

County of
Kalamazoo,
Michigan



Year Ended
December 31,
2017

Comprehensive
Annual Financial
Report and Single
Audit Act
Compliance

Prepared by:

County Administrator/Controller
Tracie L. Moored

Deputy County Administrator, Internal Services
Amanda Morse

Finance Director
Timothy Meeker

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	1
List of Officials	2
Letter of Transmittal	3
Table of Organization	8
GFOA Certificate of Achievement	9
FINANCIAL SECTION	11
Independent Auditors' Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	30
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet - Governmental Funds	34
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	36
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	38
Reconciliation of Net Change in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	40
Statement of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:	
General Fund	41
Law Enforcement Fund	42
Statement of Net Position - Proprietary Funds	44
Reconciliation of Net Position of Enterprise Funds to Net Position of Business-type Activities	45
Statement of Revenues, Expenses and Change in Fund Net Position - Proprietary Funds	46
Reconciliation of Net Change in Fund Net Position of Enterprise Funds to Change in Net Position of Business-type Activities	47
Statement of Cash Flows - Proprietary Funds	48
Statement of Fiduciary Net Position - Fiduciary Funds	50
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	51
Combining Statement of Net Position - Discretely Presented Component Units	52
Combining Statement of Activities - Discretely Presented Component Units	56
Notes to Financial Statements	59

COUNTY OF KALAMAZOO, MICHIGAN

Table of Contents

	<u>Page</u>
Required Supplementary Information	
Employees' Retirement System:	
Schedule of Changes in Net Pension Asset and Related Ratios	110
Schedule of Net Pension Asset	111
Schedule of Contributions	112
Schedule of Investment Returns	113
Retiree Health Care Trust:	
Schedule of Changes in Net OPEB Liability and Related Ratios	114
Schedule of Net OPEB Liability	115
Schedule of Contributions	116
Schedule of Investment Returns	117
Combining and Individual Fund Financial Statements and Schedules	119
General Fund:	
Detailed Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual	122
Nonmajor Governmental Funds:	
Combining Balance Sheet	130
Combining Statement of Revenues, Expenditures and Change in Fund Balances	134
Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds	138
Internal Service Funds:	
Combining Statement of Net Position	148
Combining Statement of Revenues, Expenditures and Change in Fund Net Position	150
Combining Statement of Cash Flows	152
Fiduciary Funds:	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	158
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	159
Component Unit - Drainage Districts:	
Balance Sheet	162
Reconciliation of Fund Balance of Governmental Fund to Net Position of Component Unit	163
Statement of Revenues, Expenditures and Change in Fund Balance	164
Reconciliation of Net Change in Fund Balance of Governmental Fund to Change in Net Position of Component Unit	165

COUNTY OF KALAMAZOO, MICHIGAN

Table of Contents

Page

Combining and Individual Fund Financial Statements and Schedules (concluded)	
Component Unit - Lake Level:	
Balance Sheet	166
Statement of Revenues, Expenditures and Change in Fund Balance	167
Component Unit - Brownfield Redevelopment Authority:	
Balance Sheet	168
Reconciliation of Fund Balance of Governmental Fund to Net Position of Component Unit	169
Statement of Revenues, Expenditures and Change in Fund Balance	170
Reconciliation of Net Change in Fund Balance of Governmental Fund to Change in Net Position of Component Unit	171
 STATISTICAL SECTION (UNAUDITED)	 173
 <u>TABLE</u>	
1 Net Position by Component	176
2 Change in Net Position	178
3 Fund Balances, Governmental Funds	182
4 Change in Fund Balances, Governmental Funds	184
5 Assessed and Estimated Actual Value of Taxable Property	186
6 Property Tax Rates - Direct and Overlapping Governments	188
7 Principal Property Taxpayers	190
8 Property Taxes, Levies and Collections	191
9 Ratios of General Bonded Debt Outstanding	192
10 Computation of Direct and Overlapping Debt	193
11 Computation of Legal Debt Margin for General Obligation Bonds	196
12 Demographic Statistics	198
13 Principal Employers	199
14 Full-Time Equivalent Government Employees by Function/Program	200
15 Operating Indicators by Function/Program	202
16 Capital Asset Statistics by Function/Program	204

COUNTY OF KALAMAZOO, MICHIGAN

Table of Contents

	<u>Page</u>
SINGLE AUDIT ACT COMPLIANCE	207
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the Supplemental Schedule of Expenditures by Service	209
Schedule of Expenditures of Federal Awards	210
Notes to Schedule of Expenditures of Federal Awards	217
Supplemental Schedule of Expenditures by Service - September 30, 2017	220
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	223
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	225
Schedule of Findings and Questioned Costs	227
Summary Schedule of Prior Audit Findings	230

INTRODUCTORY SECTION

COUNTY OF KALAMAZOO, MICHIGAN

LIST OF OFFICIALS

For the Year Ended December 31, 2017

COUNTY BOARD OF COMMISSIONERS

Dale Shugars - Chairperson
Stephanie Moore - Vice Chairperson
John Gisler
Tracy Hall
Ron Kendall
Scott McGraw
Mike Quinn
Julie Rogers
Michael Seals
Roger Tuinier
Kevin Wordelman

CIRCUIT COURT JUDGES

Alexander C. Lipsey - Chief Judge Pro Tempore
Paul J. Bridenstine
Gary C. Giguere, Jr.
Stephen D. Gorsalitz
Pamela L. Lightvoet

DISTRICT COURT JUDGES

Richard A. Santoni - Chief Judge

Anne E. Blatchford - Chief Judge Pro Tempore
Christopher T. Haenicke
Kathleen P. Hemingway
Julie K. Phillips
Vincent C. Westra

PROBATE JUDGES

Curtis J. Bell - Chief Judge

Tiffany A. Ankley
G. Scott Pierangeli

OTHERS

Prosecutor - Jeffrey Getting
Sheriff - Richard Fuller
County Clerk/Register of Deeds - Timothy Snow
Treasurer - Mary Balkema
Drain Commissioner - Patricia Crowley
Surveyor - Gary Hahn



KALAMAZOO COUNTY GOVERNMENT

In the Pursuit of Extraordinary Governance...

June 27, 2018

Kalamazoo County Board of Commissioners
County of Kalamazoo, Michigan
Kalamazoo, Michigan 49007

Members of the Board:

We are pleased to submit the Comprehensive Annual Financial Report of the County of Kalamazoo, Michigan (the County), for the year ended December 31, 2017. The basic financial statements included in this report have been audited by Rehmann Robson, an independent firm of licensed certified public accountants. This report is prepared for the purpose of disclosing the County's financial condition to its electorate, elected officials, and other interested parties.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making those representations, management of the County has established a comprehensive internal control framework designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County'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, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

One of the goals of the County's audited financial statements is to provide reasonable assurance that the financial statements for the year ended December 31, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures reported in the financial statements; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the County's financial statements for the year ended December 31, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

OFFICE OF ADMINISTRATION

201 West Kalamazoo Avenue | Kalamazoo, MI 49007

Phone: 269.384.8111 | www.kalcounty.com

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditors 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 found on Pages 223 through 226.

GAAP requires management to 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 County's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The County of Kalamazoo, Michigan, the ninth most populous county in the state of Michigan, encompasses an area of approximately 576 square miles with the 2017 estimated census population of 262,985, and is located in the southwest portion of Michigan's Lower Peninsula. It is approximately 75 miles southwest of Lansing, the state capital. The County is empowered by the state to levy a property tax on real and personal properties located within the County.

The County is composed of 15 townships, five villages, and four cities. The County seat is located in the City of Kalamazoo, which is the largest municipality in the County. The County was organized as a county by the territorial legislature on July 30, 1830.

The County is governed by the County Board of Commissioners (the County Board), which in 2017, consists of 11 members. The County Board is responsible for establishing policies, adopting the budget, appointing committee memberships, and hiring the County Administrator and Corporation Counsel. The Administrator/Controller is responsible for carrying out the policies set forth by the County Board and overseeing the day-to-day operations of the County. The County Board is elected on a partisan basis every two years from districts of approximately the same size. The other five elected officers of the County are elected on a partisan basis serving four-year terms.

The County provides a full range of municipal services. These services are either mandated by the state statute or authorized by the County Board. These include legislative, judicial, public works, public safety, health, welfare, cultural, recreation, transportation, public improvements, and general administrative services.

The annual budget serves as the foundation for the County's financial planning and control. All departments of the County are required to submit requests for appropriations to the Administrator/Controller. These requests form the basis for the development of a proposed budget. The Administrator/Controller will present to the County Board a recommended budget for consideration and deliberation. After the review is completed, a public hearing will be held at an annual meeting and the budget will be adopted. The budget is appropriated at the departmental level. The budget is prepared at the fund, department, and account level. Department directors may request transfers within fund appropriations under their administrative control. Transfers of appropriations between departments or funds require approval of the board. Appropriation increases also require approval by the County Board. Budget-to-actual comparisons are provided in this report for each individual special revenue fund for which an appropriated annual budget has been adopted. The General Fund and Law Enforcement Fund are found on Pages 41-42 as part of the basic financial statements for the governmental funds. For special revenue funds, other than the General Fund and Law Enforcement Fund, this comparison is found starting on Page 138.

Financial Condition Factors

Local Economy. Kalamazoo County has been experiencing a slow recovery since taxable values and the unemployment rate peaked in 2009. During this recovery, the County managed to collectively remain sustainable. The area has a diversified employment base adding to the strength of the local economy. In the last several years, the unemployment rate has reported more favorable results than the state or national rates. Major employers in the area are found in the pharmaceutical, banking, health, and education sectors. As economic indicators change, the County will continue to monitor budgetary impacts.

Forecasting and budgetary stewardship have allowed the County to proactively make budgetary decisions to minimize reactionary impacts to core services. A large percentage of County revenue comes from the state and local property taxes. With these realities in mind, budget recommendations focus on continuing the prudent, long-term fiscal policies of the Board of Commissioners, supporting mandated and essential services, and protecting the public safety and welfare.

Long Term Financial Planning. The County completes a five-year analysis during each budget cycle and updates this analysis frequently to ensure that budgetary impacts are considered. Based on these projections and economic indicators, budget policies have been adopted to implement a base line spending reduction. The Board of Commissioners are committed to operating cautiously while making sound financial decisions and ensuring the long-term fiscal stability of the County.

The County monitors budgetary spending throughout the year. Quarterly projections are prepared and spending goals are reviewed based on analysis. Future forecasting projects revenues to remain stable. The County will continue to align expenditures to these indicators.

Capital Improvement. In 2017, the County designated 13.18% of general operating revenues to capital improvement initiatives. A Capital Improvement Committee has been designated to review annual funding requests. The committee ensures standard criteria are met before projects are considered. An analysis is completed on each qualifying item. Authorizations are granted based on committee recommendations.

For major capital items, a Facilities Master plan has been established. The primary mission of this plan is to account for and develop a countywide strategy for facilities. This completed project included a property manual update with physical descriptions of all buildings, a facilities audit with planned maintenance, and projected long-term capital improvement requirements. The plan is a working document that guides long-term asset construction and renovation projects.

Relevant Financial Policies. The Budget Stabilization Policy was adopted in 1980. Currently, this fund retains \$2.5 million. This reserve was established to ensure an amount was encumbered for an unforeseen situation, which could create an inability to balance revenues and expenditures in future budget adoptions. It is the intent of the policy that any amount utilized for these situations requires a plan of action for reimbursement to the fund.

To solidify the County Board commitment to financial responsibility, a Fund Balance Policy was adopted. Recognizing Governmental Accounting Standards Board Statement No. 54, the target of unassigned General Fund balance to General Operating Revenues will be 20%. It is the intent that should the General Fund Balance fluctuate above or below this target by 5% or more, Administration will make recommendations to the County Board to adhere to the policy objective. The 2017 unrestricted, uncommitted and unassigned fund balance in comparison to revenues for the County's operating funds (General Fund, Law Enforcement Fund, and certain special revenue funds that receive significant appropriation from the General Fund or have expenditures that are paid through the General Fund) was 31.40%.

Major Initiatives. Budgetary pressures have continued to be placed on the County. Long-term pressures resulted from diminished revenue streams and long-term facility needs. In an effort to remain committed to providing essential services, a strategic initiative has been outlined and utilized. The County has created a strategic plan that is reviewed monthly to emphasize framework in the following areas: deliver consistent high quality programs and services, strengthen engagement in our community and build a relationship focused culture. In 2017, the following strategic initiatives were prioritized.

- ***Animal Services & Enforcement Facility***

Kalamazoo County Government has long recognized that the current Animal Services & Enforcement facility has many deficiencies which impede upon the County's ability to deliver consistent high quality programs and services. Funding to support a new facility was identified in 2016 and the Board of Commissioners and Administration began the process of identifying the needs of the facility as well as soliciting input and participation from the Animal Services Advisory Board and potential partners. Design for the facility was completed in 2017 and construction is expected to begin in the fall of 2018.

- ***County Services Facility***

In April of 2017, Kalamazoo County Government entered into an agreement for a real estate transfer which initiated the beginning of the development of a future downtown County building. A project Owner's Representative and Architect were selected during 2017 and programming to discuss the space needs of staff located within the Michigan Avenue Courthouse, Crosstown Complex and Administration Building ensued. The Board of Commissioners will be reviewing a cost analysis and formalizing a plan to move forward in the summer of 2018.

- ***Governmental Collaboration***

Recognizing the benefits of collaborative efficiencies, the County, with other local municipalities, has begun reviewing processes that could be combined with other governmental agencies to create efficiencies.

- In 2015, partnering municipalities authorized the creation of the 911 Consolidated Dispatch Authority. This collaboration signifies the acknowledgement and benefits of partnering to bring the most efficient and cost effective services to the taxpayers. This establishment came from several years of dedication to a goal identified. The partnering municipalities approved a short-term funding

strategy in 2017 and consolidated dispatch services are expected to commence under the new authority in the fall of 2018. The Authority continues to be diligent in planning for a long-term funding solution.

- In 2017, a partnership with Kalamazoo County Community Mental Health & Substance Abuse Services (KCCMHSAS) was established to transition the Veterans' Affairs Office to KCCMHSAS. This collaboration allows for expanded grant opportunities and wraparound services for veteran programs. Administration is working through the transfer details and this transition is expected to occur in the fall of 2018.

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 County of Kalamazoo, Michigan, for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial 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 our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this report on a timely basis would not have been accomplished without the cooperation of all involved in the financial accounting process. We want to thank members of the Kalamazoo County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

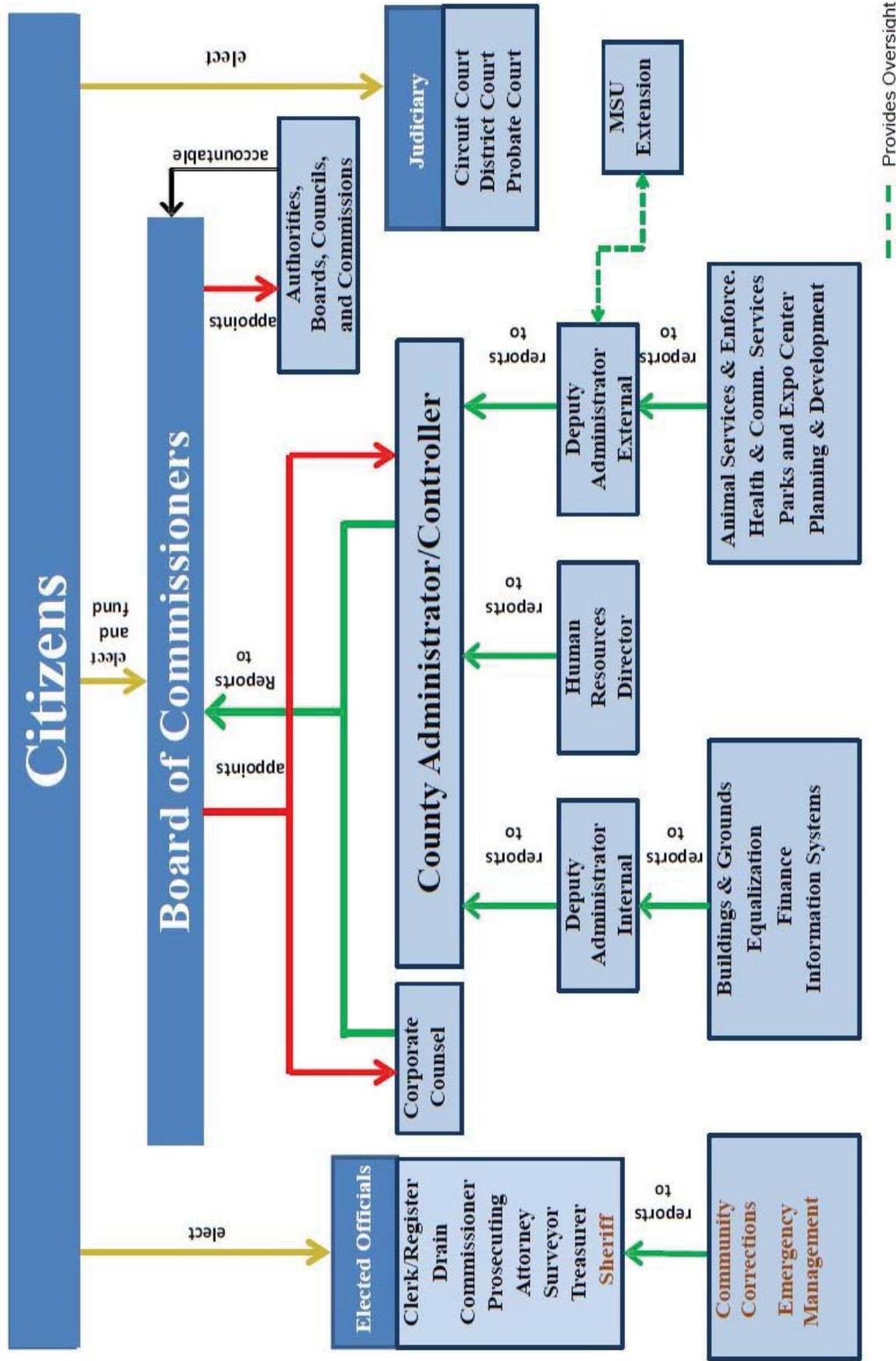
Respectfully submitted,



Tracie L. Moored
Administrator/Controller



Amanda L. Morse
Deputy County Administrator – Internal Services





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Kalamazoo
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

This page intentionally left blank.

