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

Meter Location and Size	Last Five Years (Unaudited)				
	2011	2012	2013	2014	2015
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 18.84	\$ 20.70	\$ 20.70	\$ 20.35	\$ 20.35
1" Meter	24.81	27.48	27.48	27.02	27.02
1-1/2" Meter	30.77	34.25	34.25	33.69	33.69
2" Meter	47.18	52.87	52.87	52.03	52.03
City (Monthly Billed Accounts):					
5/8" Meter	8.90	9.41	9.41	9.23	9.23
1" Meter	10.89	11.67	11.67	11.45	11.45
1-1/2" Meter	12.88	13.93	13.93	13.68	13.68
2" Meter	18.35	20.14	20.14	19.79	19.79
3" Meter	58.61	65.86	65.86	64.81	64.81
4" Meter	73.52	82.79	82.79	81.49	81.49
6" Meter	108.32	122.30	122.30	120.40	120.40
8" Meter	148.08	167.45	167.45	164.86	164.86
City (Monthly Fire Protection Charge):					
4" Detector Check	21.72	23.63	23.63	21.59	21.59
6" Detector Check	25.46	28.03	28.03	26.93	26.93
8" Detector Check	33.26	37.12	37.12	37.58	37.58
10" Detector Check	68.49	77.33	77.33	80.05	80.05
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	23.03	24.48	24.48	27.95	27.95
1" Meter	30.66	32.76	32.76	37.66	37.66
1-1/2" Meter	38.30	41.04	41.04	47.37	47.37
2" Meter	59.31	63.82	63.82	74.08	74.08
Out City (Monthly Billed Accounts):					
5/8" Meter	10.30	10.67	10.67	11.76	11.76
1" Meter	12.84	13.43	13.43	15.00	15.00
1-1/2" Meter	15.39	16.19	16.19	18.24	18.24
2" Meter	22.39	23.79	23.79	27.14	27.14
3" Meter	73.95	79.70	79.70	92.70	92.70
4" Meter	93.04	100.41	100.41	116.98	116.98
6" Meter	137.60	148.72	148.72	173.63	173.63
8" Meter	188.52	203.94	203.94	238.38	238.38
Out City (Monthly Fire Protection Charge):					
4" Detector Check	42.92	46.32	46.32	33.93	33.93
6" Detector Check	54.82	60.00	60.00	41.42	41.42
8" Detector Check	79.86	88.61	88.61	56.16	56.16
10" Detector Check	197.68	218.99	218.99	112.72	112.72
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

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

## WATER SUPPLY SYSTEM

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

<u>Meter Location and Classification</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City:					
Residential	\$0.270	\$0.284	\$0.284	\$0.270	\$0.270
Multifamily	0.243	0.255	0.255	0.244	0.244
Commercial/Industrial	0.272	0.286	0.286	0.272	0.272
Fire Protection - First 15 M3	0.263	0.275	0.275	0.267	0.267
Fire Protection - Over 15 M3	0.789	0.825	0.825	0.801	0.801
Seasonal Uses	0.527	0.537	0.537	0.421	0.421
Out City:					
Residential	\$0.504	\$0.516	\$0.516	\$0.554	\$0.554
Multifamily	0.335	0.343	0.343	0.371	0.371
Commercial/Industrial	0.377	0.385	0.385	0.416	0.416
Fire Protection - First 15 M3	0.372	0.377	0.377	0.409	0.409
Fire Protection - Over 15 M3	1.116	1.131	1.131	1.227	1.227
Seasonal Uses	1.014	1.019	1.019	0.863	0.863

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

(1) per cubic meter

## WATER SUPPLY SYSTEM

History of System Rate Increases  
(Unaudited)

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

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

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

## WATER SUPPLY SYSTEM

## Water Supply Volume as Pumped and Billed (1)

Last Five Years  
(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Pumped	25,375,000	27,738,740	25,374,999	23,169,006	24,493,351
Billed	<u>22,362,833</u>	<u>24,137,305</u>	<u>21,364,279</u>	<u>19,771,279</u>	<u>20,279,855</u>
Unaccounted (2)	<u>3,012,167</u>	<u>3,601,435</u>	<u>4,010,720</u>	<u>3,397,727</u>	<u>4,213,496</u>
Unaccounted as a Percent of Pumped	<u>11.87%</u>	<u>12.98%</u>	<u>15.81%</u>	<u>14.66%</u>	<u>17.20%</u>