FINANCIAL SECTION

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

June 27, 2018

Honorable Members of the
 Board of Commissioners
 of the County of Kalamazoo, Michigan
 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 *County of Kalamazoo, Michigan* (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County'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.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities, which represents the indicated percentages of total aggregate discretely presented component unit assets and deferred outflows of resources, net position, and revenues:

	Percent of Total Assets and Deferred Outflows of Resources	Percent of Total Net Position	Percent of Total Revenues
Kalamazoo County Transportation Authority	0.1%	0.0%	2.3%
Central County Transportation Authority	17.7%	16.5%	13.1%
Kalamazoo County Road Commission	59.1%	66.2%	20.3%
Kalamazoo County Public Housing Commission	0.4%	0.4%	0.8%
Kalamazoo County Consolidated Dispatch Authority	1.1%	0.9%	0.7%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Kalamazoo County Road Commission were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 reports 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 County of Kalamazoo, Michigan, as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Note 19, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of governmental activities, the Airport enterprise fund, and business-type activities was restated. Our opinion is not modified with respect to this matter.

Government Combination

As described in Note 19, the Central County Transportation Authority acquired all of the assets and liabilities of the Kalamazoo County Transportation Authority as of October 1, 2016. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the financial statements reflect a restated net position to recognize the combination as though the entities had been combined at the beginning of the reporting period. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed 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 County's basic financial statements. The combining and individual fund financial statements and schedules, introductory section, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the County of Kalamazoo, Michigan's internal control over financial reporting and 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 the 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 County's internal control over financial reporting and compliance.



This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

As management of the County of Kalamazoo, Michigan (the "County" or the "government"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- | | |
|---|---------------|
| · Total net position | \$190,808,412 |
| · Change in total net position | 8,865,917 |
| · Fund balances, governmental funds | 57,857,580 |
| · Change in fund balances, governmental funds | 7,882,762 |
| · Unassigned fund balance, general fund | 27,217,070 |
| · Change in fund balance, general fund | (759,866) |
| · Installment debt outstanding | 31,630,000 |
| · Change in installment debt | (5,210,000) |
- The County implemented GASB Statement No. 75 in the current year. In addition to expanded disclosure requirements, the County is required to report its net other postemployment liability on the statement of net position.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County 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 the 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., uncollected taxes and earned but unused vacation leave).

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the County 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 County include general government, public safety, public works, health and welfare, cultural and recreation, judicial and community and economic development. The business-type activities of the County include the Kalamazoo/Battle Creek International Airport, Delinquent Tax Revolving Funds, the Local Government Public Works Financing Fund and the Tax Reversion Fund.

The government-wide financial statements include not only the County itself (known as the primary government), but also the following legally separate entities: Community Mental Health and Substance Abuse Services, Kalamazoo County Transportation Authority, Central County Transportation Authority, Road Commission, Drainage Districts, Land Bank Authority, Lake Level Districts, Public Housing Commission, Brownfield Redevelopment Authority, and Consolidated Dispatch Authority. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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 County, 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 County 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and change in fund balances for the General Fund, Law Enforcement Fund, and the General County Public Improvement Fund, all of which are considered to be major funds. Data from the other 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 County adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements or schedules have been provided for the General and special revenue funds to demonstrate compliance with this budget.

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

Proprietary Funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Airport Fund, the Delinquent Tax Revolving Fund, the Local Government Public Works Financing Fund and the Tax Reversion Fund. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its employee benefits program, technology systems, Nazareth facility lease program, central stores activity, personnel pool, local site remediation and insurance. Because these services predominately benefit governmental rather than business-type activities, they have been included within 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 Airport Fund, the Delinquent Tax Revolving Fund, and the Local Government Public Works Financing Fund, each considered to be a major fund of the County, as well as the Tax Reversion Fund, the only nonmajor enterprise fund. The County's internal service funds are presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Funds column. Also, individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining and individual fund financial statements and schedules referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

Government-Wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$190,808,412 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 134,729,165	\$ 108,668,953	\$ 30,018,847	\$ 35,346,207	\$ 164,748,012	\$ 144,015,160
Capital assets, net	90,334,521	92,842,686	52,629,502	52,853,619	142,964,023	145,696,305
Total assets	<u>225,063,686</u>	<u>201,511,639</u>	<u>82,648,349</u>	<u>88,199,826</u>	<u>307,712,035</u>	<u>289,711,465</u>
Total deferred outflows of resources	<u>1,928,446</u>	<u>4,011,711</u>	<u>408,500</u>	<u>493,862</u>	<u>2,336,946</u>	<u>4,505,573</u>
Long-term debt	27,937,181	28,804,735	10,881,117	12,090,413	38,818,298	40,895,148
Other liabilities	<u>52,568,727</u>	<u>23,903,093</u>	<u>744,201</u>	<u>855,711</u>	<u>53,312,928</u>	<u>24,758,804</u>
Total liabilities	<u>80,505,908</u>	<u>52,707,828</u>	<u>11,625,318</u>	<u>12,946,124</u>	<u>92,131,226</u>	<u>65,653,952</u>
Total deferred inflows of resources	<u>26,819,586</u>	<u>18,259,562</u>	<u>289,757</u>	<u>213,205</u>	<u>27,109,343</u>	<u>18,472,767</u>
Net position						
Net investment in capital assets	66,358,000	67,512,686	48,141,803	47,755,499	114,499,803	115,268,185
Restricted	34,422,473	32,393,370	432,165	366,757	34,854,638	32,760,127
Unrestricted	<u>18,886,165</u>	<u>34,649,904</u>	<u>22,567,806</u>	<u>27,412,103</u>	<u>41,453,971</u>	<u>62,062,007</u>
Total net position	<u>\$ 119,666,638</u>	<u>\$ 134,555,960</u>	<u>\$ 71,141,774</u>	<u>\$ 75,534,359</u>	<u>\$ 190,808,412</u>	<u>\$ 210,090,319</u>

A substantial portion of the County's net position, \$114,499,803 (60.0%), reflects its investment in capital assets (e.g., land, in progress assets, intangible easements, land improvements, buildings and improvements, furniture, machinery and equipment, vehicles and books), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the 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 County's net position of \$34,854,638 (18.3%) represents resources that are subject to external restrictions on how they may be used. The County may use the remaining balance of unrestricted net position of \$41,453,971 (21.7%) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

One of the most significant fluctuations at December 31, 2017 as compared to the prior year relates to other liabilities for governmental activities. This fluctuation is the result of the implementation of GASB Statement No. 75 and the recording of the net other postemployment benefit liability at December 31, 2017.

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 13,426,829	\$ 14,281,599	\$ 7,477,718	\$ 7,144,912	\$ 20,904,547	\$ 21,426,511
Operating grants and contributions	28,757,713	26,771,584	131,494	21,514	28,889,207	26,793,098
Capital grants and contributions	-	689,000	3,401,193	1,881,974	3,401,193	2,570,974
General revenues:						
Property taxes	52,375,761	51,866,549	-	-	52,375,761	51,866,549
Other taxes	2,851,544	2,920,184	-	-	2,851,544	2,920,184
State revenue sharing	5,255,201	5,204,061	-	-	5,255,201	5,204,061
Other	2,844,755	2,260,235	-	-	2,844,755	2,260,235
Total revenues	105,511,803	103,993,212	11,010,405	9,048,400	116,522,208	113,041,612
Expenses:						
General						
government	12,005,684	18,745,016	-	-	12,005,684	18,745,016
Public safety	29,226,541	30,068,549	-	-	29,226,541	30,068,549
Public works	458,479	223,444	-	-	458,479	223,444
Health and welfare	28,358,828	25,352,602	-	-	28,358,828	25,352,602
Cultural and recreation	4,294,714	4,614,096	-	-	4,294,714	4,614,096
Legislative	-	932,316	-	-	-	932,316
Judicial	23,306,159	20,181,383	-	-	23,306,159	20,181,383
Community and economic development	803,110	637,206	-	-	803,110	637,206
Interest and fiscal charges	1,020,546	1,082,933	-	-	1,020,546	1,082,933
Airport operations	-	-	6,865,096	6,811,127	6,865,096	6,811,127
Local government public works financing	-	-	182,021	201,631	182,021	201,631
Other enterprise	-	-	1,135,113	1,546,620	1,135,113	1,546,620
Total expenses	99,474,061	101,837,545	8,182,230	8,559,378	107,656,291	110,396,923
Change in net position, before transfers	6,037,742	2,155,667	2,828,175	489,022	8,865,917	2,644,689
Transfers	6,892,300	1,883,400	(6,892,300)	(1,883,400)	-	-
Change in net position	12,930,042	4,039,067	(4,064,125)	(1,394,378)	8,865,917	2,644,689
Net position:						
Beginning of year	134,555,960	130,516,893	75,534,359	76,928,737	210,090,319	207,445,630
Restatement for implementation of GASB 75	(27,819,364)	-	(328,460)	-	(28,147,824)	-
End of year	\$119,666,638	\$134,555,960	\$ 71,141,774	\$ 75,534,359	\$190,808,412	\$210,090,319

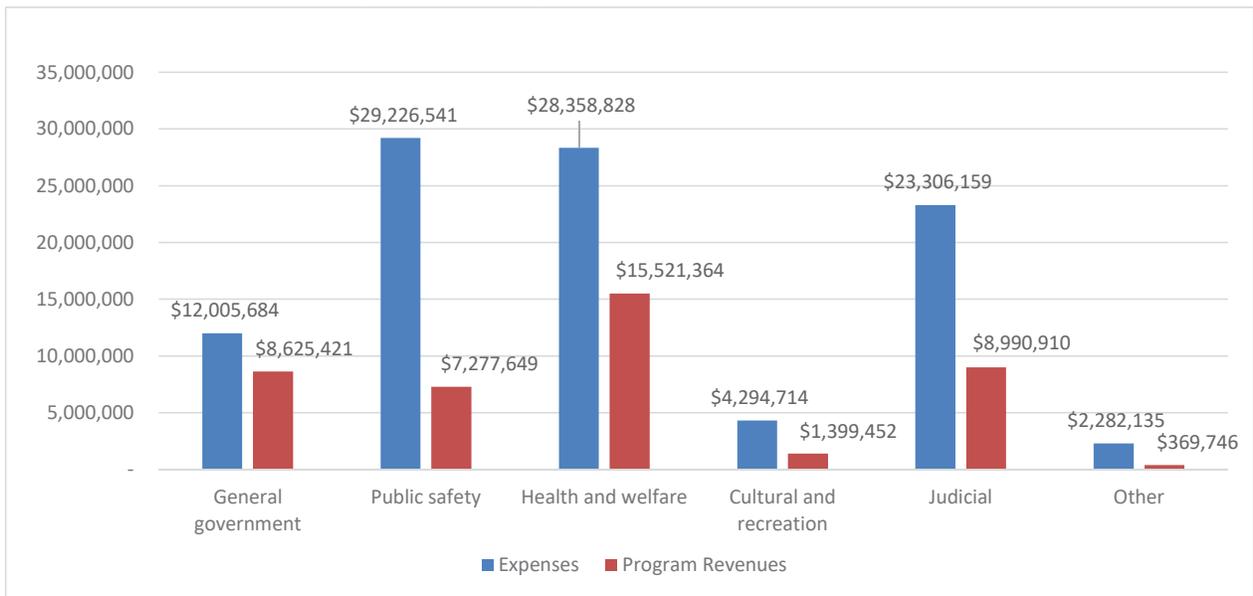
COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

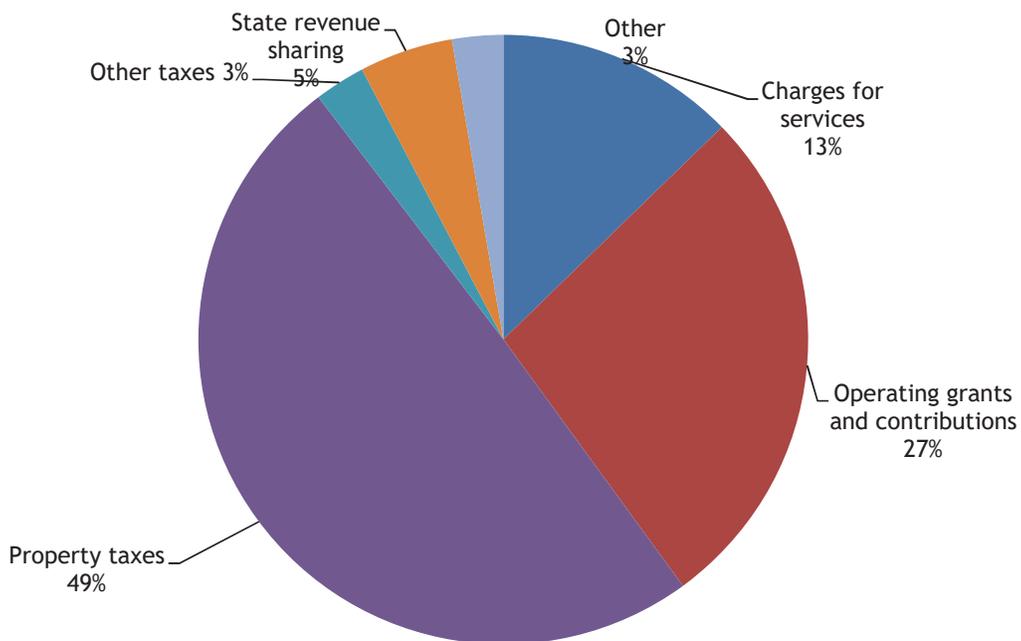
Governmental Activities. Governmental activities increased the County's net position by \$12,930,042. Key elements of this increase consisted of the following:

- \$5,000,000 one-time transfer from Business-type Activities for the prepayment of a facility lease for the Health and Community Services Department.
- \$3,889,500 transfer of budgeted State Revenue Sharing funds to the General County Improvement fund reserved for technology and facility improvements. Projects are currently being planned and work has not been started.
- \$1,900,000 savings from lower than planned salary and fringe benefit costs due to position vacancies and changes.
- \$1,600,000 savings from underspending by county-wide departments and programs.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



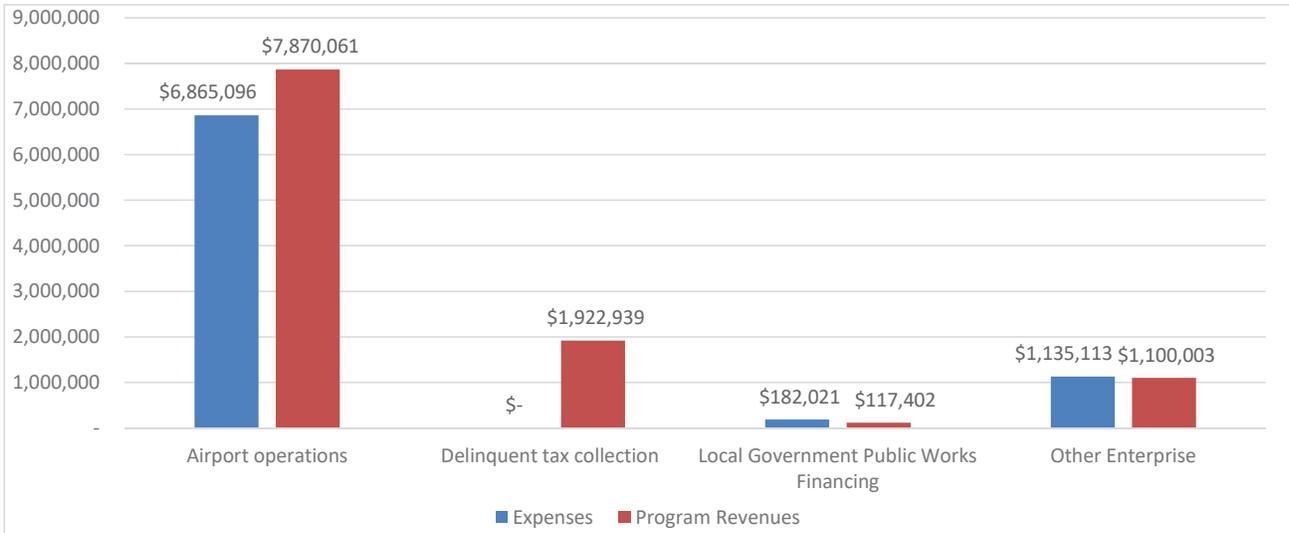
COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

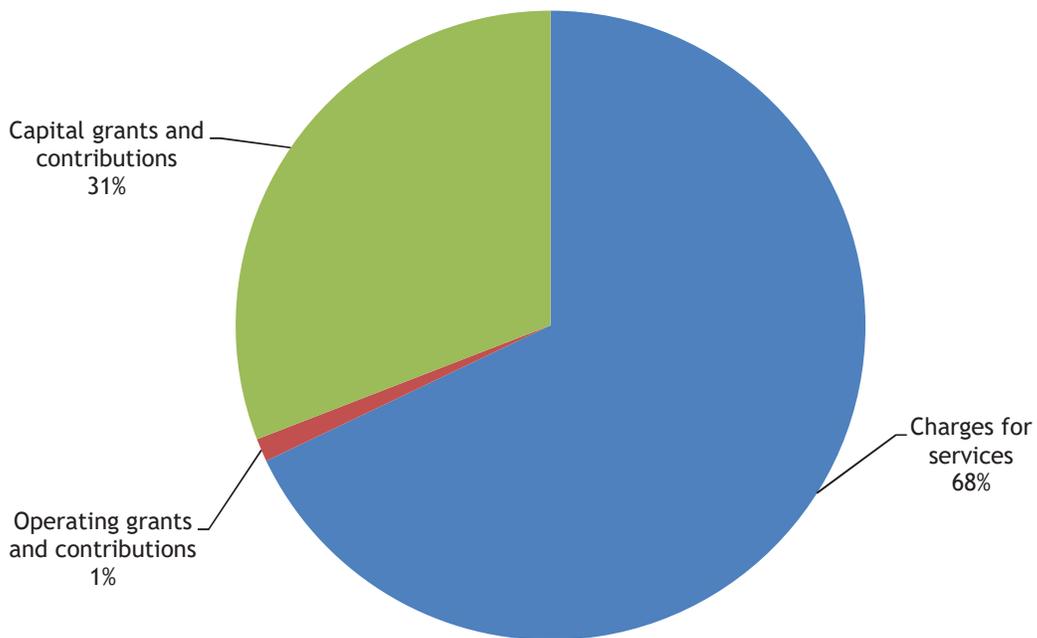
Business-type Activities. Business-type activities decreased the County's net position by \$4,064,125. Key elements of this decrease consisted of the following:

- One-time transfer of \$5,000,000 to governmental funds for the prepayment of a facility lease for the Health and Community Services department.
- \$1,000,000 income from capital grants for reimbursement of Airport capital improvements.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

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

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

Fund balance components have been classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources of the fund.

Nonspendable fund balances make up \$389,759 (1%) of the fund balance. Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The County's inventories, prepaids and advances to component units are nonspendable.

Restricted fund balances make up \$6,473,926 (11%) of the fund balance. Spending of these resources is constrained by externally imposed (statutory, bind covenant, contracts, or grantors) limitations on their use. The amounts are for budget stabilization, debt service, capital, and special revenue funds.

Committed fund balances make up \$2,664,077 (5%) of the fund balance. Spending of these resources is for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment.

Assigned fund balance, one of the largest components of fund balance at 36% of total, amounts to \$21,112,748. These funds are primarily assigned for General County Public Improvement fund capital expenditures. Additionally, \$1,207,131 is assigned within nonmajor governmental funds.

Unassigned fund balance represents the General Fund remaining fund balance. The General Fund unassigned fund balance is available to support general operations of the County. The unassigned amount represents 47% of the total governmental fund balances.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$27,217,070, while total fund balance amounted to \$32,760,437. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38% of total General Fund expenditures and transfers out, while total fund balance represents 46% of that same amount.

The fund balance of the County's General Fund decreased by \$759,866 during the current fiscal year. The key factor in this change is the planned use of fund balance for capital purchases and facility improvements totaling \$3,976,000. This use is offset by underutilization of budgeted salary and fringe benefit costs along with routine operating expenditures due to conservative spending by department heads and elected officials of approximately \$3,200,000.

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

The Law Enforcement Fund accounts for specific revenue derived from a special voter-approved millage, state and federal grants, and charges for services, and are to be expended as dictated by legal, regulatory, or administrative requirements. At the end of the current fiscal year, total fund balance of the Law Enforcement Fund was \$427,119. The fund balance of the County's Law Enforcement Fund decreased by \$219,409 during the current fiscal year. The key factor in this change is the planned use of fund balance to cover operating expenditures.

The original Law Enforcement Fund budget projected no change in fund balance. The final amended budget planned for a \$33,000 decrease in fund balance. The actual decrease in fund balance was \$219,409. The key factor in this decrease is the realignment of law enforcement positions from the general fund into this special revenue fund to better match available funding.

The General County Public Improvement Fund was established to account for renovation/construction projects performed on the County facilities. These projects are funded primarily by the General Fund. The County continues to transfer a portion of the State Shared Revenue payments into the General County Public Improvement Fund to pay for capital facility needs. The fund balance increased by \$8,568,921, bringing the total fund balance to \$19,905,617. The key factor in this change is to build the reserves necessary for technology and facility improvements through planned transfers of Revenue Sharing revenues from the General Fund.

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

Unrestricted net position of the Airport Fund at the end of the year amounted to \$5,596,932. The net position for the Delinquent Tax Revolving Fund amounted to \$15,761,105 and the net position for the Local Government Public Works Financing Fund totaled \$23. The Airport Fund had a total increase in net position of \$1,029,583, the Delinquent Tax Revolving Fund experienced a decrease in net position of \$4,577,061 (primarily as a result of transfers out to other funds), and the Local Government Public Works Financing Fund saw a decrease in net position in the amount of \$64,619. Other factors concerning the finances of these three funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The original General Fund budget projected no change in fund balance. The final amended budget planned for a \$3,976,000 decrease in fund balance. The actual decrease in fund balance was \$759,866. Significant budgetary variances are as follows:

- Lower than budgeted expenditures for capital outlay projects not completed within the budgeted year in the amount of \$1,274,119.
- Lower operating expenditures further detailed in the expenditure section below.

Revenues

Taxes - \$390,395 over budget. This revenue increase is primarily the result of a higher than expected distribution from the Local Community Stabilization Authority related to changes in the State of Michigan personal property tax laws and distribution methods.

Fines and forfeitures - \$725,186 under budget. This revenue shortfall is primarily the result of a decrease in collections of ordinances fines and costs in the District Court.

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

Expenditures

General Government - \$674,442 under budget. This activity was under budget due to lower than anticipated costs for utilities, lower than projected costs in the buildings and grounds area for facility maintenance and upkeep, and overall conservative spending by departments.

Public Safety - \$495,182 under budget. This activity was under budget primarily due to overall conservative spending.

Judicial - \$271,181 under budget. This activity was under budget primarily due to overall conservative spending by the Circuit Court and the District Court.

Capital Outlay - \$1,274,119 under budget. This favorable budget variance was primarily due to the timing in the completion of the capital projects.

Transfers Out - \$397,411. This is primarily related to the Health Fund and the Child Care Fund and is due to a combination of underutilization of operating budgets, and increases in federal and state grants.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$142,964,023 (net of accumulated depreciation). This investment in capital assets includes land, in process assets, intangible easements, land improvements, building and improvements, furniture, machinery and equipment, vehicles and books. The total decrease in the County's investment in capital assets for the current fiscal year was \$2,732,282 (a decrease of 2.7% for governmental activities and a decrease of 0.4% for business-type activities).

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,184,316	\$ 4,184,316	\$ 5,182,935	\$ 5,182,935	\$ 9,367,251	\$ 9,367,251
Construction in progress	771,062	180,925	2,801,301	185,313	3,572,363	366,238
Intangible easements	147,493	146,734	-	-	147,493	146,734
Land improvements	7,425,519	8,358,962	15,247,556	16,684,634	22,673,075	25,043,596
Buildings and improvements	72,425,198	74,196,558	27,198,630	28,042,991	99,623,828	102,239,549
Furniture, machinery and equipment	3,668,155	4,048,161	1,863,665	2,352,102	5,531,820	6,400,263
Vehicles	1,712,778	1,727,030	335,415	405,644	2,048,193	2,132,674
Total	\$ 90,334,521	\$ 92,842,686	\$ 52,629,502	\$ 52,853,619	\$ 142,964,023	\$ 145,696,305

Additional information on the County's capital assets can be found in Note 7 of this report.

COUNTY OF KALAMAZOO, MICHIGAN

Management's Discussion and Analysis

Long-Term Debt. At the end of the current fiscal year, the County had total long-term debt outstanding of \$38,818,298, a decrease of \$2,076,850 from the prior year, mainly due to installment payments made during the year.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 21,280,000	\$ 25,330,000	\$ 10,350,000	\$ 11,510,000	\$ 31,630,000	\$ 36,840,000
Bond premium/discount	2,895,956	-	433,394	492,011	3,329,350	492,011
Compensated absences	3,761,225	3,474,735	97,723	88,402	3,858,948	3,563,137
Total	\$ 27,937,181	\$ 28,804,735	\$ 10,881,117	\$ 12,090,413	\$ 38,818,298	\$ 40,895,148

The County maintains an "AA+" rating from Standard & Poor's and "Aa3" rating from Moody's for its general obligation debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized valuation.

The current debt limitation for the County is \$964,999,082, which is significantly higher than the County's outstanding general obligation debt. Additional information on the County's long-term obligations is found in Note 8.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County as of April 2018, is 3.40% which is a 1.9% decrease from the rate a year ago. This is slightly lower than the State average of 4.7%.
- Property values increased by 3.19% in 2018.
- Inflationary trends in the region compare favorable to national indices.

These factors were considered in preparing and monitoring the County's budget for the 2018 fiscal year.

At calendar year end, the unassigned fund balance in the General Fund was \$27,217,070. This has allowed the County to adopt a balanced budget and eliminates the need to raise taxes or charges above the current recommended levels during the 2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to Finance Director, County of Kalamazoo, Michigan, 201 West Kalamazoo Avenue, Kalamazoo, Michigan 49007.

BASIC FINANCIAL STATEMENTS

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Net Position
December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ -	\$ 6,187,151	\$ 6,187,151	\$ 21,351,881
Restricted cash	-	196	196	976,800
Investments	70,655,107	8,246,797	78,901,904	1,202,834
Receivables, net	19,653,918	14,737,416	34,391,334	17,442,419
Restricted receivables	-	77,511	77,511	-
Internal balances	(143,251)	143,251	-	-
Advances to component unit	122,233	-	122,233	-
Other assets	6,769,972	54,995	6,824,967	3,703,415
Capital assets not being depreciated	5,102,871	7,984,236	13,087,107	27,862,944
Capital assets being depreciated, net	85,231,650	44,645,266	129,876,916	150,494,743
Net other postemployment benefit asset	-	-	-	2,791,912
Net pension asset	37,671,186	571,530	38,242,716	10,181,140
Total assets	225,063,686	82,648,349	307,712,035	236,008,088
Deferred outflows of resources				
Deferred charge on refunding	199,435	343,959	543,394	-
Deferred pension amounts	1,729,011	64,541	1,793,552	14,716,674
Total deferred outflows of resources	1,928,446	408,500	2,336,946	14,716,674
Liabilities				
Negative equity in pooled cash and cash equivalents	2,378,564	-	2,378,564	-
Accounts payable and accrued liabilities	7,336,445	414,450	7,750,895	11,783,179
Advances from primary government	-	-	-	122,233
Unearned revenue	535,867	15,553	551,420	1,030,310
Long-term debt:				
Due within one year	4,244,616	999,198	5,243,814	3,236,964
Due in more than one year	23,692,565	9,881,919	33,574,484	10,993,692
Net pension liability	-	-	-	1,701,825
Net other postemployment benefit liability	42,317,851	314,198	42,632,049	1,406,706
Total liabilities	80,505,908	11,625,318	92,131,226	30,274,909
Deferred inflows of resources				
Property taxes levied for subsequent period	14,235,177	-	14,235,177	314,007
Deferred pension amounts	11,487,559	281,613	11,769,172	3,684,617
Deferred other postemployment benefit amounts	1,096,850	8,144	1,104,994	119,676
Total deferred inflows of resources	26,819,586	289,757	27,109,343	4,118,300
Net position				
Net investment in capital assets	66,358,000	48,141,803	114,499,803	170,044,124
Restricted for:				
Public safety	2,058,512	-	2,058,512	-
Public works	397	-	397	-
Health and welfare	19,105	-	19,105	-
Cultural and recreation	5,796	-	5,796	-
Community and economic development	212,862	-	212,862	-
Debt service	-	77,707	77,707	724,016
Pension	27,912,638	354,458	28,267,096	11,934,193
Budget stabilization	2,500,000	-	2,500,000	-
Other state mandated programs	1,713,163	-	1,713,163	-
Donor specified purposes	-	-	-	38,783
Replacement and insurance escrow reserves	-	-	-	164,665
Assets held at Community Foundation	-	-	-	164,037
Millage service agreement	-	-	-	607,978
Unrestricted	18,886,165	22,567,806	41,453,971	32,653,757
Total net position	\$ 119,666,638	\$ 71,141,774	\$ 190,808,412	\$ 216,331,553

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 12,005,684	\$ 3,480,241	\$ 5,145,180	\$ -	\$ (3,380,263)
Public safety	29,226,541	3,034,532	4,243,117	-	(21,948,892)
Public works	458,479	50,545	84,124	-	(323,810)
Health and welfare	28,358,828	1,851,619	13,669,745	-	(12,837,464)
Cultural and recreation	4,294,714	1,231,210	168,242	-	(2,895,262)
Judicial	23,306,159	3,548,605	5,442,305	-	(14,315,249)
Community and economic development	803,110	230,077	5,000	-	(568,033)
Interest and fiscal charges	1,020,546	-	-	-	(1,020,546)
Total governmental activities	99,474,061	13,426,829	28,757,713	-	(57,289,519)
Business-type activities:					
Airport operations	6,865,096	4,393,811	75,057	3,401,193	1,004,965
Delinquent tax collection and administration	-	1,866,637	56,302	-	1,922,939
Local government public works financing	182,021	117,267	135	-	(64,619)
Other enterprise funds	1,135,113	1,100,003	-	-	(35,110)
Total business-type activities	8,182,230	7,477,718	131,494	3,401,193	2,828,175
Total primary government	\$ 107,656,291	\$ 20,904,547	\$ 28,889,207	\$ 3,401,193	\$ (54,461,344)
Component units					
CMH & Substance Abuse Services	\$ 81,856,386	\$ 2,119,144	\$ 77,615,772	\$ -	\$ (2,121,470)
Kalamazoo County Transportation Authority	4,545,744	-	-	-	(4,545,744)
Central County Transportation Authority	20,864,985	2,756,647	10,652,939	503,509	(6,951,890)
Road Commission	21,693,731	1,040,050	26,393,030	-	5,739,349
Drainage Districts	120,316	-	-	-	(120,316)
Land Bank Authority	2,381,558	819,101	1,397,497	-	(164,960)
Lake Level	1,837	-	-	-	(1,837)
Public Housing Commission	873,494	-	1,030,480	-	156,986
Brownfield Redevelopment Authority	1,091,468	9,900	141,564	-	(940,004)
Consolidated Dispatch Authority	324,176	988,323	-	-	664,147
Total component units	\$ 133,753,695	\$ 7,733,165	\$ 117,231,282	\$ 503,509	\$ (8,285,739)

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net revenue (expense)	\$ (57,289,519)	\$ 2,828,175	\$ (54,461,344)	\$ (8,285,739)
General revenues:				
Property taxes	52,375,761	-	52,375,761	9,095,739
Lodging excise taxes	2,851,544	-	2,851,544	-
State revenue sharing	5,255,201	-	5,255,201	-
Unrestricted investment earnings	876,523	-	876,523	54,240
Gain on sale of capital assets	270,213	-	270,213	20,913
Other revenues	1,698,019	-	1,698,019	1,297,671
Transfers - internal activities	6,892,300	(6,892,300)	-	-
Total general revenues and transfers	70,219,561	(6,892,300)	63,327,261	10,468,563
Change in net position	12,930,042	(4,064,125)	8,865,917	2,182,824
Net position, beginning of year, as restated	106,736,596	75,205,899	181,942,495	214,148,729
Net position, end of year	\$ 119,666,638	\$ 71,141,774	\$ 190,808,412	\$ 216,331,553

concluded

The accompanying notes are an integral part of these basic financial statements.

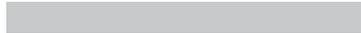
This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Balance Sheet
 Governmental Funds
 December 31, 2017

	General Fund	Law Enforcement	General County Public Improvement
Assets			
Cash and cash equivalents	\$ -	\$ 268,792	\$ 10,425,595
Investments	50,024,768	1,857,250	9,567,132
Receivables, net:			
Accounts	212,725	17,500	4,481
Taxes	1,464,188	10,336,534	-
Due from other governments	707,239	-	-
Accrued interest	186,620	7,565	41,849
Advances to component units	122,233	-	-
Inventories	16,906	-	-
Prepays	240,151	2,574	-
Total assets	\$ 52,974,830	\$ 12,490,215	\$ 20,039,057
Liabilities			
Negative equity in pooled cash and cash equivalents	\$ 17,372,251	\$ -	\$ -
Accounts payable	1,344,898	25,513	133,440
Accrued liabilities	688,269	238,372	-
Due to other governments	631	-	-
Deposits payable	5,642	-	-
Unearned revenue	25,037	-	-
Total liabilities	19,436,728	263,885	133,440
Deferred inflows of resources			
Property taxes levied for subsequent period	-	11,698,551	-
Unavailable revenue - property taxes	777,665	100,660	-
Total deferred inflows of resources	777,665	11,799,211	-
Fund balances			
Nonspendable	379,290	2,574	-
Restricted	2,500,000	424,545	-
Committed	2,664,077	-	-
Assigned	-	-	19,905,617
Unassigned	27,217,070	-	-
Total fund balances	32,760,437	427,119	19,905,617
Total liabilities, deferred inflows of resources and fund balances	\$ 52,974,830	\$ 12,490,215	\$ 20,039,057

The accompanying notes are an integral part of these basic financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,539,904	\$ 15,234,291
812,438	62,261,588
810,622	1,045,328
2,229,952	14,030,674
3,197,443	3,904,682
-	236,034
-	122,233
760	17,666
7,135	249,860
<u>\$ 11,598,254</u>	<u>\$ 97,102,356</u>
\$ 1,605,665	\$ 18,977,916
1,772,103	3,275,954
356,832	1,283,473
35,905	36,536
5,611	11,253
510,830	535,867
<u>4,286,946</u>	<u>24,120,999</u>
2,536,626	14,235,177
10,275	888,600
<u>2,546,901</u>	<u>15,123,777</u>
7,895	389,759
3,549,381	6,473,926
-	2,664,077
1,207,131	21,112,748
-	27,217,070
<u>4,764,407</u>	<u>57,857,580</u>
<u>\$ 11,598,254</u>	<u>\$ 97,102,356</u>

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2017

Fund balances - total governmental funds	\$ 57,857,580
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	5,102,871
Capital assets being depreciated, net	85,231,650
Less: amounts accounted for in internal service funds	(678,112)
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	
Deferred inflows for property taxes receivable	888,600
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net position of governmental activities accounted for in internal service funds:	
Total internal service fund net position	14,847,890
Internal service fund net position accounted for in business-type activities	(143,251)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds payable	(21,280,000)
Bond premiums/discounts, net	(2,895,956)
Deferred charge on bond refunding	199,435
Compensated absences	(3,718,418)
Accrued interest on long-term debt	(243,588)
Certain pension and OPEB-related amounts, such as the net pension asset, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net other postemployment benefit liability	(42,317,851)
Net pension asset	37,671,186
Deferred outflows related to the net pension asset	1,729,011
Deferred inflows related to the net pension asset	(11,487,559)
Deferred inflows related to the net other postemployment benefit liability	(1,096,850)
Net position of governmental activities	<u>\$ 119,666,638</u>

The accompanying notes are an integral part of these basic financial statements.

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balances

Governmental Funds

For the Year Ended December 31, 2017

	General Fund	Law Enforcement	General County Public Improvement
Revenues			
Taxes	\$ 38,240,395	\$ 11,503,536	\$ -
Licenses and permits	603,887	-	-
Intergovernmental	14,203,420	498,983	-
Charges for services	6,609,232	-	-
Fines and forfeitures	965,614	-	-
Investment earnings (loss)	805,668	(122,062)	189,901
Contributions, grants and reimbursements	17,622	-	-
Other	1,625,016	-	45,004
Total revenues	63,070,854	11,880,457	234,905
Expenditures			
Current:			
General government	10,684,758	2,125,167	-
Public safety	17,684,018	7,573,681	-
Public works	363,363	-	-
Health and welfare	5,144,075	-	-
Cultural and recreation	-	-	-
Judicial	13,095,419	2,135,895	-
Community and economic development	574,448	-	-
Other	67,192	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance cost	-	-	-
Capital outlay	1,181,781	-	1,089,502
Total expenditures	48,795,054	11,834,743	1,089,502
Revenues over (under) expenditures	14,275,800	45,714	(854,597)
Other financing sources (uses)			
Transfers in	7,163,411	-	8,905,200
Transfers out	(22,219,489)	(265,123)	-
Issuance of refunding bonds	-	-	-
Premium on issuance of refunding debt	-	-	-
Payments to refunding bond escrow agent	-	-	-
Proceeds from sale of capital assets	20,412	-	518,318
Total other financing sources (uses)	(15,035,666)	(265,123)	9,423,518
Net change in fund balances	(759,866)	(219,409)	8,568,921
Fund balances, beginning of year	33,520,303	646,528	11,336,696
Fund balances, end of year	\$ 32,760,437	\$ 427,119	\$ 19,905,617

The accompanying notes are an integral part of these basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,495,772	\$ 55,239,703
646,042	1,249,929
18,487,970	33,190,373
4,575,328	11,184,560
-	965,614
3,016	876,523
804,919	822,541
54,725	1,724,745
<u>30,067,772</u>	<u>105,253,988</u>
86,884	12,896,809
2,786,350	28,044,049
66,886	430,249
22,924,354	28,068,429
3,530,468	3,530,468
5,605,860	20,837,174
200,762	775,210
-	67,192
1,140,000	1,140,000
928,271	928,271
250,885	250,885
255,633	2,526,916
<u>37,776,353</u>	<u>99,495,652</u>
<u>(7,708,581)</u>	<u>5,758,336</u>
8,788,731	24,857,342
(698,975)	(23,183,587)
19,390,000	19,390,000
3,030,652	3,030,652
(22,508,711)	(22,508,711)
-	538,730
<u>8,001,697</u>	<u>2,124,426</u>
293,116	7,882,762
4,471,291	49,974,818
<u>\$ 4,764,407</u>	<u>\$ 57,857,580</u>

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 7,882,762

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	2,328,227
Depreciation expense	(4,521,305)
Proceeds from sale of capital assets	(538,730)
Gain on sale of capital assets	268,308

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Change in deferred property taxes receivable	(12,398)
--	----------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Principal payments on long-term debt	1,140,000
Issuance of refunding debt	(19,390,000)
Premium on issuance of refunding debt	(3,030,652)
Payment to refunding bond escrow agent	22,508,711

Some expenses 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.