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

(1) Measured in Cubic Meters

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



WATER SUPPLY SYSTEM

Water Volume as Billed by Meter  
Location and Classification

Last Five Years  
(Unaudited)

Meter Location and Classification	2011		2012		2013		2014		2015	
City:										
Residential	4,351,285	19.46%	4,776,500	19.79%	4,205,806	19.69%	3,862,677	19.54%	3,944,462	19.45%
Multifamily	1,838,454	8.22%	1,893,600	7.85%	1,829,866	8.57%	1,655,786	8.38%	1,712,698	8.45%
Commercial/Industrial	6,050,094	27.05%	5,413,200	22.43%	5,077,562	23.77%	4,837,405	24.47%	4,841,171	23.87%
Fire Protection	6,519	0.03%	8,400	0.03%	13,935	0.07%	4,985	0.03%	4,241	0.02%
Seasonal Uses (1)	431,573	1.93%	743,500	3.08%	478,802	2.24%	488,857	2.47%	393,133	1.94%
<b>Total City</b>	<b>12,677,925</b>	<b>56.69%</b>	<b>12,835,200</b>	<b>53.18%</b>	<b>11,605,971</b>	<b>54.32%</b>	<b>10,849,710</b>	<b>54.88%</b>	<b>10,895,705</b>	<b>53.73%</b>
Out City:										
Residential	5,133,751	22.96%	6,372,200	26.40%	5,189,733	24.29%	4,646,594	23.50%	4,737,107	23.36%
Multifamily	1,579,548	7.06%	1,575,600	6.53%	1,555,241	7.28%	1,420,177	7.18%	1,647,921	8.13%
Commercial/Industrial	2,521,467	11.28%	2,658,600	11.01%	2,638,061	12.35%	2,543,260	12.86%	2,700,515	13.32%
Fire Protection	4,349	0.02%	3,300	0.01%	1,170	0.01%	2,432	0.01%	2,575	0.01%
Seasonal Uses (1)	445,793	1.99%	692,400	2.87%	374,103	1.75%	307,645	1.56%	296,032	1.46%
<b>Total Out City</b>	<b>9,684,908</b>	<b>43.31%</b>	<b>11,302,100</b>	<b>46.82%</b>	<b>9,758,308</b>	<b>45.68%</b>	<b>8,920,108</b>	<b>45.12%</b>	<b>9,384,150</b>	<b>46.27%</b>
Total System:										
Residential	9,485,036	42.41%	11,148,700	46.19%	9,395,539	43.98%	8,509,271	43.04%	8,681,569	42.81%
Multifamily	3,418,002	15.28%	3,469,200	14.37%	3,385,107	15.84%	3,075,963	15.56%	3,360,619	16.57%
Commercial/Industrial	8,571,561	38.33%	8,071,800	33.44%	7,715,623	36.11%	7,380,665	37.33%	7,541,686	37.19%
Fire Protection	10,868	0.05%	11,700	0.05%	15,105	0.07%	7,417	0.04%	6,816	0.03%
Seasonal Uses (2)	877,366	3.92%	1,435,900	5.95%	852,905	3.99%	796,502	4.03%	689,165	3.40%
<b>Total System</b>	<b>22,362,833</b>	<b>100.00%</b>	<b>24,137,300</b>	<b>100.00%</b>	<b>21,364,279</b>	<b>100.00%</b>	<b>19,769,818</b>	<b>100.00%</b>	<b>20,279,855</b>	<b>100.00%</b>

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

(1) Water volume is measured in cubic meters.

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

## WATER SUPPLY SYSTEM

## Average and Peak Daily Water Supply Volume (1)

Last Five Years  
(Unaudited)

	2011	2012	2013	2014	2015
Average Daily Water Supply	18.367	19.568	20.018	18.430	17.730
Peak Daily Water Supply	34.374	45.933	36.130	29.400	29.950
Peak as a Percent of Average	187.15%	234.74%	180.49%	159.52%	168.92%

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

(1) Measured in millions of gallons per day.

WATER SUPPLY SYSTEM

Water Supply Revenue as Billed by Meter  
Location and Classification

Last Five Years  
(Unaudited)

Meter Location and Classification	2011		2012		2013		2014		2015	
<b>City:</b>										
Residential	\$ 2,464,785	19.78%	\$ 2,784,620	19.47%	\$ 2,658,128	20.40%	\$ 2,515,121	19.86%	\$ 2,507,911	19.18%
Multifamily	628,206	5.04%	680,756	4.76%	670,952	5.15%	615,002	4.86%	620,474	4.75%
Commercial/Industrial	1,943,695	15.60%	2,003,550	14.01%	1,911,231	14.67%	1,815,035	14.33%	1,788,986	13.68%
Fire Protection	150,425	1.21%	168,595	1.18%	163,612	1.26%	162,133	1.28%	151,119	1.16%
Seasonal Uses	225,852	1.81%	431,973	3.02%	291,039	2.23%	241,911	1.91%	198,832	1.52%
<b>Total City</b>	<b>5,412,963</b>	<b>43.44%</b>	<b>6,069,494</b>	<b>42.45%</b>	<b>5,694,962</b>	<b>43.70%</b>	<b>5,349,202</b>	<b>42.24%</b>	<b>5,267,322</b>	<b>40.29%</b>
<b>Out City:</b>										
Residential	4,375,222	35.11%	5,170,989	36.16%	4,610,290	35.38%	4,635,360	36.60%	4,888,888	37.40%
Multifamily	753,152	6.04%	776,386	5.43%	771,364	5.92%	768,138	6.07%	879,118	6.72%
Commercial/Industrial	1,328,943	10.67%	1,402,911	9.81%	1,404,193	10.77%	1,454,260	11.48%	1,576,503	12.06%
Fire Protection	165,903	1.33%	176,115	1.23%	157,676	1.21%	173,753	1.37%	186,327	1.43%
Seasonal Uses	424,599	3.41%	703,314	4.92%	393,780	3.02%	283,749	2.24%	274,769	2.10%
<b>Total Out City</b>	<b>7,047,819</b>	<b>56.56%</b>	<b>8,229,715</b>	<b>57.55%</b>	<b>7,337,303</b>	<b>56.30%</b>	<b>7,315,260</b>	<b>57.76%</b>	<b>7,805,605</b>	<b>59.71%</b>
<b>Total System:</b>										
Residential	6,840,007	54.89%	7,955,609	55.64%	7,268,418	55.77%	7,150,481	56.46%	7,396,799	56.58%
Multifamily	1,381,358	11.09%	1,457,142	10.19%	1,442,315	11.07%	1,383,141	10.92%	1,499,592	11.47%
Commercial/Industrial	3,272,638	26.26%	3,406,461	23.82%	3,315,424	25.44%	3,269,295	25.81%	3,365,489	25.74%
Fire Protection	316,328	2.54%	344,710	2.41%	321,288	2.47%	335,887	2.65%	337,446	2.58%
Seasonal Uses	650,451	5.22%	1,135,287	7.94%	684,820	5.25%	525,659	4.15%	473,601	3.62%
<b>Total System</b>	<b>\$ 12,460,782</b>	<b>100.00%</b>	<b>\$ 14,299,209</b>	<b>100.00%</b>	<b>\$ 13,032,265</b>	<b>100.00%</b>	<b>\$ 12,664,463</b>	<b>100.00%</b>	<b>\$ 13,072,927</b>	<b>100.00%</b>

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

## WATER SUPPLY SYSTEM

## Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2015  
(Unaudited)

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	716,962	3.5%	\$ 264,846	2.0%
Pfizer Corporation/Zoetis	Pharmaceuticals	523,730	2.6%	124,953	0.9%
Western Michigan University	Higher Education	368,209	1.8%	254,098	1.9%
Borgess Medical Center	Hospital	237,270	1.2%	91,986	0.7%
Bronson Methodist Hospital	Hospital	177,631	0.9%	115,932	0.9%
Kalsec Inc.	Food Grade Flavoring	174,240	0.9%	51,500	0.4%
Continental Linen	Uniform Cleaning	171,230	0.8%	56,301	0.4%
Kalamazoo Brewing	Beer Brewing	158,820	0.8%	48,538	0.4%
Greenleaf Hospitality Group	Hotel and Services	119,550	0.6%	51,612	0.4%
Pavilion Estates	Mobile Home Park	106,280	0.5%	37,066	0.3%
		<u>2,753,922</u>	<u>13.6%</u>	<u>\$ 1,096,832</u>	<u>8.3%</u>

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

(1) Based on water volume of 20,279,855 cubic meters.