Change in accrued interest payable on long-term debt	33,190
Amortization of bond premiums/discounts	134,696
Amortization of deferred charge on refunding	(9,276)
Change in the accrual for compensated absences	(285,994)
Change in the net other postemployment benefit liability and related deferred amounts	823,939
Change in the net pension asset and related deferred amounts	1,693,487

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Net operating loss of the internal service funds	(1,501,648)
Operating loss of the internal service funds allocated to business-type activities	24,618
Investment income accounted for in the internal service funds	161,657
Gain on sale of capital assets from internal service funds	1,905
Operating transfers in accounted for in the internal service funds	5,218,545

Change in net position of governmental activities \$ 12,930,042

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balances Budget and Actual - General Fund For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 39,420,000	\$ 37,850,000	\$ 38,240,395	\$ 390,395
Licenses and permits	589,000	590,000	603,887	13,887
Intergovernmental	11,444,900	14,374,000	14,203,420	(170,580)
Charges for services	6,508,800	6,476,700	6,609,232	132,532
Fines and forfeitures	1,690,800	1,690,800	965,614	(725,186)
Investment earnings	800,000	800,000	805,668	5,668
Contributions, grants, and reimbursements	6,000	19,000	17,622	(1,378)
Other	1,072,300	1,429,600	1,625,016	195,416
Total revenues	61,531,800	63,230,100	63,070,854	(159,246)
Expenditures				
Current:				
General government	11,425,500	11,359,200	10,684,758	(674,442)
Public safety	17,969,500	18,179,200	17,684,018	(495,182)
Public works	407,500	400,000	363,363	(36,637)
Health and welfare	5,242,300	5,184,900	5,144,075	(40,825)
Judicial	13,792,100	13,366,600	13,095,419	(271,181)
Community and economic development	617,500	633,600	574,448	(59,152)
Other	966,500	124,400	67,192	(57,208)
Capital outlay	951,000	2,455,900	1,181,781	(1,274,119)
Total expenditures	51,371,900	51,703,800	48,795,054	(2,908,746)
Revenues over expenditures	10,159,900	11,526,300	14,275,800	2,749,500
Other financing sources (uses)				
Transfers in	2,040,300	7,114,600	7,163,411	48,811
Transfers out	(12,200,200)	(22,616,900)	(22,219,489)	(397,411)
Proceeds from sale of capital assets	-	-	20,412	20,412
Total other financing sources (uses)	(10,159,900)	(15,502,300)	(15,035,666)	(466,634)
Net change in fund balance	-	(3,976,000)	(759,866)	3,216,134
Fund balance, beginning of year	33,520,303	33,520,303	33,520,303	-
Fund balance, end of year	\$ 33,520,303	29,544,303	\$ 32,760,437	\$ 3,216,134

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Law Enforcement Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 12,309,000	\$ 11,880,000	\$ 11,503,536	\$ (376,464)
Intergovernmental	70,000	499,000	498,983	(17)
Investment earnings (loss)	50,000	50,000	(122,062)	(172,062)
Total revenues	12,429,000	12,429,000	11,880,457	(548,543)
Expenditures				
Current:				
General government - Prosecuting attorney	1,957,500	2,123,900	2,125,167	1,267
Public safety:				
Community corrections	11,000	11,000	9,441	(1,559)
Sheriff - admin/support	148,500	185,900	186,746	846
Sheriff - jail	5,135,200	5,083,300	4,885,739	(197,561)
Sheriff - field operations	1,982,000	1,996,500	1,875,578	(120,922)
Animal services & enforcement	347,200	338,800	336,168	(2,632)
Capital improvements	273,600	306,600	280,009	(26,591)
Total public safety	7,897,500	7,922,100	7,573,681	(348,419)
Judicial:				
Circuit court family division	562,900	452,600	458,105	5,505
Circuit court trial division	550,200	536,700	536,519	(181)
District court	1,169,800	1,135,600	1,141,271	5,671
Total judicial	2,282,900	2,124,900	2,135,895	10,995
Other:				
Contingencies	50,000	50,000	-	(50,000)
Total expenditures	12,187,900	12,220,900	11,834,743	(386,157)
Revenues over (under) expenditures	241,100	208,100	45,714	(162,386)
Other financing uses				
Transfers out	(241,100)	(241,100)	(265,123)	24,023
Net change in fund balance	-	(33,000)	(219,409)	(186,409)
Fund balance, beginning of year	646,528	646,528	646,528	-
Fund balance, end of year	\$ 646,528	\$ 613,528	\$ 427,119	\$ (186,409)

The accompanying notes are an integral part of these basic financial statements.

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Net Position
 Proprietary Funds
 December 31, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities
	Airport	Delinquent Tax Revolving	Local Government Public Works Financing	Nonmajor Fund - Tax Reversion	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 3,372,787	\$ 1,909,679	\$ 23	\$ 904,662	\$ 6,187,151	\$ 1,895,810
Investments	2,410,285	5,836,512	-	-	8,246,797	8,393,519
Receivables, net:						
Accounts	369,870	-	-	18,720	388,590	396,337
Taxes	-	8,008,698	-	327,239	8,335,937	-
Due from other governments	19,373	-	-	-	19,373	-
Leases, current portion	-	-	323,635	-	323,635	-
Accrued interest	6,838	6,216	-	-	13,054	40,863
Inventories	33,452	-	-	-	33,452	102,869
Prepays	21,543	-	-	-	21,543	6,399,577
Total current assets	<u>6,234,148</u>	<u>15,761,105</u>	<u>323,658</u>	<u>1,250,621</u>	<u>23,569,532</u>	<u>17,228,975</u>
Noncurrent assets:						
Restricted cash and cash equivalents	196	-	-	-	196	-
Restricted accounts receivable	77,511	-	-	-	77,511	-
Leases receivable, net of current portion	-	-	5,656,827	-	5,656,827	-
Capital assets not being depreciated	7,984,236	-	-	-	7,984,236	14,201
Capital assets being depreciated, net	44,645,266	-	-	-	44,645,266	663,911
Net pension asset	571,530	-	-	-	571,530	-
Total noncurrent assets	<u>53,278,739</u>	<u>-</u>	<u>5,656,827</u>	<u>-</u>	<u>58,935,566</u>	<u>678,112</u>
Total assets	<u>59,512,887</u>	<u>15,761,105</u>	<u>5,980,485</u>	<u>1,250,621</u>	<u>82,505,098</u>	<u>17,907,087</u>
Deferred outflows of resources						
Deferred charge on refunding	343,959	-	-	-	343,959	-
Deferred pension amounts	64,541	-	-	-	64,541	-
Total deferred outflows of resources	<u>408,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408,500</u>	<u>-</u>
Liabilities						
Current liabilities:						
Negative equity in pooled cash and cash equivalents	-	-	-	-	-	530,749
Accounts payable	130,797	-	-	184,126	314,923	305,003
Accrued liabilities	32,831	-	-	-	32,831	186,896
Deposits payable	10,149	-	-	-	10,149	59,520
Accrued interest	27,821	-	28,726	-	56,547	-
Unearned revenue	15,553	-	-	-	15,553	-
Current portion of long-term debt	704,289	-	294,909	-	999,198	31,506
Total current liabilities	<u>921,440</u>	<u>-</u>	<u>323,635</u>	<u>184,126</u>	<u>1,429,201</u>	<u>1,113,674</u>
Noncurrent liabilities, net of current portion:						
Claims payable	-	-	-	-	-	1,934,222
Long-term debt	4,225,092	-	5,656,827	-	9,881,919	11,301
Net other postemployment benefit liability	314,198	-	-	-	314,198	-
Total noncurrent liabilities	<u>4,539,290</u>	<u>-</u>	<u>5,656,827</u>	<u>-</u>	<u>10,196,117</u>	<u>1,945,523</u>
Total liabilities	<u>5,460,730</u>	<u>-</u>	<u>5,980,462</u>	<u>184,126</u>	<u>11,625,318</u>	<u>3,059,197</u>
Deferred inflows of resources						
Deferred pension amounts	281,613	-	-	-	281,613	-
Deferred other postemployment benefit amounts	8,144	-	-	-	8,144	-
Total deferred inflows of resources	<u>289,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,757</u>	<u>-</u>
Net position						
Net investment in capital assets	48,141,803	-	-	-	48,141,803	678,112
Restricted for debt service	77,707	-	-	-	77,707	-
Restricted for pension	354,458	-	-	-	354,458	-
Unrestricted	5,596,932	15,761,105	23	1,066,495	22,424,555	14,169,778
Total net position	<u>\$ 54,170,900</u>	<u>\$ 15,761,105</u>	<u>\$ 23</u>	<u>\$ 1,066,495</u>	<u>\$ 70,998,523</u>	<u>\$ 14,847,890</u>

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
December 31, 2017

Net position - total enterprise funds \$ 70,998,523

Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net position of the internal service funds is allocated to the enterprise funds and reported in the statement of net position.

Net position of business-type activities accounted for in governmental-type internal service funds

143,251

Net position of business-type activities

\$ 71,141,774

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenses and Change in Fund Net Position
 Proprietary Funds
 For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental	
	Airport	Delinquent Tax Revolving	Local Government Public Works Financing	Nonmajor Fund - Tax Reversion	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 4,393,811	\$ -	\$ -	\$ -	\$ 4,393,811	\$ 24,705,642
Collection fees	-	471,714	-	955,433	1,427,147	-
Interest and penalties	-	1,394,923	-	144,570	1,539,493	-
Lease interest revenue	-	-	117,267	-	117,267	-
Total operating revenues	4,393,811	1,866,637	117,267	1,100,003	7,477,718	24,705,642
Operating expenses						
Salaries and fringes	1,392,165	-	-	-	1,392,165	1,666,939
Supplies and other operating expenses	2,073,331	-	-	1,135,113	3,208,444	1,583,503
Depreciation	3,199,130	-	-	-	3,199,130	226,819
Insurance benefits and claims	-	-	-	-	-	22,730,029
Total operating expenses	6,664,626	-	-	1,135,113	7,799,739	26,207,290
Operating income (loss)	(2,270,815)	1,866,637	117,267	(35,110)	(322,021)	(1,501,648)
Nonoperating revenues (expenses)						
Investment earnings	37,557	56,302	135	-	93,994	161,657
Other contract revenue	37,500	-	-	-	37,500	-
Interest expense	(175,852)	-	(182,021)	-	(357,873)	-
Gain on sale of capital assets	-	-	-	-	-	1,905
Total nonoperating revenues (expenses)	(100,795)	56,302	(181,886)	-	(226,379)	163,562
Income (loss) before capital contributions and transfers	(2,371,610)	1,922,939	(64,619)	(35,110)	(548,400)	(1,338,086)
Capital contributions						
Passenger facility charges	584,011	-	-	-	584,011	-
Grants and donations	2,817,182	-	-	-	2,817,182	-
Total capital contributions	3,401,193	-	-	-	3,401,193	-
Income (loss) before transfers	1,029,583	1,922,939	(64,619)	(35,110)	2,852,793	(1,338,086)
Transfers in	-	-	-	-	-	5,218,545
Transfers out	-	(6,500,000)	-	(392,300)	(6,892,300)	-
Change in net position	1,029,583	(4,577,061)	(64,619)	(427,410)	(4,039,507)	3,880,459
Net position, beginning of year, as restated	53,141,317	20,338,166	64,642	1,493,905	75,038,030	10,967,431
Net position, end of year	\$ 54,170,900	\$ 15,761,105	\$ 23	\$ 1,066,495	\$ 70,998,523	\$ 14,847,890

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Net Change in Fund Net Position of Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended December 31, 2017

Change in net position - total enterprise funds \$ (4,039,507)

Amounts reported for *business-type activities* in the statement of activities
are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the operating loss of the internal service funds is allocated to the enterprise funds and reported in the statement of activities.

Net operating loss from business-type activities accounted for in governmental-type
internal service funds

(24,618)

Change in net position of business-type activities \$ (4,064,125)

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental	
	Airport	Delinquent Tax Revolving	Local Government Public Works Financing	Nonmajor Fund - Tax Reversion	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	\$ 4,444,672	\$ 14,055,874	\$ 694,067	\$ 1,102,664	\$ 20,297,277	\$ 24,499,486
Payments to vendors	(2,165,744)	-	-	(1,309,040)	(3,474,784)	(6,564,968)
Payments for personnel services	(1,447,566)	-	-	-	(1,447,566)	(1,667,936)
Benefit payments	-	-	-	-	-	(23,204,891)
Delinquent taxes purchased	-	(12,277,179)	-	-	(12,277,179)	-
Net cash provided by (used in) operating activities	831,362	1,778,695	694,067	(206,376)	3,097,748	(6,938,309)
Cash flows from noncapital financing activities						
Other contract revenue received	37,500	-	-	-	37,500	-
Transfers to other funds	-	(6,500,000)	-	(392,300)	(6,892,300)	-
Transfers from other funds	-	-	-	-	-	5,218,545
Net cash provided by (used in) noncapital financing activities	37,500	(6,500,000)	-	(392,300)	(6,854,800)	5,218,545
Cash flows from capital and related financing activities						
Passenger facility charges collected	584,011	-	-	-	584,011	-
Other capital contributions received	2,817,182	-	-	-	2,817,182	-
Proceeds from sale of capital assets	-	-	-	-	-	1,905
Purchase of capital assets	(2,975,013)	-	-	-	(2,975,013)	(182,154)
Principal paid on long-term debt	(615,000)	-	(545,000)	-	(1,160,000)	-
Interest paid on long-term debt	(173,323)	-	(213,821)	-	(387,144)	-
Net cash used in capital and related financing activities	(362,143)	-	(758,821)	-	(1,120,964)	(180,249)
Cash flows from investing activities						
Purchase of investments	-	-	-	-	-	(1,459,434)
Sale of investments	11,320	2,661,160	-	-	2,672,480	-
Interest received on investments	37,557	56,302	135	-	93,994	161,657
Net cash provided by (used in) investing activities	48,877	2,717,462	135	-	2,766,474	(1,297,777)
Net increase (decrease) in cash and cash equivalents	555,596	(2,003,843)	(64,619)	(598,676)	(2,111,542)	(3,197,790)
Cash and cash equivalents, beginning of year	2,817,387	3,913,522	64,642	1,503,338	8,298,889	4,562,851
Cash and cash equivalents, end of year	\$ 3,372,983	\$ 1,909,679	\$ 23	\$ 904,662	\$ 6,187,347	\$ 1,365,061
Classification on the statement of net position						
Cash and cash equivalents	\$ 3,372,787	\$ 1,909,679	\$ 23	\$ 904,662	\$ 6,187,151	\$ 1,895,810
Noncurrent restricted cash and cash equivalents	196	-	-	-	196	-
Negative equity in pooled cash and cash equivalents	-	-	-	-	-	(530,749)
Cash and cash equivalents, end of year	\$ 3,372,983	\$ 1,909,679	\$ 23	\$ 904,662	\$ 6,187,347	\$ 1,365,061

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental	
	Airport	Delinquent Tax Revolving	Local Government Public Works Financing	Nonmajor Fund - Tax Reversion	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (2,270,815)	\$ 1,866,637	\$ 117,267	\$ (35,110)	\$ (322,021)	\$ (1,501,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	3,199,130	-	-	-	3,199,130	226,819
Change in:						
Accounts receivable	66,534	-	-	2,900	69,434	(180,626)
Taxes receivable	-	(96,522)	-	(239)	(96,761)	-
Due from other governments	34,835	-	-	-	34,835	-
Leases receivable	-	-	576,800	-	576,800	-
Accrued interest receivable	-	8,580	-	-	8,580	(25,530)
Due from other funds	-	-	-	-	-	143,819
Inventories	(11,876)	-	-	-	(11,876)	6,651
Prepays	121,111	-	-	-	121,111	(5,546,393)
Net pension asset and related deferred amounts	(62,920)	-	-	-	(62,920)	-
Accounts payable	(222,332)	-	-	(173,927)	(396,259)	123,247
Accrued liabilities	4,316	-	-	-	4,316	(1,493)
Due to other governments	(14,577)	-	-	-	(14,577)	-
Deposits payable	426	-	-	-	426	(32,083)
Unearned revenue	(15,673)	-	-	-	(15,673)	-
Claims payable	-	-	-	-	-	(151,568)
Compensated absences	9,321	-	-	-	9,321	496
Net other postemployment benefit liability and related deferred amounts	(6,118)	-	-	-	(6,118)	-
Net cash provided by (used in) operating activities	<u>\$ 831,362</u>	<u>\$ 1,778,695</u>	<u>\$ 694,067</u>	<u>\$ (206,376)</u>	<u>\$ 3,097,748</u>	<u>\$ (6,938,309)</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2017

	Pension and OPEB Trust Funds	Cemetery Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	\$ 11,375,287	\$ 2,462	\$ 3,879,449
Investments, at fair value:			
U.S. government securities	31,750,360	-	-
U.S. agency securities	6,181,794	-	-
Corporate obligations	16,763,086	-	-
Foreign corporate obligations	3,013,892	-	-
Mortgage-backed funds	1,492,312	-	-
Domestic equity mutual funds/ collective trust funds	123,140,623	-	-
Emerging market mutual funds	25,146,882	-	-
International equity mutual funds	24,748,801	-	-
Real estate investment trust	5,922,313	-	-
Real estate pooled separate account	6,311,326	-	-
Receivables:			
Sale of investments	2,327,094	-	-
Interest and dividends	394,520	-	-
Employer contributions	66,269	-	-
Other	89,229	-	-
Total assets	258,723,788	2,462	\$ 3,879,449
Liabilities			
Accounts payable	194,762	-	\$ -
Benefits payable	1,682,458	-	-
Purchase of investments	11,003,375	-	-
Due to other governments	-	-	77,859
Undistributed collections	-	-	3,801,590
Total liabilities	12,880,595	-	\$ 3,879,449
Net position			
Restricted for:			
Employees' pension benefits	228,229,905	-	-
Other postemployment benefits	17,613,288	-	-
Individuals and organizations	-	2,462	-
Total net position	\$ 245,843,193	\$ 2,462	