(2) Based on Water System billed revenue of \$13,204,947.

## 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

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

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

WASTEWATER SYSTEM

Approximate Number of Wastewater Customers  
by Location and User Classification

Last Five Years  
(Unaudited)

Customer Location and Classification	2011		2012		2013		2014		2015	
<b>Retail Customers</b>										
<i>In-City Retail Customers</i>										
Residential	16,742	51.59%	17,824	52.38%	16,876	50.98%	16,861	50.73%	16,883	50.41%
Commercial	2,608	8.04%	2,673	7.86%	2,521	7.62%	2,536	7.63%	2,520	7.52%
Industrial	99	0.31%	97	0.29%	297	0.90%	313	0.94%	310	0.93%
Sub-Total	19,449	59.93%	20,594	60.52%	19,694	59.49%	19,710	59.30%	19,713	58.86%
<i>Out-City Retail Customers</i>										
Residential	9,961	30.69%	10,360	30.44%	10,321	31.18%	10,456	31.46%	10,645	31.79%
Commercial	1,479	4.56%	1,502	4.41%	1,519	4.59%	1,515	4.56%	1,530	4.57%
Industrial	27	0.08%	28	0.08%	29	0.09%	32	0.10%	29	0.09%
Sub-Total	11,467	35.33%	11,890	34.94%	11,869	35.85%	12,003	36.11%	12,204	36.44%
Total Retail Customers	30,916	95.26%	32,484	95.46%	31,563	95.34%	31,713	95.41%	31,917	95.31%
<b>Wholesale Customers</b>										
Industries	2	0.01%	2	0.01%	2	0.01%	2	0.01%	2	0.01%
Wholesale Municipal Customers	8	0.02%	8	0.02%	8	0.02%	8	0.02%	8	0.02%
Dewatering Accounts	3	0.01%	4	0.01%	4	0.01%	4	0.01%	4	0.01%
Septage Haulers	2	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sub-Total	15	0.05%	14	0.04%	14	0.04%	14	0.04%	14	0.04%
Flat Rate Customers	1,524	4.70%	1,531	4.50%	1,528	4.62%	1,510	4.54%	1,558	4.65%
Total Sewer Customers	32,455	100.00%	34,029	100.00%	33,105	100.00%	33,237	100.00%	33,489	100.00%

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

WASTEWATER SYSTEM

Number of Retail Customers by Meter Size

Last Five Years  
(Unaudited)

<u>Meter Size</u>	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>	
5/8" - 3/4"	22,456	72.64%	23,594	72.63%	22,429	71.08%	22,432	70.73%	22,420	70.24%
1"	6,223	20.13%	6,622	20.39%	6,579	20.85%	6,714	21.17%	6,912	21.65%
1-1/2"	440	1.42%	452	1.39%	470	1.49%	468	1.48%	471	1.48%
2"	1,457	4.71%	1,469	4.52%	1,622	5.14%	1,635	5.16%	1,650	5.17%
3"	241	0.78%	242	0.74%	292	0.93%	297	0.94%	298	0.93%
4"	90	0.29%	94	0.29%	144	0.46%	149	0.47%	150	0.47%
6"	9	0.03%	11	0.03%	19	0.06%	20	0.06%	19	0.06%
	<u>30,916</u>	<u>100.00%</u>	<u>32,484</u>	<u>100.00%</u>	<u>31,555</u>	<u>100.00%</u>	<u>31,715</u>	<u>100.00%</u>	<u>31,920</u>	<u>100.00%</u>

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

WASTEWATER SYSTEM

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

Last Five Years  
(Unaudited)

<u>Meter Location and Size</u>	<u>2011 (1)</u>		<u>2012 (2)</u>		<u>2013</u>		<u>2014 (3)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>
City:								
5/8"	\$ 6.44	\$ 6.93	\$ 6.14	\$ 6.77	\$ 6.14	\$ 6.77	\$ 6.38	\$ 7.41
3/4"	6.47	7.01	6.16	6.86	6.16	6.86	6.43	7.56
1"	6.54	7.24	6.26	7.15	6.26	7.15	6.59	8.03
1-1/2"	6.64	7.53	6.39	7.52	6.39	7.52	6.80	8.65
2"	6.91	8.35	6.73	8.57	6.73	8.57	7.36	10.34
3"	8.92	14.38	9.30	16.25	9.30	16.25	11.52	22.82
4"	9.67	16.61	10.24	19.09	10.24	19.09	13.06	27.45
6"	11.40	21.82	12.45	25.72	12.45	25.72	16.66	38.24
Flat Rate	-	3.98	-	36.84	-	36.84	-	42.69
Dewatering	5.71	-	5.38	-	5.38	-	5.52	-
Septage	5.71	-	5.38	-	5.38	-	5.52	-
Out City:								
5/8"	\$ 7.37	\$ 10.88	\$ 7.03	\$ 10.50	\$ 7.03	\$ 10.50	\$ 7.16	\$ 10.56
3/4"	7.55	11.40	7.21	11.02	7.21	11.02	7.32	11.07
1"	8.08	12.98	7.73	12.59	7.73	12.59	7.84	12.6
1-1/2"	8.78	15.07	8.42	14.66	8.42	14.66	8.52	14.65
2"	10.70	20.86	10.33	20.39	10.33	20.39	10.39	20.27
3"	24.88	63.40	24.38	62.51	24.38	62.51	24.19	61.68
4"	30.13	79.16	29.58	78.12	29.58	78.12	29.31	77.02
6"	42.39	115.92	41.71	114.52	41.71	114.52	41.24	112.81
Flat Rate	-	74.30	-	75.43	-	75.43	-	74.15
Municipalities	5.71	-	5.38	-	5.38	-	5.52	-
Dewatering	5.71	-	5.38	-	5.38	-	5.52	-
Septage	5.71	-	5.38	-	5.38	-	5.52	-



WASTEWATER SYSTEM

Wastewater Treatment Charges by Customer Classification (1)

Last Five Years  
(Unaudited)

Commodity Charges (per cubic meter) (1)

Fiscal Years Ended December 31	2011 (7)	2012 (8)	2013	2014 (9)	2015
In-City Retail Customers	0.322	0.358	0.358	0.420	0.420
Out-City Retail Customers	0.755	0.773	0.773	0.757	0.757
Wholesale Municipal Customers	0.049	0.504	0.504	0.492	0.492
City of Galesburg (3)	0.529	0.542	0.542	0.547	0.547
Septage Haulers	69.627	270.408	270.408	n/a (10)	n/a (10)
In-City Dewatering Customers	0.297	0.331	0.331	0.395	0.395
Out-City Dewatering Customers	0.766	0.785	0.785	0.764	0.764

Additional Quantity and Quality Wastewater Treatment (2)

Fiscal Years Ended December 31	2011 (7)	2012 (8)	2013	2014 (9)	2015
<b>Additional Quantity Charge \$/CM</b>					
Pfizer	0.180	0.185	0.185	0.165	0.165
Graphic Packaging	0.570	0.067	0.067	0.070	0.070
Dewater - Industrial Outside City	0.443	0.447	0.447	0.433	0.433
In-City Industrial	0.062	0.080	0.080	0.130	0.130
Out-City Industrial	0.435	0.440	0.440	0.430	0.430
<b>BOD Charge (4) \$/KG</b>					
Pfizer	0.481	0.508	0.508	0.511	0.511
Graphic Packaging	0.392	0.418	0.418	0.468 (11)	0.468 (11)
In-City Industrial	0.414	0.441	0.441	0.468	0.468
Out-City Industrial	0.495	0.521	0.521	0.531	0.531
<b>SS Charge \$/KG (5)</b>					
Pfizer	0.593	0.607	0.607	0.565	0.565
Graphic Packaging	0.447	0.470	0.470	0.506 (11)	0.506 (11)
In-City Industrial	0.473	0.495	0.495	0.506	0.506
Out-City Industrial	0.610	0.622	0.622	0.576	0.576
<b>NH3 Charge \$/KG (6)</b>					
Pfizer	2.246	2.522	2.522	2.609	2.609
Graphic Packaging	1.999	2.261	2.261	2.518 (11)	2.518 (11)
In-City Industrial	2.114	2.385	2.385	2.518	2.518
Out-City Industrial	2.309	2.584	2.584	2.715	2.715