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2017

	Pension and OPEB Trust Funds	Cemetery Trust Fund
Additions		
Contributions:		
Employer	\$ 6,982,112	\$ -
Employees	47,754	-
Total contributions	<u>7,029,866</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	27,985,840	-
Income on mutual funds	5,404,712	-
Interest and dividends	1,446,743	-
Income on real estate pooled separate account	220,287	-
Other	187,933	-
Total investment income	<u>35,245,515</u>	<u>-</u>
Investment expense	<u>(875,492)</u>	<u>-</u>
Net investment income	<u>34,370,023</u>	<u>-</u>
Total additions	<u>41,399,889</u>	<u>-</u>
Deductions		
Benefit payments	15,234,984	-
Administrative expenses	462,095	-
Total deductions	<u>15,697,079</u>	<u>-</u>
Change in net position	25,702,810	-
Net position, beginning of year	<u>220,140,383</u>	<u>2,462</u>
Net position, end of year	<u>\$ 245,843,193</u>	<u>\$ 2,462</u>

The accompanying notes are an integral part of these basic financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Net Position
Discretely Presented Component Units

	September 30, 2017		
	CMH & Substance Abuse Services	Kalamazoo County Transportation Authority	Central County Transportation Authority
Assets			
Cash and cash equivalents	\$ 4,832,982	\$ -	\$ 7,501,125
Restricted cash	-	-	-
Investments	1,202,834	-	-
Receivables, net	6,924,393	332,159	3,021,168
Other assets	692,841	-	533,307
Capital assets not being depreciated	810,061	-	2,109,823
Capital assets being depreciated, net	9,352,135	-	19,996,068
Net other postemployment benefit asset	-	-	2,791,912
Net pension asset	6,597,409	-	-
Total assets	30,412,655	332,159	35,953,403
Deferred outflows of resources			
Deferred pension amounts	5,986,578	-	8,525,488
Liabilities			
Accounts payable and accrued liabilities	7,776,757	332,159	1,410,771
Advances from primary government	-	-	-
Unearned revenue	651,843	-	377,275
Long-term debt:			
Due within one year	1,275,157	-	309,845
Due in more than one year	5,159,335	-	4,177,452
Net pension liability	-	-	1,701,825
Net other postemployment benefit liability	-	-	-
Total liabilities	14,863,092	332,159	7,977,168
Deferred inflows of resources			
Property taxes levied for subsequent period	-	-	-
Deferred pension amounts	649,794	-	776,707
Deferred other postemployment benefit amounts	-	-	-
Total deferred inflows of resources	649,794	-	776,707
Net position			
Net investment in capital assets	4,796,639	-	22,105,891
Restricted for:			
Pension	11,934,193	-	-
Debt service	-	-	-
Donor specified purposes	-	-	-
Replacement and insurance escrow reserves	-	-	-
Assets held at Community Foundation	-	-	-
Millage service agreement	-	-	-
Unrestricted (deficit)	4,155,515	-	13,619,125
Total net position	\$ 20,886,347	\$ -	\$ 35,725,016

December 31, 2017

Road Commission	Drainage Districts	Land Bank Authority	Lake Level	Public Housing Commission
\$ 6,121,766	\$ 486,487	\$ 316,840	\$ 35,690	\$ 509,248
-	750,000	226,800	-	-
-	-	-	-	-
3,055,347	2,792,008	540,377	-	267,296
1,133,124	-	1,175,756	-	166,131
23,305,852	1,122,575	-	-	-
110,882,808	4,545,761	4,671,042	-	-
-	-	-	-	-
3,583,731	-	-	-	-
<u>148,082,628</u>	<u>9,696,831</u>	<u>6,930,815</u>	<u>35,690</u>	<u>942,675</u>
204,608	-	-	-	-
1,232,544	189,926	140,594	851	83,027
-	122,233	-	-	-
-	-	1,192	-	-
153,691	659,706	28,565	-	-
-	1,462,800	44,105	-	-
-	-	-	-	-
1,406,706	-	-	-	-
<u>2,792,941</u>	<u>2,434,665</u>	<u>214,456</u>	<u>851</u>	<u>83,027</u>
-	-	-	-	-
2,258,116	-	-	-	-
119,676	-	-	-	-
<u>2,377,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
134,188,660	3,545,830	4,655,542	-	-
-	-	-	-	-
-	724,016	-	-	-
-	-	38,783	-	-
-	-	164,665	-	-
-	-	-	-	164,037
-	-	-	-	607,978
8,927,843	2,992,320	1,857,369	34,839	87,633
<u>\$ 143,116,503</u>	<u>\$ 7,262,166</u>	<u>\$ 6,716,359</u>	<u>\$ 34,839</u>	<u>\$ 859,648</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Net Position
Discretely Presented Component Units

	December 31, 2017		
	Brownfield Redevelopment Authority	Consolidated Dispatch Authority	Total
Assets			
Cash and cash equivalents	\$ 580,588	\$ 967,155	\$ 21,351,881
Restricted cash	-	-	976,800
Investments	-	-	1,202,834
Receivables, net	334,888	174,783	17,442,419
Other assets	-	2,256	3,703,415
Capital assets not being depreciated	-	514,633	27,862,944
Capital assets being depreciated, net	-	1,046,929	150,494,743
Net other postemployment benefit asset	-	-	2,791,912
Net pension asset	-	-	10,181,140
Total assets	915,476	2,705,756	236,008,088
Deferred outflows of resources			
Deferred pension amounts	-	-	14,716,674
Liabilities			
Accounts payable and accrued liabilities	569,681	46,869	11,783,179
Advances from primary government	-	-	122,233
Unearned revenue	-	-	1,030,310
Long-term debt:			
Due within one year	-	810,000	3,236,964
Due in more than one year	150,000	-	10,993,692
Net pension liability	-	-	1,701,825
Net other postemployment benefit liability	-	-	1,406,706
Total liabilities	719,681	856,869	30,274,909
Deferred inflows of resources			
Property taxes levied for subsequent period	314,007	-	314,007
Deferred pension amounts	-	-	3,684,617
Deferred other postemployment benefit amounts	-	-	119,676
Total deferred inflows of resources	314,007	-	4,118,300
Net position			
Net investment in capital assets	-	751,562	170,044,124
Restricted for:			
Pension	-	-	11,934,193
Debt service	-	-	724,016
Donor specified purposes	-	-	38,783
Replacement and insurance escrow reserves	-	-	164,665
Assets held at Community Foundation	-	-	164,037
Milage service agreement	-	-	607,978
Unrestricted (deficit)	(118,212)	1,097,325	32,653,757
Total net position	\$ (118,212)	\$ 1,848,887	\$ 216,331,553

concluded

The accompanying notes are an integral part of these basic financial statements.

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Activities
Discretely Presented Component Units

	September 30, 2017		
	CMH & Substance Abuse Services	Kalamazoo County Transportation Authority	Central County Transportation Authority
Expenses			
CMH & Substance Abuse Services	\$ 81,856,386	\$ -	\$ -
Kalamazoo County Transportation Authority	-	3,169,078	-
Central County Transportation Authority	-	-	22,241,651
Road Commission	-	-	-
Drainage Districts	-	-	-
Land Bank Authority	-	-	-
Lake Level	-	-	-
Public Housing Commission	-	-	-
Brownfield Redevelopment Authority	-	-	-
Consolidated Dispatch Authority	-	-	-
Total expenses	81,856,386	3,169,078	22,241,651
Program revenues			
Charges for services	2,119,144	-	2,756,647
Operating grants and contributions	77,615,772	-	10,652,939
Capital grants and contributions	-	-	503,509
Total program revenues	79,734,916	-	13,913,095
Net revenues (expense)	(2,121,470)	(3,169,078)	(8,328,556)
General revenues			
Property taxes	-	3,169,078	3,858,559
Unrestricted investment earnings	8,654	-	9,352
Gain on sale of capital assets	-	-	20,913
Other revenues	348,615	-	-
Total general revenues	357,269	3,169,078	3,888,824
Change in net position before special item	(1,764,201)	-	(4,439,732)
Special item (Note 18)	-	(1,376,666)	1,376,666
Change in net position	(1,764,201)	(1,376,666)	(3,063,066)
Net position, beginning of year, as restated	22,650,548	1,376,666	38,788,082
Net position, end of year	\$ 20,886,347	\$ -	\$ 35,725,016

December 31, 2017				
Road Commission	Drainage Districts	Land Bank Authority	Lake Level	Public Housing Commission
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
21,693,731	-	-	-	-
-	120,316	-	-	-
-	-	2,381,558	-	-
-	-	-	1,837	-
-	-	-	-	873,494
-	-	-	-	-
-	-	-	-	-
<u>21,693,731</u>	<u>120,316</u>	<u>2,381,558</u>	<u>1,837</u>	<u>873,494</u>
1,040,050	-	819,101	-	-
26,393,030	-	1,397,497	-	1,030,480
-	-	-	-	-
<u>27,433,080</u>	<u>-</u>	<u>2,216,598</u>	<u>-</u>	<u>1,030,480</u>
<u>5,739,349</u>	<u>(120,316)</u>	<u>(164,960)</u>	<u>(1,837)</u>	<u>156,986</u>
-	1,284,054	-	-	-
-	91	5,987	-	21,237
-	-	-	-	-
<u>137,379</u>	<u>713,672</u>	<u>85,618</u>	<u>87</u>	<u>12,300</u>
<u>137,379</u>	<u>1,997,817</u>	<u>91,605</u>	<u>87</u>	<u>33,537</u>
5,876,728	1,877,501	(73,355)	(1,750)	190,523
-	-	-	-	-
<u>5,876,728</u>	<u>1,877,501</u>	<u>(73,355)</u>	<u>(1,750)</u>	<u>190,523</u>
<u>137,239,775</u>	<u>5,384,665</u>	<u>6,789,714</u>	<u>36,589</u>	<u>669,125</u>
<u>\$ 143,116,503</u>	<u>\$ 7,262,166</u>	<u>\$ 6,716,359</u>	<u>\$ 34,839</u>	<u>\$ 859,648</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Activities
Discretely Presented Component Units

	December 31, 2017		
	Brownfield Redevelopment Authority	Consolidated Dispatch Authority	Total
Expenses			
CMH & Substance Abuse Services	\$ -	\$ -	\$ 81,856,386
Kalamazoo County Transportation Authority	-	-	3,169,078
Central County Transportation Authority	-	-	22,241,651
Road Commission	-	-	21,693,731
Drainage Districts	-	-	120,316
Land Bank Authority	-	-	2,381,558
Lake Level	-	-	1,837
Public Housing Commission	-	-	873,494
Brownfield Redevelopment Authority	1,091,468	-	1,091,468
Consolidated Dispatch Authority	-	324,176	324,176
Total expenses	1,091,468	324,176	133,753,695
Program revenues			
Charges for services	9,900	988,323	7,733,165
Operating grants and contributions	141,564	-	117,231,282
Capital grants and contributions	-	-	503,509
Total program revenues	151,464	988,323	125,467,956
Net revenues (expense)	(940,004)	664,147	(8,285,739)
General revenues			
Property taxes	784,048	-	9,095,739
Unrestricted investment earnings	-	8,919	54,240
Gain on sale of capital assets	-	-	20,913
Other revenues	-	-	1,297,671
Total general revenues	784,048	8,919	10,468,563
Change in net position before special item	(155,956)	673,066	2,182,824
Special item (Note 18)	-	-	-
Change in net position	(155,956)	673,066	2,182,824
Net position, beginning of year, as restated	37,744	1,175,821	214,148,729
Net position, end of year	\$ (118,212)	\$ 1,848,887	\$ 216,331,553

concluded

The accompanying notes are an integral part of these basic financial statements.

NOTES TO FINANCIAL STATEMENTS

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *County of Kalamazoo, Michigan* (the “County” or the “government”) was organized as a county by the territorial legislature on July 30, 1830. An eleven-member Board of Commissioners governs the County. The County provides the following services: general governmental administrative services, public safety, public works, health and welfare, cultural and recreation, judicial and community and economic development.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the County is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and as such, 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 combined financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a December 31 year-end, except for the Kalamazoo Community Mental Health and Substance Abuse Services, the Kalamazoo County Transportation Authority, and the Central County Transportation Authority, which have September 30 year-ends to be consistent with the fiscal period of their grantor agencies.

Blended Component Unit

Kalamazoo County Building Authority - The Kalamazoo County Building Authority is governed by a board which is appointed by the County Board of Commissioners. Although it is legally separate from the County, the Kalamazoo County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County’s public buildings. A separate report is not prepared for the Building Authority.

Discretely Presented Component Units

Kalamazoo Community Mental Health and Substance Abuse Services - The Kalamazoo Community Mental Health and Substance Abuse Services (“CMH”) was created by the County Board to operate, control, and manage an integrated behavioral healthcare system in order to serve the County. The County is a direct beneficiary of the services provided. The County appoints the members of the CMH’s Board and provides financial support. Consequently, the County exercises effective control through its power of appointment. The CMH fiscal year end is September 30. The component unit is audited individually and complete financial statements can be obtained from the CMH’s administrative offices.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Kalamazoo County Transportation Authority - The Kalamazoo County Transportation Authority (the "Authority"), established pursuant to the provisions of Act No. 196, of the Public Acts of 1986, as amended, is governed by a nine-member board of directors appointed by the County Board. The Authority may issue debt without the approval of the County Board and may levy a tax on all of the taxable property within the jurisdictional limits/boundaries of the Authority, for transportation purposes, with the approval of the registered electors residing in the jurisdictional limits/boundaries. The County is a direct beneficiary of the services provided. The Authority's fiscal year end is September 30. The component unit is audited individually and complete financial statements can be obtained from the Authority's administrative offices.

Central County Transportation Authority - The Central County Transportation Authority (the "Transportation Authority"), established pursuant to the provisions of Act No. 196, of the Public Acts of 1986, as amended, is governed by an eleven-member board of directors appointed by the County Board. The Transportation Authority may issue debt without the approval of the County Board and may levy a tax on all of the taxable property within the jurisdictional limits/boundaries of the Transportation Authority, for transportation purposes, with the approval of the registered electors residing in the jurisdictional limits/boundaries. The County is a direct beneficiary of the services provided. The Transportation Authority's fiscal year end is September 30. The component unit is audited individually and complete financial statements can be obtained from the Transportation Authority's administrative offices.

Kalamazoo County Road Commission - The Kalamazoo County Road Commission (the "Road Commission") is responsible for the maintenance and construction of the County road system. The County appoints the members of the Road Commission Board and is a direct beneficiary of the services provided. The Road Commission may not issue debt or levy a tax without the approval of the County Board. The component unit is audited individually and complete financial statements can be obtained from the Road Commission's administrative office.

Drainage Districts - The Drainage Districts consist of multiple individual districts created for alleviating drainage problems and is under the control of the County Drain Commissioner. Each drainage district accounts for the construction, maintenance, and financing costs associated with its drain program. Each individual district is a separate legal entity with power to assess the benefiting communities, including the County and the State of Michigan for road drainage. The County is a direct beneficiary of the service provided and its employees run the day-to-day operations. In addition, the County often pledges its full faith and credit for the long-term debt of the drainage districts. Based on the recommendations of the Michigan Department of Treasury, the County has determined that it would be misleading to exclude this entity from the County reporting entity. The financial activity of the Drainage Districts for the year ended December 31, 2017 is reported discretely as a governmental fund type. There are no separately issued financial statements of this component unit.

Kalamazoo County Land Bank Authority - The Kalamazoo County Land Bank Authority (the "Land Bank"), established in 2009 under agreement with the Michigan Land Bank Fast Track Authority and the Treasurer of the County of Kalamazoo with approval of the Board of Commissioners for the County of Kalamazoo under PA 128 of 2003 as amended, is governed by the County appointed seven member County Authority Board. The Kalamazoo County Land Bank Authority has the authority to acquire, manage, and dispose of interests in property, borrow money, and issue bonds and notes. Because members of the Land Bank are appointed by the County Board, the County exercises effective control over its activities. The County is a direct beneficiary of the services provided. The component unit is audited individually and complete financial statements can be obtained from the Land Bank's administrative office.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Lake Level - The County Drain Commissioner also administers the activity reported in the County's Lake Level Fund, as permitted by Act 451 PA 1994, as amended, (MCL 324.30701 et al.). Lake level projects establish the lake levels for inland lakes and perform construction and maintenance related to maintaining the established levels. Projects may be funded through the levying of special assessments or by issuing debt, and the County is a direct beneficiary of the services provided. The financial activity of the Lake Level Fund for the year ended December 31, 2017 is reported discretely as a governmental fund type. There are no separately issued financial statements of this component unit.

Kalamazoo County Public Housing Commission - The Kalamazoo County Public Housing Commission (the "Housing Commission") was created by ordinance adopted by the County Board in 2002. The Housing Commission is authorized to acquire and operate housing facilities for low income families within unincorporated areas of Kalamazoo County, and to contract for similar services with incorporated areas of the County. The County appoints the members of the Housing Commission Board and is a direct beneficiary of the services provided. The component unit is audited individually and complete financial statements can be obtained from the Housing Commission's administrative office.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority (the "Brownfield") was established to review and approve plans for business development within designated areas of the County where property was once contaminated. Property tax revenues from the "captured" portion of these properties are restricted to pay for site clean-up expenditures and future development depending on the development plan adopted for each project. Funding is provided through tax increment financing, federal and state grants, and General Fund appropriations. The County Board appoints the governing body of the Brownfield. The financial activity of the Brownfield for the year ended December 31, 2017 is reported discretely as a governmental fund type. There are no separately issued financial statements of this component unit.

Kalamazoo County Consolidated Dispatch Authority - The Kalamazoo County Consolidated Dispatch Authority (the "Dispatch Authority") was established to account for all operational funds collected by the County from the service supplier for the operation of the 9-1-1 system. Both the regular E-911 System and the Enhanced 911-Emergency Services for Wireless Telephone Systems pursuant to Public Act 81 of 1999, are accounted for in this fund. The County has determined that it would be misleading to exclude this entity from the County reporting entity. The component unit is audited individually and complete financial statements can be obtained from the Dispatch Authority's administrative office.