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

- (1) The charge for wastewater treatment service is the sum of the availability fee (determined by the size of meter) plus the commodity charge (determined by the amount of water used). Commodity rates vary depending on customer class. The rates above represent the commodity fee which is determined by the Operating, Maintenance, and Replacement cost with a capital expense charge. See Table 42 for more information on the availability fee.
- (2) Additional quantity and quality charges are fees charged to large industrial customers.
- (3) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.
- (4) The Biochemical Oxygen Demand (BOD) is the indicator of strength of the wastewater and how much aeration (oxygen) is required to break down wastewater.
- (5) The Suspended Solids (SS) is the amount of sludge or biosolids that required treatment process and disposal.
- (6) The ammonia (NH3) is broken down in treatment by aeration.
- (7) Rate change effective March 1, 2011
- (8) Rate change effective March 1, 2012
- (9) Rate change effective June 01, 2014
- (10) The City had no septage customers in 2014 or 2015.
- (11) Charged Inside City Rates starting in 2014.

WASTEWATER SYSTEM

Wastewater Treatment Volume as Billed by  
Customer and User Classification (1)

Last Five Years  
(Unaudited)

	2011		2012		2013		2014		2015	
<u>Retail Customers</u>										
Residential	5,526,798	20.79%	5,719,377	20.67%	5,599,749	20.28%	5,149,458	19.61%	5,347,569	19.98%
Commercial	7,400,234	27.84%	7,705,184	27.84%	7,688,211	27.84%	7,024,938	26.75%	7,249,851	27.09%
Industrial	1,844,858	6.94%	1,743,266	6.30%	1,544,487	5.59%	1,672,179	6.37%	1,905,754	7.12%
Sub-Total	14,771,890	55.57%	15,167,827	54.80%	14,832,447	53.71%	13,846,575	52.74%	14,503,174	54.19%
<u>Wholesale Customers</u>										
Industries	4,211,293	15.84%	4,622,788	16.70%	4,681,049	16.95%	4,272,441	16.27%	4,446,124	16.61%
Wholesale Municipal	7,517,900	28.28%	7,711,750	27.86%	8,002,142	28.98%	7,981,699	30.40%	7,646,332	28.57%
Dewatering Accounts	83,497	0.31%	173,781	0.63%	99,344	0.36%	155,991	0.59%	169,963	0.64%
Septage Haulers	176	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total	11,812,866	44.43%	12,508,319	45.20%	12,782,535	46.29%	12,410,131	47.26%	12,262,419	45.81%
Total Wastewater Billed	26,584,756	100.00%	27,676,146	100.00%	27,614,982	100.00%	26,256,706	100.00%	26,765,593	100.00%

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

(1) Measured in Cubic Meters.

## WASTEWATER SYSTEM

## Wastewater Volume as Treated and Billed (1)

Last Five Years  
(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Metered Wastewater Volume	35,566,982	34,261,717	35,580,924	36,260,219	34,584,027
Wastewater Consumption as Billed	<u>26,584,756</u>	<u>27,676,146</u>	<u>27,614,982</u>	<u>26,189,263</u>	<u>27,315,451</u>
Difference (2)	<u>8,982,226</u>	<u>6,585,571</u>	<u>7,965,942</u>	<u>10,070,956</u>	<u>7,268,576</u>
Difference as a % of Metered Wastewater Volume	25.3%	19.2%	22.4%	27.8%	21.0%

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

(1) Measured in Cubic Meters.

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

## WASTEWATER SYSTEM

## Average and Peak Daily Wastewater Treatment Volume (1)

	Last Five Years (Unaudited)				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Average Daily Sewage Disposal Volume	25.7	24.7	25.8	26.3	25.0
Peak Daily Sewage Disposal Volume	35.6	35.9	37.3	34.6	31.9
Peak as a Percent of Average	138.52%	145.13%	144.82%	131.81%	127.57%

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

(1) Measured in millions of gallons per day.