Kalamazoo County Economic Development Corporation - The Economic Development Corporation of Kalamazoo County (EDC) is a separate legal entity that was established pursuant to Michigan Public Act 338 of 1974, in order to stimulate business capital investment, contribute to the area's employment, increase tax base, and provide needed public services. In certain situations, members of the EDC Board of Directors may be removed by a majority decision of the County Board. Separate financial statements are not prepared for this entity. The EDC had no activity during the year, and has therefore not been included in the financial statements.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Administrative Offices

Kalamazoo Community Mental Health
and Substance Abuse Services
2030 Portage Street
Kalamazoo, Michigan 49001

Kalamazoo County Land Bank Authority
229 East Michigan Avenue, Suite 340
Kalamazoo, Michigan 49007

Kalamazoo County Transportation Authority
201 West Kalamazoo Avenue
Kalamazoo, Michigan 49007

Kalamazoo County Public Housing Commission
P.O. Box 101
Nazareth, Michigan 49074

Central County Transportation Authority
530 N. Rose Street
Kalamazoo, Michigan 49007

Kalamazoo County Consolidated Dispatch Authority
1720 Riverview Drive
Kalamazoo, Michigan 49004

Kalamazoo County Road Commission
3801 East Kilgore Road
Kalamazoo, Michigan 49002

Complete financial statements for these discretely presented component units may be obtained at the entity's administrative offices listed above. Accordingly, the County has elected to omit substantially all note disclosures related to these component units in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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 services. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except taxes which must be collected within 60 days, and expenditure-driven grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Law Enforcement Fund* accounts for specific revenue derived from a special vote approved millage, state and federal grants, charges for services, and General Fund appropriations that are to be expended as dictated by legal, regulatory, or administrative requirements.

The *General County Public Improvement Fund* accounts for renovation/construction projects performed on the County facilities. These projects are funded primarily by the General Fund.

The County reports the following major enterprise funds:

The *Airport Fund* accounts for the operation and maintenance of the Kalamazoo/Battle Creek International Airport. Financing is provided primarily by user charges.

The *Delinquent Tax Revolving Fund* accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent taxes and fees. Revenues are generated by the collection of the delinquent taxes and fees.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

The *Local Government Public Works Financing Fund* accounts for revenues received from local municipalities for the payment of the limited obligation long-term debt (principal, interest and fees) of the County. The proceeds of such debt are used to construction projects, which the local governments agree to operate and lease over the life of the bonds. The lease agreement constitutes a capital lease and the lease payments to the County are generally equal to the debt service requirements of the County's bonds.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for the employee benefits/programs, technology, document, and facility activities provided to other departments or funds on a cost reimbursement basis.

The *Retiree Health Care Trust Fund* accounts for the accumulation of resources to be used for payments for the County's postemployment healthcare benefits.

The *Pension Trust Fund* accounts for the accumulation of resources to be used for annuity payments for the County's Defined Benefit Plan.

The *Cemetery Trust Fund* accounts for money held in trust by the County for the perpetual care of certain cemetery lots. The principal must be maintained intact and invested.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

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 the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted assets represent amounts subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

The government's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition. Investments, exclusive of certificates of deposit, are stated at fair value. Certificates of deposit are carried at cost plus accrued interest, since the original maturity dates are less than one year or the certificates are non-participating (i.e., there is no available market for trade prior to maturity).

State statutes and County policy authorize the County to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's investments.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes receivable in governmental funds represent amounts due from taxpayers on the July 1 and December 1 tax levies in the General Fund and other governmental funds, respectively. Any amounts outstanding on the July 1 levy on March 1 (excluding personal property taxes) are purchased by the Delinquent Tax Revolving enterprise fund through the settlement process.

Property taxes receivable in the Delinquent Tax Revolving enterprise fund represent unpaid balances from the previous years' levies for the County itself as well as other local taxing authorities in the County's geographical region. The County is responsible for pursuing and administering collection of these balances and coordinating the forfeiture and foreclosure activities for the related parcels. This process takes place over a 3-year period. Interest at 1% per month (increased to 1.5% after 12 months, retroactive to the date of delinquency) and administrative fees at 4% are accrued in accordance with State statute. No amounts have been included in an allowance for uncollectible balances, as the structure of the Delinquent Tax Revolving enterprise fund has been designed to make the fund whole either through the eventual auction of the foreclosed parcels or through chargebacks to the local taxing authorities initially levying the taxes.

Advances between funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

Restricted Assets

Assets which are restricted for specified uses by bond debt requirements, grant provisions or other external requirements are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

The Airport Fund's restricted receivable is restricted for capital improvements and the respective debt service payments related to passenger facility charges.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Other Assets

Inventories reported in the proprietary funds are valued at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventories of the discretely presented component units are presented at average cost. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. Prepaids are accounted for in governmental funds using the consumption method whereby expenditures are recognized over the benefitting period.

Capital Assets

Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets having a useful life in excess of three years and whose costs exceed \$5,000. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their estimated acquisition value as of the donation date.

The costs 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 are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Infrastructure	5-50
Building and improvements	15-50
Furniture, machinery, and equipment	5-20
Vehicles	5

The County evaluates its capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets held and in use are reviewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of December 31, 2017.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The County reports deferred outflows for the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized on a straight-line basis over the shorter of the life of the refunded or refunding debt. In addition, the County reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefit plans.

Compensated Absences

County employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination or retirement, employees are paid for unused vacation and sick leave reduced to the maximum amount allowed. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. The County also reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefit plans.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Property taxes (excluding those for the General Fund, which are subject to a different timeline) are levied and attach as an enforceable lien on property on December 1. Property taxes unpaid as of February 28 are considered to be delinquent. Although the County's 2017 ad valorem tax (excluding the portion for general operations) is levied and collectible on December 1, 2017, it is the County's policy to recognize revenues from the December 1 tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of the County's operations. Therefore, the entire amount of the December 1, 2017 levies is reported as deferred inflows of resources at year-end.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has the authority to assign fund balance and has not delegated this authority. Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Other governmental funds besides the General Fund can only report a negative unassigned fund balance, which would occur if expenditures were to be incurred for specific purposes that exceeded the amounts restricted, committed or assigned in the fund.

The County Board of Commissioners has formally established a budget stabilization arrangement, under which a portion of the balance may be utilized during the budget process to prevent a reduction in the level of public service provided, or prevent a reduction in the number of employees providing these services. It can also be used due to a natural disaster. The use of these funds requires a 2/3 majority vote of County Board members. As of December 31, 2017, the balance in the stabilization arrangement was \$2,500,000, which is reported in the General Fund within restricted fund balance.

The County Board of Commissioners has adopted a minimum fund balance policy in which the uncommitted fund balance of the General Fund will be 20 to 25% of general operating revenues. Any amounts over the 20% threshold shall be limited to non-operational expenditures.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, 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 or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all County departments and funds as transfers or operating revenue. All County funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Capital Contributions

Certain expenses for airport capital improvements are significantly funded through the Airport Improvement Program of the Federal Aviation Administration, with certain matching funds provided by the Aeronautics Department and the State of Michigan. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred and reimbursement has been requested. Grants for capital assets acquisition, facilities development and rehabilitation are reported in the statement of revenues, expenses and changes in fund net position, after nonoperating revenues and expenses as capital contributions.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Plans

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The County utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Grants and Third Party Cost Reimbursement Settlements

The County receives grants from other governmental units to finance specific programs. The grant revenues are recorded based on qualifying program expenditures, as determined by the County, and are subject to audit by the responsible agencies. Adjustments required upon final settlements are recorded in the period of settlement. Third party cost reimbursements are recorded at prospective rates and provisions are made at the end of each year to adjust such revenues to the reimbursable cost expected to be received. Adjustments required upon final settlements are recorded in the period of settlement.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Budgets

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General Fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service and capital project funds are also included in the budgetary process; however, state statutes do not require legally adopted budgets for such funds.

2. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the County were adopted on the department (activity) level for the General Fund and at the fund level basis for all other governmental funds, which is the legal level of control.

During the year ended December 31, 2017, the County incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted, as follows:

	Final Budget	Actual	Actual Over Final Budget
General Fund:			
Current:			
General government -			
Treasurer	\$ 1,087,800	\$ 1,103,226	\$ 15,426
Nonmajor governmental funds:			
Friend of the Court	3,294,600	3,297,246	2,646
Community Economic Development Special Grants	700,000	864,257	164,257
Law Library	65,100	66,242	1,142
Child Care	9,505,600	9,534,259	28,659
Community Healthy Start Grant	175,700	943,045	767,345
Community Corrections	582,800	993,920	411,120

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of December 31, 2017:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 6,187,151	\$ 21,351,881	\$ 27,539,032
Restricted cash	196	976,800	976,996
Investments	78,901,904	1,202,834	80,104,738
Negative equity in cash and cash equivalents	(2,378,564)	-	(2,378,564)
Statement of Fiduciary Net Position			
Cash and cash equivalents	15,257,198	-	15,257,198
Investments	244,471,389	-	244,471,389
Total deposits and investments	342,439,274	23,531,515	365,970,789
Less component units separately audited and not held by the County Treasurer			
CMH & Substance Abuse Services	-	(6,035,816)	(6,035,816)
Central County Transportation Authority	-	(7,501,125)	(7,501,125)
Road Commission	-	(6,121,766)	(6,121,766)
Land Bank Authority	-	(543,640)	(543,640)
Public Housing Commission	-	(509,248)	(509,248)
Consolidated Dispatch Authority	-	(967,155)	(967,155)
Total	\$ 342,439,274	\$ 1,852,765	\$ 344,292,039
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 24,674,056
Certificates of deposit:			
Due within one year			14,381,405
Due in one to five years			11,625,675
Due in six to ten years			2,369,690
Due in more than ten years			1,857,250
Investments:			
County			44,895,135
Retiree Health Care Trust Fund			16,122,871
Pension Trust Fund			228,348,518
Cash on hand			17,439
Total			\$ 344,292,039

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might not be returned. The County does not have a policy for mitigating custodial credit risk over deposits. As of year-end, \$48,963,191 of the County's bank balance of \$55,463,192 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although uninsured and unregistered, the County's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the County's name. Short-term investments in money market funds and equity mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form. As of December 31, 2017, the County had no investments exposed to custodial credit risk.

In addition, the Pension and Retiree Health Care Trust funds will only conduct business with investment management firms that will: comply with all relevant provisions contained in Act 485 of the Public Acts of 1996 as amended (Michigan Compiled Laws 38.1132 et seq.); support the overall investment policies of the System; understand and accept their designated "role" within the System's investment structure; construct a portfolio of securities that reflect the execution of their assigned investment strategy; and adhere to the guidelines the investment policy statement (as amended). The following criteria are used to evaluate each investment manager's performance: a) achievement of fund objectives as outlined in the investment policy; b) comparisons with other managers, indexes, etc.; c) subjective observations regarding the manager's organization, professionalism, administrative skills, etc.; and d) biannual due diligence meetings.

The County's investments are held in a number of portfolios administered by various investment managers. Following is a summary of the County's investments at fair value, as determined by quoted market price:

	County	Retiree Health Care Trust Fund	Pension Trust Fund
U.S. government securities	\$ -	\$ 2,093,934	\$ 29,656,426
U.S. agency securities	7,827,773	407,689	5,774,105
Corporate obligations	6,005,307	1,105,524	15,657,562
Foreign corporate obligations	-	198,766	2,815,126
Municipal bonds	13,185,009	-	-
Mortgage-backed funds	843,285	98,418	1,393,894
Domestic equity mutual funds/collective trust funds	17,033,761	8,121,116	115,019,507
Emerging market mutual funds	-	1,658,435	23,488,447
International equity mutual funds	-	1,632,181	23,116,620
Real estate investment trust	-	390,576	5,531,737
Real estate pooled separate account	-	416,232	5,895,094
Total investments	\$ 44,895,135	\$ 16,122,871	\$ 228,348,518

Credit Risk. Statutes and various bond indentures authorized the County to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

For the Pension and Retiree Health Care Trust funds, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy limits commercial paper to be those at the time of purchase are within the two highest classifications established by not less than two national rating services as determined by the State Treasurer of Michigan. These also must mature no more than 270 days after date of issue. The investment policy requires the average fixed income portfolio quality rating to be an "A" or better. All bonds owned should be rated "BBB" or better by Standard & Poor's or an equivalent rating agency as determined by the State Treasurer of Michigan with the following exception: when bond ratings have dropped below "BBB" after purchase, and when the investment manager deems it economically beneficial, the manager may retain ownership.

The County's investments were rated as follows:

	County	Retiree Health Care Trust Fund	Pension Trust Fund
Standard & Poor's AAA	\$ 1,161,608	\$ 108,635	\$ 1,538,606
Standard & Poor's AA+	7,827,773	32,116	454,856
Standard & Poor's AA	2,496,616	8,327	117,934
Standard & Poor's AA-	6,399,944	99,458	1,408,631
Standard & Poor's A+	-	123,530	1,749,558
Standard & Poor's A	-	295,363	4,183,236
Standard & Poor's A-	-	242,239	3,430,833
Standard & Poor's BBB+	-	255,857	3,623,704
Standard & Poor's BBB	-	156,060	2,210,287
Standard & Poor's BBB-	-	72,489	1,026,664
Moody's Aaa	843,285	2,060,240	29,179,218
Moody's AAa	17,033,761	-	-
Moody's Aa1	2,077,551	-	-
Moody's A1	6,005,307	-	-
Moody's A2	1,049,290	-	-
Moody's Baa2	-	7,384	104,580
Unrated	-	416,232	5,895,094
Not subject to credit risk	-	12,244,941	173,425,317
Total investments	\$ 44,895,135	\$ 16,122,871	\$ 228,348,518

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The County's policy provides for its fixed income portfolio to have a weighted-average duration within 0.05 years of the Lehman Brothers Government/Credit Intermediate Index and the Lehman Brothers Government/Credit Long Index. Maturities of the County's investments were as follows:

	County	Retiree Health Care Trust Fund	Pension Trust Fund
Less than 1 year	\$ 9,095,234	\$ 62,980	\$ 891,993
1 - 5 years	9,949,422	1,633,280	23,132,180
6 - 10 years	5,515,212	528,673	7,487,596
More than 10 years	3,301,506	1,679,398	23,785,344
No maturity	17,033,761	12,218,540	173,051,405
Total	\$ 44,895,135	\$ 16,122,871	\$ 228,348,518

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The State generally limits investments in a single issuer to no more than 5% of the total portfolio assets, with the exception of obligations issued, assumed, or guaranteed by the United States. To minimize concentration of credit risk and increase portfolio diversification, the County places the following additional limits to investments:

- 70% of the portfolio will be invested in common stock with the balance invested in notes, bonds, equity real estate, and short-term securities.
- No more than 5% of portfolio assets at market value will be invested in equity real estate.

The investment portfolio was concentrated as follows:

Investment Type	Issuer	Percentage of Portfolio	
		Retiree Health Care Trust Fund	Pension Trust Fund
Collective trust funds	Blackrock Fund	30.7%	30.7%
Emerging market mutual fund	Dimensional	10.3%	10.3%
International equity mutual funds	Dimensional	10.1%	10.1%
Domestic equity mutual fund - small cap	Dimensional	9.8%	9.8%
Domestic equity mutual fund - micro cap	Dimensional	5.0%	5.0%
Domestic equity mutual fund - large cap	Dimensional	5.0%	5.0%

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The State permits investments in investment grade, dollar denominated obligations issued in the United States by foreign governments, banks, or corporations. Investments in foreign securities are limited to not exceed more than 20% of the County's holdings. It is the County's policy to not purchase foreign investments except those listed in the United States.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Investment (currency in U.S. dollars)	Retiree Health Care Trust Fund	Pension Trust Fund
Foreign corporate obligations	\$ 198,766	\$ 2,815,126
Emerging market mutual funds	1,658,435	23,488,447
International equity mutual funds	1,632,181	23,116,620
Total	<u>\$ 3,489,382</u>	<u>\$ 49,420,193</u>

Fair Value Measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as determined by the investment advisors. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The County had the following recurring fair value measurements as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ -	\$ 31,750,360	\$ -	\$ 31,750,360
U.S. agency securities	-	14,009,567	-	14,009,567
Corporate obligations	-	22,768,393	-	22,768,393
Foreign corporate obligations	-	3,013,892	-	3,013,892
Municipal bonds	-	13,185,009	-	13,185,009
Mortgage-backed funds	-	2,335,597	-	2,335,597
Domestic equity mutual funds/ collective trust funds	123,140,623	17,033,761	-	140,174,384
Emerging market mutual funds	25,146,882	-	-	25,146,882
International equity mutual funds	24,748,801	-	-	24,748,801
Real estate investment trust	5,922,313	-	-	5,922,313
Real estate pooled separate account	-	6,311,326	-	6,311,326
Total investments	<u>\$ 178,958,619</u>	<u>\$ 110,407,905</u>	<u>\$ -</u>	<u>\$ 289,366,524</u>

Investments are stated at fair value. Fair value is based on quotes from publicly traded securities markets, where available. The County's investments in real estate investment trust are not publicly traded. For these investments, management estimates the fair value based on the best information available. Due to the inherent uncertainty of determining the fair value of investments that are not publicly traded, the fair value reported for these investments may differ significantly from the values that would have been used had a publicly traded market existed for such investments.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

Receivables of the primary government are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 1,441,665	\$ 467,681
Less: allowance for uncollectibles	-	(79,091)
Taxes (current)	13,805,475	-
Taxes (delinquent)	225,199	8,335,937
Due from other governments	3,904,682	19,373
Leases	-	5,980,462
Accrued interest	276,897	13,054
	<u>276,897</u>	<u>13,054</u>
Total receivables	<u>\$ 19,653,918</u>	<u>\$ 14,737,416</u>

The Airport enterprise fund reported restricted receivables of \$77,511. The Airport's restricted receivable is restricted for capital improvements and the respective debt service payments related to passenger facility charges.

Of the amounts reported for receivables above, leases receivable of \$5,656,827 are not expected to be collected within one year.

The amount recorded as an allowance for uncollectibles in business-type activities is related to billings receivable in the Airport fund.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental activities were as follows:

	Taxes Levied for Subsequent Period	Unavailable	Total
Governmental Funds			
Property taxes	<u>\$ 14,235,177</u>	<u>\$ 888,600</u>	<u>\$ 15,123,777</u>

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the primary government are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 3,580,957	\$ 314,923
Accrued liabilities	1,470,369	32,831
Claims payable	1,934,222	-
Due to other governments	36,536	-
Deposits payable	70,773	10,149
Accrued interest on long-term debt	243,588	56,547
	<hr/>	<hr/>
Total	<u>\$ 7,336,445</u>	<u>\$ 414,450</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

An internal balance existed between governmental activities and business-type activities in the amount of \$143,251. This resulted from the allocation of a portion of internal service fund net position of governmental-type internal service funds to business-type activities.

Advances to and from component units

	Advances to Component Units	Advances from Primary Government
General Fund	\$ 122,233	\$ -
Drainage Districts	-	122,233
	<hr/>	<hr/>
Total	<u>\$ 122,233</u>	<u>\$ 122,233</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

For the year ended December 31, 2017, interfund transfers consisted of the following:

Transfers Out	Transfers in				Totals
	General	General County Public Improvement	Nonmajor Governmental Funds	Internal Service Funds	
General	\$ -	\$ 8,905,200	\$ 8,095,744	\$ 5,218,545	\$ 22,219,489
Law Enforcement	-	-	265,123	-	265,123
Nonmajor governmental funds	271,111	-	427,864	-	698,975
Delinquent Tax Revolving	6,500,000	-	-	-	6,500,000
Nonmajor enterprise fund	392,300	-	-	-	392,300
Total	<u>\$ 7,163,411</u>	<u>\$ 8,905,200</u>	<u>\$ 8,788,731</u>	<u>\$ 5,218,545</u>	<u>\$ 30,075,887</u>

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Primary government

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 4,184,316	\$ -	\$ -	\$ -	\$ 4,184,316
Construction in progress	180,925	651,456	-	(61,319)	771,062
Intangible easements	146,734	759	-	-	147,493
	<u>4,511,975</u>	<u>652,215</u>	<u>-</u>	<u>(61,319)</u>	<u>5,102,871</u>
Capital assets, being depreciated:					
Land improvements	15,197,094	16,105	(299,000)	-	14,914,199
Buildings and improvements	109,050,759	663,779	-	61,319	109,775,857
Furniture, machinery, and equipment	11,652,240	612,898	(141,504)	-	12,123,634
Vehicles	5,146,861	565,384	(107,063)	-	5,605,182
Law library books	405,392	-	-	-	405,392
	<u>141,452,346</u>	<u>1,858,166</u>	<u>(547,567)</u>	<u>61,319</u>	<u>142,824,264</u>
Less accumulated depreciation for:					
Land improvements	(6,838,132)	(687,923)	37,375	-	(7,488,680)
Buildings and improvements	(34,854,201)	(2,496,458)	-	-	(37,350,659)
Furniture, machinery, and equipment	(7,604,079)	(992,904)	141,504	-	(8,455,479)
Vehicles	(3,419,831)	(570,839)	98,266	-	(3,892,404)
Law library books	(405,392)	-	-	-	(405,392)
	<u>(53,121,635)</u>	<u>(4,748,124)</u>	<u>277,145</u>	<u>-</u>	<u>(57,592,614)</u>
Total capital assets being depreciated, net	<u>88,330,711</u>	<u>(2,889,958)</u>	<u>(270,422)</u>	<u>61,319</u>	<u>85,231,650</u>
Governmental activities capital assets, net	<u>\$ 92,842,686</u>	<u>\$ (2,237,743)</u>	<u>\$ (270,422)</u>	<u>\$ -</u>	<u>\$ 90,334,521</u>

At December 31, 2017, the County's governmental activities had outstanding commitments through construction contracts of approximately \$5.1 million.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 5,182,935	\$ -	\$ -	\$ -	\$ 5,182,935
Construction in progress	185,313	2,975,013	-	(359,025)	2,801,301
	<u>5,368,248</u>	<u>2,975,013</u>	<u>-</u>	<u>(359,025)</u>	<u>7,984,236</u>
Capital assets, being depreciated:					
Land improvements	49,338,195	-	-	301,167	49,639,362
Buildings and improvements	34,996,977	-	(1,041)	25,014	35,020,950
Vehicles	3,888,621	-	-	6,170	3,894,791
Furniture, machinery, and equipment	6,941,270	-	-	26,674	6,967,944
	<u>95,165,063</u>	<u>-</u>	<u>(1,041)</u>	<u>359,025</u>	<u>95,523,047</u>
Less accumulated depreciation for:					
Land improvements	(32,653,561)	(1,738,245)	-	-	(34,391,806)
Buildings and improvements	(6,953,986)	(869,375)	1,041	-	(7,822,320)
Vehicles	(3,482,977)	(76,399)	-	-	(3,559,376)
Furniture, machinery, and equipment	(4,589,168)	(515,111)	-	-	(5,104,279)
	<u>(47,679,692)</u>	<u>(3,199,130)</u>	<u>1,041</u>	<u>-</u>	<u>(50,877,781)</u>
Total capital assets being depreciated, net	<u>47,485,371</u>	<u>(3,199,130)</u>	<u>-</u>	<u>359,025</u>	<u>44,645,266</u>
Business-type activities capital assets, net	<u>\$ 52,853,619</u>	<u>\$ (224,117)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,629,502</u>

At December 31, 2017, the County's business-type activities had outstanding commitments through construction contracts of approximately \$26,000.

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function	
General government	\$ 322,686
Public safety	1,563,570
Health and welfare	828,661
Cultural and recreation	788,736
Judicial	1,017,652
Internal service funds	226,819
	<u>4,748,124</u>
Total	<u>\$ 4,748,124</u>
Depreciation of business-type activities by function	
Airport	<u>\$ 3,199,130</u>

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Discretely presented component units

Capital assets activity for the Drainage District component unit for the year ended December 31, 2017, consists of the following:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit - Drainage District					
Capital assets, not being depreciated:					
Construction in progress	\$ 1,155,281	\$ 1,064,664	\$ -	\$ (1,097,370)	\$ 1,122,575
Capital assets, being depreciated:					
Infrastructure	5,060,067	242,926	-	1,097,370	6,400,363
Less accumulated depreciation for:					
Infrastructure	(1,739,998)	(114,604)	-	-	(1,854,602)
Total capital assets being depreciated, net	3,320,069	128,322	-	1,097,370	4,545,761
Drainage District capital assets, net	\$ 4,475,350	\$ 1,192,986	\$ -	\$ -	\$ 5,668,336

At December 31, 2017, the Drainage Districts component unit had outstanding commitments through construction contracts of approximately \$31,000.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 25,330,000	\$ 19,390,000	\$ (23,440,000)	\$ 21,280,000	\$ 1,045,000
Net bond premium/discount	-	3,030,652	(134,696)	2,895,956	202,043
Compensated absences	3,474,735	3,284,063	(2,997,573)	3,761,225	2,997,573
Total governmental activities	\$ 28,804,735	\$ 25,704,715	\$ (26,572,269)	\$ 27,937,181	\$ 4,244,616
Business-type activities					
General obligation bonds	\$ 11,510,000	\$ -	\$ (1,160,000)	\$ 10,350,000	\$ 890,000
Net bond premium/discount	492,011	-	(58,617)	433,394	38,618
Compensated absences	88,402	79,901	(70,580)	97,723	70,580
Total business-type activities	\$ 12,090,413	\$ 79,901	\$ (1,289,197)	\$ 10,881,117	\$ 999,198
Discretely presented component units					
<i>Brownfield Redevelopment Authority</i>					
Loan payable	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
<i>Drainage Districts</i>					
Special assessment bonds	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000	\$ 50,000
Notes payable	1,425,000	825,000	(177,494)	2,072,506	609,706
Total installment debt	\$ 1,525,000	\$ 825,000	\$ (227,494)	\$ 2,122,506	\$ 659,706

The \$23,440,000 of deductions related to governmental activities general obligation bonds are comprised of the following:

Principal payments on bonds	\$ 1,140,000
Refunding of the 2007 Juvenile Home Facilities Bond	22,300,000
	<u>\$ 23,440,000</u>

Refunded Debt

The County issued \$19,390,000 in refunding bonds during the year to advance refund the 2007 Juvenile Home Facilities Bond in the amount of \$22,300,000. The refunding resulted in a savings of \$3,348,800 and an economic gain of \$2,738,107. The refunded bonds were paid in full by the escrow agent on June 16, 2017.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Governmental activities

\$19,390,000 2017 Juvenile Home Facilities Refunding Bonds, due in annual installments of \$850,000 to \$1,875,000 plus interest ranging from 4.00 to 5.00%, payable semi-annually, through April 1, 2032.	\$ 19,390,000
\$3,000,000 2011 Expo Center Improvement Bonds, due in annual installments of \$75,000 to \$125,000 plus interest of 3.20%, payable semi-annually, through April 1, 2026.	<u>1,890,000</u>
Total governmental activities	<u>\$ 21,280,000</u>

Business-type activities

\$6,520,000 2012 Airport Refunding Bonds, due in annual installments of \$25,000 to \$640,000, plus interest ranging from 2.00 to 4.00%, payable semi-annually, through May 1, 2028.	\$ 4,535,000
\$780,000 1982 Water Supply System No. 1 Bonds, due in annual installments of \$10,000 to \$30,000 plus interest at 5.00%, payable semi-annually, through May 1, 2020.	30,000
\$750,000 2005 Village of Augusta Water Supply, due in annual installments of \$15,000 to \$45,000 plus interest at 2.125%, payable semi-annually, through April 1, 2025.	345,000
\$1,195,000 2012 Cooper Township Sewage Disposal System Refunding Bonds, due in annual installments of \$130,000 to \$135,000 plus interest at 1.96%, payable semi-annually, through May 1, 2021.	540,000
\$5,000,000 2015 CMH Capital Improvement Bonds, due in annual installments of \$100,000 to \$400,000 plus interest ranging from 2.25 to 4.00%, payable semi-annually, through May 1, 2034.	<u>4,900,000</u>
Total business-type activities	<u>\$ 10,350,000</u>

Discretely presented component units

Brownfield Redevelopment Authority

\$150,000 2015 Eliza Street, Schoolcraft Project loan payable due in annual installments of \$14,015 to \$16,025 plus interest at 1.50%, payable annually, through September 14, 2029.	<u>\$ 150,000</u>
--	-------------------

Drainage District

\$415,000 2008 Townline Drain Bonds, due in annual installments of \$25,000 to \$50,000 plus interest ranging from 2.40 to 4.55%, payable semi-annually, through March 1, 2018.	\$ 50,000
\$445,000 2014 Townline Drain note payable, due in one installment of \$445,000 plus interest of 1.95% on July 1, 2018.	445,000

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Discretely presented component units (concluded)

Drainage District

\$60,000 2014 Vicksburg & Branch Drain promissory note payable, due in annual installments of \$10,000 plus interest of 2.17%, payable annually, through July 1, 2019.	\$ 20,000
\$500,000 2016 East Corporation Drain promissory note payable, due in annual installments of \$37,820 to \$46,602, plus interest of 2.00%, payable annually, through July 1, 2028.	461,244
\$350,000 2016 East Corporation Drain promissory note payable, due in annual installments of \$26,366 to \$32,225, plus interest of 2.00%, payable annually, through July 1, 2028.	321,262
\$825,000 2017 Lexington Green Drain note payable, due in annual installments of \$90,520 to \$113,527, plus interest of 2.71%, through July 1, 2025.	<u>825,000</u>
<i>Total Drainage Districts component unit</i>	<u><u>\$ 2,122,506</u></u>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,045,000	\$ 955,975	\$ 890,000	\$ 318,743
2019	1,145,000	913,667	940,000	286,797
2020	1,195,000	868,629	965,000	253,726
2021	1,190,000	822,483	985,000	220,102
2022	1,290,000	769,301	870,000	186,222
2023-2027	6,995,000	2,870,756	2,925,000	608,743
2028-2032	8,420,000	1,016,625	1,975,000	274,797
2033-2034	-	-	800,000	26,000
Totals	<u>\$ 21,280,000</u>	<u>\$ 8,217,436</u>	<u>\$ 10,350,000</u>	<u>\$ 2,175,130</u>

Year Ended December 31,	Discretely Presented Component Units			
	Brownfield Redevelopment Authority		Drainage Districts	
	Principal	Interest	Principal	Interest
2018	\$ -	\$ -	\$ 659,706	\$ 47,861
2019	-	-	172,186	34,687
2020	14,015	2,250	166,120	30,537
2021	14,225	2,040	170,181	26,476
2022	14,439	1,826	174,328	22,329
2023-2027	75,508	5,818	701,159	48,916
2028-2032	31,813	718	78,826	1,600
Totals	<u>\$ 150,000</u>	<u>\$ 12,652</u>	<u>\$ 2,122,506</u>	<u>\$ 212,406</u>

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

The County has entered into agreements to lease certain facilities acquired and constructed by the Kalamazoo County Building Authority. The agreements are, in substance, lease purchases. Upon termination of the lease agreements, titles to the facilities and equipment will pass to the County.

The County has debt that is being repaid by special assessments. This debt is the responsibility of the local unit using the special assessment. If the local unit defaults on the debt, it is the County's responsibility.

The full faith, credit, and resources of the County have been pledged for the prompt payment of all long-term debt requirements.

The local government public works financing bonds were issued by the County pursuant to contracts entered into with the Village of Climax, Village of Augusta, Indian/Pickerel Lakes and Cooper Township financing additional sewage collection and disposal and water supply systems for the contractees. Additionally, the County financed bonds for the CMH used for construction of facilities. Under the terms of the agreements, the contractees are to pay the County each year amounts sufficient to provide for debt service. For certain of the above debt issuances and as described in the individual agreements, the full faith and credit of the County and that of the respective participating municipalities are pledged for repayment of the bonds.

There are a number of limitations and restrictions contained in the various debt issues. At December 31, 2017, the County complied with all significant limitations and restrictions.

The compensated absence liability attributable to the governmental activities will be liquidated by the County's General, Law Enforcement, Nazareth Facility, Parks, Friend of the Court, Health, Child Care, Public Safety Special Grants and HSD Pooled Costs funds.

9. BENEFIT PLANS

Kalamazoo County Employees' Retirement System ("System")

The System is a single-employer, defined benefit pension plan, which provides retirement and disability benefits to eligible plan members and beneficiaries. The System was established by the Kalamazoo County Board of Commissioners and is administered by the Office of Finance of the County of Kalamazoo, Michigan. The County of Kalamazoo, Michigan (the "County"), Kalamazoo Road Commission (the "Road Commission"), and Kalamazoo Community Mental Health and Substance Abuse Services ("CMH") are participating employers of the System and are required to contribute to the System under State of Michigan statutes. Employees of participating employers holding regular positions, either full or part-time of twenty hours or more per week, are included by law in the System. Employees of the Sheriff's Deputy Association, Sheriff's Supervisory Association, certain District Court employees, and Judges elected or appointed after March 31, 1997, are excluded from the plan pursuant to past negotiations.

The System is controlled by laws established by the State of Michigan. Any changes to the plan document must be approved by the Kalamazoo County Board of Commissioners and subsequently implemented by the County of Kalamazoo Office of Finance. The System provides retirement, disability and death benefits to plan members and their beneficiaries. It is accounted for as a separate pension trust fund. Stand-alone financial reports are issued that include financial statements and required supplementary information for the System, which may be obtained from the Office of Finance, County of Kalamazoo, Michigan, 201 West Kalamazoo Avenue, Kalamazoo, Michigan, 49007.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Eligibility

An eligible employee becomes a member in the System as of his or her date of permanent employment. Participants become 100% vested for benefits after eight years of service. Terminated members vested in the System are eligible for deferred retirement benefits.

As of December 31, 2017 the System's membership consisted of the following:

	County	Road Commission	CMH	Total
Retirees and beneficiaries currently receiving benefits	333	36	45	414
Terminated employees entitled to but not yet receiving benefits	140	6	60	206
Vested active participants	305	21	85	411
Nonvested participants	341	20	144	505
Total membership	1,119	83	334	1,536

Benefits Provided

Regular retirement benefits begin at age 60 with 8 years or more of service for the CMH and the Road Commission employees, as well as the County employees hired before July 1, 2009. Regular retirement benefits begin at age 65 with eight years or more of service for the County employees hired on or after July 1, 2009. Certain County employees are eligible for normal retirement at age 55 with 25 years of service. Members may retire at age 55 with eight years of service for a reduced benefit.

Deferred members of the County hired before October 1, 2009, deferred members of the CMH hired before February 5, 2013, and all deferred members of the Road Commission, may elect to receive a lump sum benefit at any time before or after reaching the retirement age. All deferred members may receive annuity benefits at the normal or early retirement age.

Benefits are determined at the member's retirement date based on a formula of the member's service credit, final average compensation, and a percentage factor. Service credit is determined by the total number of full or part-time (at least 20 hours per week) years and months of employment. Additional service may be credited for Road Commission employees with military or disability leave. The final average compensation is the average compensation received during the highest 5 consecutive years of the last 10 years of service or all years of service if the employee has less than 10 years of service. The percentage is determined by the participating employers of the System and ranged from 1.7% to 2.5% in 2017. Annual benefits are reduced for early retirement or beneficiary benefits. Employees may choose to receive benefits in monthly payments or as a lump sum payment. Lump sum payments for employees hired before October 1, 2009, are calculated using the annual benefit, expected future lifetime, and a discount rate. Lump sum payments are no longer an option available for County employees hired on or after October 1, 2009, and CMH employees hired on or after February 5, 2013. The discount rate shall be the investment return assumption as adopted by the Retirement Investment Committee to be used in the annual actuarial valuation of the System.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Contributions

Employer Contributions. The System's funding policy provides for periodic employer contributions at actuarially determined rates that are expressed as percentages of annual covered payroll, and are designed to accumulate sufficient assets to pay benefits when due. The contribution rate ranged from 0.00% to 9.46% for the year ended December 31, 2017 of projected valuation payroll. The normal cost and amortization payment were determined using an entry-age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent-of-payroll over an open period of 10 years.

Employee Contributions. No employee contributions are required for participation in the System. The only contributions recognized are those relating to purchased years of service.

It is the System's policy to fund the actuarial determined pension liability in order for funds to be available when a member retires. The employers are required to contribute a percentage of payroll at an actuarially determined rate. The contribution rate is based on the actuarial assumptions and experiences. Once a group is full or overfunded, the employer no longer contributes for that group. The employers were required to contribute the following percentages of payroll for the year ended December 31, 2017:

Kalamazoo County:	
Airport	0.00%
AS&E/B&G/Parks	1.81%
Head Start I	0.00%
Head Start II	0.00%
Juvenile Court	9.46%
Juvenile Home	2.56%
Non-represented	1.59%
Sheriff Command	0.00%
FOP	0.00%
Road Commission - all eligible employees	0.00%
CMH:	
Managerial	8.61%
Professional	3.41%
TOPS	4.64%

The Sheriff Command no longer has active members and therefore no contribution rate can be determined based on a percentage of payroll. The County contributed a fixed dollar amount for the Sherriff Command of \$48,984 for the year ended December 31, 2017.