WASTEWATER SYSTEM

Ten Largest Customers  
by Wastewater System Revenue and Volume as Billed

Year Ended December 31, 2015  
(Unaudited)

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
City of Portage	Municipality	\$ 5,660,871	20.7%	\$ 2,838,985	\$ -	\$ 2,838,985	14.4%
Pfizer	Pharmaceutical	3,287,813	12.0%	542,487	3,359,880	3,902,367	19.8%
Gull Lake Water & Sewer Auth.	Municipality	1,041,589	3.8%	512,456	-	512,456	2.6%
Graphics Packaging	Paper Products	1,158,311	4.2%	77,606	1,213,090	1,290,696	6.6%
Mattawan	Municipality	331,510	1.2%	163,097	-	163,097	0.8%
Cytec/Allnex	Chemicals	331,194	1.2%	43,055	138,151	181,206	0.9%
Vicksburg	Municipality	293,269	1.1%	144,282	-	144,282	0.7%
Kalamazoo Brewing	Brewery	182,784	0.7%	78,597	262,954	341,551	1.7%
Parchment	Municipality	160,444	0.6%	78,933	-	78,933	0.4%
Kalsec	Food Grade Flavorings	140,500	0.5%	60,415	379,454	439,869	2.2%
		<u>\$ 12,588,285</u>	<u>46.0%</u>	<u>\$ 4,539,913</u>	<u>\$ 5,353,529</u>	<u>\$ 9,893,442</u>	<u>50.1%</u>

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

(1) Based on wastewater treatment volume of 27,299,874 cubic meters.

(2) Based on Wastewater System billed revenue of \$19,697,729.

## WASTEWATER SYSTEM

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

<u>Meter Location and Classification</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City:					
Residential	\$ 1,545,787	\$ 1,693,901	\$ 1,668,898	\$ 1,723,861	\$ 1,852,612
Commercial	1,590,620	1,857,802	1,866,677	1,876,170	2,019,025
Industrial	273,019	251,376	213,798	256,867	320,843
Industrial Monitored	571,486	421,517	267,904	340,117	303,443
Contract	1,074,519	988,208	1,033,681	1,282,199	1,290,631
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	31,910	51,775	33,077	57,696	62,629
<b>Total City</b>	<b>5,087,341</b>	<b>5,264,579</b>	<b>5,084,035</b>	<b>5,536,910</b>	<b>5,849,183</b>
Out City:					
Residential	2,482,763	2,594,548	2,601,406	2,427,624	2,534,197
Commercial	2,266,245	2,287,881	2,266,612	2,129,952	2,248,614
Industrial	150,980	144,174	140,549	147,523	146,765
Industrial Monitored	804,444	1,447,864	1,565,531	1,571,709	163,222
Contract	4,015,637	4,931,391	5,143,946	5,153,793	3,902,303
Municipalities	3,633,530	3,870,716	4,038,334	3,977,811	3,820,535
Septage Haulers	12,606	596	-	-	-
Dewatering	26,656	6,691	2,278	5,119	5,743
<b>Total Out City</b>	<b>13,392,861</b>	<b>15,283,861</b>	<b>15,758,656</b>	<b>15,413,531</b>	<b>12,821,379</b>
Total System:					
Residential	4,028,550	4,288,449	4,270,304	4,151,484	4,386,809
Commercial	3,856,865	4,145,683	4,133,289	4,006,123	4,267,638
Industrial	423,999	395,550	354,347	404,390	467,608
Industrial Monitored	1,375,930	1,869,381	1,833,435	1,911,826	466,665
Contract	5,090,156	5,919,599	6,177,627	6,435,992	5,192,934
Municipalities	3,633,530	3,870,716	4,038,334	3,977,811	3,820,535
Septage Haulers	12,606	596	-	-	-
Dewatering	58,566	58,466	35,355	62,815	68,372
<b>Total System</b>	<b>\$ 18,480,202</b>	<b>\$ 20,548,440</b>	<b>\$ 20,842,691</b>	<b>\$ 20,950,441</b>	<b>\$ 18,670,561</b>

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

## WASTEWATER SYSTEM

History of System Rate Increases  
(Unaudited)

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

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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.