The employers' actual contributions were as follows for the year ended December 31, 2017:

Employer	Actuarially Determined Contribution	Actual Contribution	Percent Contributed
County	\$ 662,427	\$ 662,427	100.00%
Road Commission	-	-	100.00%
CMH	550,516	550,516	100.00%
Total contributions	<u>\$ 1,212,943</u>	<u>\$ 1,212,943</u>	

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

System members may purchase credited service for time served in the military. To purchase credited service for military leave, members pay an amount equal to 5% of the member's annual compensation for each year purchased. Members of the County Board of Commissioners electing to participate in the plan must contribute 100% of the actuarial cost, annually. System members retain the right upon termination to withdraw their contributions plus regular interest, as defined by the System, in lieu of any pension rights they may have. Members may repurchase past service credit for an amount equal to the aggregate amount of contributions the County made at the time of the previous service plus accrued interest from the date of separation to the date of the deposit.

The System maintains a member deposit fund, which is used to accumulate contributions made by plan members and related accrued interest. As detailed in the plan document, the fund is legally required to distribute individual employee contributions and related interest, upon request by a terminated plan member. The balance in the member deposit fund at December 31, 2017 is \$464,047.

Net Pension Asset. The components of the net pension asset of the System at December 31, 2017, were as follows:

	County	Road Commission	CMH	Total
Total pension liability	\$ 130,049,452	\$ 12,186,955	\$ 34,130,529	\$ 176,366,936
System fiduciary net position	168,292,168	15,770,686	44,167,051	228,229,905
Net pension asset	<u>\$ (38,242,716)</u>	<u>\$ (3,583,731)</u>	<u>\$ (10,036,522)</u>	<u>\$ (51,862,969)</u>
System fiduciary net position percentage of total pension liability	129.41%	129.41%	129.41%	129.41%

	Net Pension Asset at December 31, 2017	Timing Difference	As Reported in the Statement of Net Position
Net pension asset by employer:			
County	\$ 38,242,716	\$ -	\$ 38,242,716
Road Commission	3,583,731	-	3,583,731
CMH	10,036,522	3,439,113	6,597,409
Net pension asset	<u>\$ 51,862,969</u>	<u>\$ 3,439,113</u>	<u>\$ 48,423,856</u>

The CMH is presented on a September 30 year-end, and as such the amount reported above at December 31, 2017 will be reported by that component unit in the subsequent year audit report.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The System's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.50%
Salary increases (includes inflation at 3.5%):	
General County	3.50% to 7.50%
Road Commission	3.50% to 7.23%
Community Mental Health Authority	3.50% to 5.50%
Investment rate of return (includes inflation at 2.0%)	7.50%

Mortality rates were based on the RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2013.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of the pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocations percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation of December 31, 2017 (see the discussion of the System's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.50%	0.225%
U.S. Small Cap (Manager 2)	10.00%	4.50%	0.450%
International Developed Equity	10.00%	4.20%	0.420%
U.S. Large Cap (Manager 1)	30.00%	4.00%	1.200%
U.S. Large Cap (Manager 2)	5.00%	4.00%	0.200%
Emerging Markets	10.00%	6.70%	0.670%
Domestic Fixed Income	25.00%	1.00%	0.250%
Real Estate (Manager 1)	2.50%	3.20%	0.080%
Real Estate (Manager 2)	2.50%	3.20%	0.080%
	100.00%		
Inflation			3.500%
Risk factor adjustment			0.425%
Investment rate of return			7.500%

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the System'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.

Changes in the Net Pension Asset. The components of the change in the net pension asset are summarized as follows:

	Total Pension Liability	System Fiduciary Net Position	Net Pension Asset
Balance at December 31, 2016	\$ 171,253,496	\$ 207,257,695	\$ (36,004,199)
Changes for the year:			
Service cost	3,502,608	-	3,502,608
Interest on the total pension liability	12,514,402	-	12,514,402
Difference between expected and actual experience	1,388,645	-	1,388,645
Benefit payments and refunds	(12,292,215)	(12,292,215)	-
Employer contributions	-	1,212,943	(1,212,943)
Employee contributions	-	47,754	(47,754)
Net investment income	-	32,317,005	(32,317,005)
Administrative expenses	-	(313,277)	313,277
Net changes	5,113,440	20,972,210	(15,858,770)
Balance at December 31, 2017	\$ 176,366,936	\$ 228,229,905	\$ (51,862,969)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following table presents the System's net pension asset, calculated using a single discount rate of 7.50%, as well as what the System's net pension asset would be if it were calculated using a single discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension asset	\$ 29,562,103	\$ 51,862,969	\$ 70,553,897

Pension Plan Fiduciary Net Position. Detailed information about the System's fiduciary net position is available in the combining statements for the pension and other postemployment benefit trust funds in Note 11.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2017, total pension expense amounted to (\$301,066) ((\$1,093,979) recognized by the County, (\$717,880) recognized by the Road Commission, and \$1,510,793 recognized by the CMH). At December 31, 2017, the employers reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

County	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 808,406	\$ 1,225,329	\$ (416,923)
Changes of assumptions	592,913	-	592,913
Net difference between projected and actual investment earnings on pension plan investments	-	8,662,875	(8,662,875)
Changes in proportion and differences between employer contributions and share of contributions	392,233	1,880,968	(1,488,735)
Total	\$ 1,793,552	\$ 11,769,172	\$ (9,975,620)

Road Commission	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 75,756	\$ 114,826	\$ (39,070)
Changes of assumptions	55,562	-	55,562
Net difference between projected and actual investment earnings on pension plan investments	-	811,799	(811,799)
Changes in proportion and differences between employer contributions and share of contributions	73,290	1,331,491	(1,258,201)
Total	\$ 204,608	\$ 2,258,116	\$ (2,053,508)

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

CMH	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 212,160	\$ 321,579	\$ (109,419)
Changes of assumptions	155,606	-	155,606
Net difference between projected and actual investment earnings on pension plan investments	-	2,273,508	(2,273,508)
Changes in proportion and differences between employer contributions and share of contributions	3,205,100	458,164	2,746,936
Total	\$ 3,572,866	\$ 3,053,251	\$ 519,615

The CMH is presented on a September 30 year-end, and as such the amounts reported above at December 31, 2017 will be reported by that component unit in the subsequent year audit report.

Total	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 1,096,322	\$ 1,661,734	\$ (565,412)
Changes of assumptions	804,081	-	804,081
Net difference between projected and actual investment earnings on pension plan investments	-	11,748,182	(11,748,182)
Changes in proportion and differences between employer contributions and share of contributions	3,670,623	3,670,623	-
Total	\$ 5,571,026	\$ 17,080,539	\$ (11,509,513)

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

Year Ended December 31,	County	Road Commission	CMH	Total
2018	\$ (1,952,023)	\$ (798,287)	\$ 1,285,605	\$ (1,464,705)
2019	(1,887,892)	(657,065)	887,766	(1,657,191)
2020	(3,778,252)	(371,722)	(1,017,383)	(5,167,357)
2021	(2,357,453)	(226,434)	(636,373)	(3,220,260)
	<u>\$ (9,975,620)</u>	<u>\$ (2,053,508)</u>	<u>\$ 519,615</u>	<u>\$ (11,509,513)</u>

Payable to the Pension Plan. At December 31, 2017, the County reported a payable of \$50,142 to the pension plan.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Defined Contribution Plans

Sheriff's Department

The County provides pension benefits for all of its full-time employees of the Sheriff's Department not covered by the Kalamazoo County Employees' Retirement System through a defined contribution plan, established and administered by the Fraternal Order of Police, Lodge No. 98 (FOP). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. For employees hired before September 17, 2013, the County contributes an amount equal to 16.00% of the employee's salary each pay period. For employees hired after this date, the County contributes an amount equal to 10.00% of the employee's salary each pay period. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into a participant's account. The County made the required 2017 contribution of \$2,160,173. The County is not a fiduciary with respect to this plan and, accordingly, assets and liabilities of the plan have been excluded from these financial statements. Contribution requirements are established or amended under the authority of the County Board and collective bargaining.

Other Defined Contribution Plan

Currently, one Probate Court judge and four District Court employees have elected not to participate in the County's defined benefit plan described above. The probate judge is considered a State of Michigan employee and has elected to participate in a State of Michigan retirement plan under which the State and participant share in the cost of the plan.

The County has agreed to contribute, on behalf of the District Court employees, to defined contribution plans that are administered by unrelated third parties. The County made the required 2017 contributions on behalf of the District Court employees in the amount of \$12,686. The County is not a fiduciary with respect to these plans and, accordingly, the assets and liabilities of these plans have been excluded from these financial statements.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County provides postemployment health benefits through a single-employer OPEB plan (the "Plan"). The Plan was established by the County Board of Commissioners and is administered by the Office of Finance of the County of Kalamazoo, Michigan. The County of Kalamazoo, Michigan (the "County"), the Kalamazoo County Road Commission (the "Road Commission"), and the Kalamazoo Community Mental Health and Substance Abuse Services (the "CMH") are participating employers of the Retiree Health Care Trust. Stand-alone financial reports are issued that include financial statements and required supplementary information for the Plan, which may be obtained from the Office of Finance, County of Kalamazoo, Michigan, 201 West Kalamazoo Avenue, Kalamazoo, Michigan, 49007.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Eligibility. County policy established that retiring employees, who terminate employment after becoming eligible for immediate commencement of retirement benefits from the County, shall be eligible for group health insurance. Active participants of the FOP defined contribution plan are eligible under the terms of their collective bargaining agreement. Changes are made through collective bargaining. All other retiring employees reach eligibility based on hire date, years of retirement plan, credited service and age at retirement. Employees hired on or before 12/31/2008 are eligible at age 55 with at least 8 years of service. Employees hired on or after 1/1/2009 are eligible at age 60 with at least 8 years of service. Employees hired on or after 1/1/2010 are eligible at age 60 with at least 8 years of service until they reach the age of 65. Retirees eligible for health insurance retiring on or after 1/1/2009 share the premium cost with the County based on an established fee schedule. Employees hired on or after 1/1/2010 participate in the cost sharing until age 65, at which the retiree is responsible for 100% of the premium costs. A retiree and his/her covered dependents must obtain Medicare Parts A & B at the earliest date eligible. For employees hired on or after 1/1/2012, the County will not provide retiree health insurance. These benefits are established and can be amended by the County Board of Commissioners.

Membership of the Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	County	Road Commission	CMH	Total
Inactive employees or beneficiaries				
currently receiving benefit payment	402	40	46	488
Active employees	646	34	115	795
	<u>1,048</u>	<u>74</u>	<u>161</u>	<u>1,283</u>

Contributions. The Retiree Health Care Trust currently funds the Plan under the authority defined by the Kalamazoo County Board of Commissioners. Plan employers are charged contributions at a set rate per member depending on years of service over eight years and the type of optional coverage elected. The County is currently contributing 50% of the fixed rate determined in the most recent actuarial valuation adjusted for plan design changes made during the year. The Road Commission and CMH are contributing based on the percentage of payroll determined in the most recent actuarial valuation.

The contribution rates shown include amortization of the unfunded actuarial accrued liability over a closed period of 25 years for the County and CMH, a closed period of 27 years for Road Commission, and a 30 year open period for Sheriff. A shorter amortization period would result in a higher annual required contribution.

The employers' actual contributions were as follows for the year ended December 31, 2017:

Employer	Actuarially Determined Contribution	Actual Contribution	Percent Contributed
County	\$ 4,722,640	\$ 5,261,320	111.41%
Road Commission	179,423	297,957	166.06%
CMH	228,973	209,892	91.67%
Total contributions	<u>\$ 5,131,036</u>	<u>\$ 5,769,169</u>	

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Net OPEB Liability. The components of the net OPEB liability at December 31, 2017, were as follows:

	County	Road Commission	CMH	Total
Total OPEB liability	\$ 55,006,432	\$ 3,404,148	\$ 5,219,553	\$ 63,630,133
Plan fiduciary net position	12,374,383	1,997,442	3,241,463	17,613,288
Net OPEB liability	\$ 42,632,049	\$ 1,406,706	\$ 1,978,090	\$ 46,016,845
Plan fiduciary net position as a percentage of total OPEB liability	22.50%	58.68%	62.10%	27.68%

	Net OPEB Liability at December 31, 2017	Timing Difference	As Reported in the Statement of Net Position
Net OPEB liability by employer:			
County	\$ 42,632,049	\$ -	\$ 42,632,049
Road Commission	1,406,706	-	1,406,706
CMH	1,978,090	(1,978,090)	-
Net OPEB liability	\$ 46,016,845	\$ (1,978,090)	\$ 44,038,755

The CMH is presented on a September 30 year-end, and as such the amount reported above at December 31, 2017 will be reported by that component unit in the subsequent year audit report.

Actuarial Assumptions. The County's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015 (rolled forward to December 31, 2017), using the following actuarial assumptions applied to all periods included in the measurement:

	County	Road Commission	CMH
Inflation	3.5%	3.5%	3.5%
Salary increases, including inflation	3.5% to 7.5%	3.5% to 7.23%	3.5% to 5.5%
Investment rate of return, net of OPEB plan expenses	7.5%	7.5%	7.5%
Healthcare cost trend rates	Initial trend of 9.0% gradually decreasing to 3.5%		

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Tables, projected 20 years with U.S. Projection Scale BB. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2013.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of the OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocations percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation of December 31, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.50%	0.225%
U.S. Small Cap (Manager 2)	10.00%	4.50%	0.450%
International Developed Equity	10.00%	4.20%	0.420%
U.S. Large Cap (Manager 1)	30.00%	4.00%	1.200%
U.S. Large Cap (Manager 2)	5.00%	4.00%	0.200%
Emerging Markets	10.00%	6.70%	0.670%
Domestic Fixed Income	25.00%	1.00%	0.250%
Real Estate (Manager 1)	2.50%	3.20%	0.080%
Real Estate (Manager 2)	2.50%	3.20%	0.080%
	100.00%		
Inflation			3.500%
Risk factor adjustment			0.425%
Investment rate of return			7.500%

Discount Rate. The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the County will contribute at a rate equal to the greater of the pay-as-you-go cost or 50% of the actuarially determined employer contribution, plus an additional \$300,000 per year. Also, an additional contribution of \$2,000,000 was made in 2018 and is reflected in the calculation. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Liability. The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2016	\$ 60,994,738	\$ 12,882,688	\$ 48,112,050
Changes for the year:			
Service cost	560,834	-	560,834
Interest on the total OPEB liability	4,485,283	-	4,485,283
Changes in benefits	1,003,146	-	1,003,146
Difference between expected and actual experience	(471,099)	-	(471,099)
Benefit payments and refunds	(2,942,769)	(2,942,769)	-
Employer contributions	-	5,769,169	(5,769,169)
Net investment income	-	2,053,018	(2,053,018)
Administrative expenses	-	(148,818)	148,818
Net changes	2,635,395	4,730,600	(2,095,205)
Balance at December 31, 2017	\$ 63,630,133	\$ 17,613,288	\$ 46,016,845

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the net OPEB liability, calculated using a single discount rate of 7.50%, as well as what the net OPEB liability would be if it were calculated using a single discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
County's net OPEB liability	\$ 53,295,595	\$ 46,016,845	\$ 39,901,361

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following table presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (8.0% decreasing to 2.5%) or 1% higher (10.0% decreasing to 4.5%) than the current healthcare cost trend rates:

	1% Decrease (8.0% Decreasing to 2.5%)	Healthcare Cost Trend Rates (9.0% Decreasing to 3.5%)	1% Increase (10.0% Decreasing to 4.5%)
County's net OPEB liability	\$ 38,851,462	\$ 46,016,845	\$ 54,539,773

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the combining statements for the pension and other postemployment benefit trust funds in Note 11.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2017, total OPEB expense amounted to \$4,830,192 (\$4,431,263 recognized by the County, \$142,790 recognized by the Road Commission, and \$256,139 recognized by the CMH). At December 31, 2017, the County reported OPEB-related deferred outflows of resources and deferred inflows of resources from the following sources:

County	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 612,211	\$ (612,211)
Net difference between projected and actual investment earnings on OPEB plan investments	-	492,783	(492,783)
Total	\$ -	\$ 1,104,994	\$ (1,104,994)

Road Commission	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 52,594	\$ (52,594)
Net difference between projected and actual investment earnings on pension plan investments	-	67,082	(67,082)
Total	\$ -	\$ 119,676	\$ (119,676)

CMH	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 297,703	\$ -	\$ 297,703
Net difference between projected and actual investment earnings on pension plan investments	-	229,261	(229,261)
Total	\$ 297,703	\$ 229,261	\$ 68,442

The CMH is presented on a September 30 year-end, and as such the amounts reported above at December 31, 2017 will be reported by that component unit in the subsequent year audit report.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Total	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 297,703	\$ 664,805	\$ (367,102)
Net difference between projected and actual investment earnings on pension plan investments	-	789,126	(789,126)
Total	\$ 297,703	\$ 1,453,931	\$ (1,156,228)

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

Year Ended December 31,	County	Road Commission	CMH	Total
2018	\$ (290,843)	\$ (32,166)	\$ 21,731	\$ (301,278)
2019	(290,843)	(32,166)	21,731	(301,278)
2020	(290,843)	(32,166)	21,731	(301,278)
2021	(232,465)	(23,178)	3,249	(252,394)
	<u>\$ (1,104,994)</u>	<u>\$ (119,676)</u>	<u>\$ 68,442</u>	<u>\$ (1,156,228)</u>

Payable to the OPEB Plan. At December 31, 2017, the County reported no amount payable to the OPEB plan.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

11. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

Financial statements for the individual pension and other postemployment benefits plans are as follows:

Combining Statement of Fiduciary Net Position

	Retiree Health Care Trust Fund	Pension Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 2,175,700	\$ 9,199,587	\$ 11,375,287
Investments, at fair value:			
U.S. government securities	2,093,934	29,656,426	31,750,360
U.S. agency securities	407,689	5,774,105	6,181,794
Corporate obligations	1,105,524	15,657,562	16,763,086
Foreign corporate obligations	198,766	2,815,126	3,013,892
Mortgage-backed funds	98,418	1,393,894	1,492,312
Domestic equity mutual funds/ collective trust funds	8,121,116	115,019,507	123,140,623
Emerging market mutual funds	1,658,435	23,488,447	25,146,882
International equity mutual funds	1,632,181	23,116,620	24,748,801
Real estate investment trust	390,576	5,531,737	5,922,313
Real estate pooled separate account	416,232	5,895,094	6,311,326
Receivables:			
Sale of investments	153,472	2,173,622	2,327,094
Interest and dividends	26,020	368,500	394,520
Employer contributions	-	66,269	66,269
Other	72,005	17,224	89,229
Total assets	18,550,068	240,173,720	258,723,788
Liabilities			
Accounts payable	83,690	111,072	194,762
Benefits payable	127,418	1,555,040	1,682,458
Purchase of investments	725,672	10,277,703	11,003,375
Total liabilities	936,780	11,943,815	12,880,595
Net position			
Restricted for:			
Employees' pension benefits	-	228,229,905	228,229,905
Other postemployment benefits	17,613,288	-	17,613,288
Total net position	\$ 17,613,288	\$ 228,229,905	\$ 245,843,193

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Combining Statement of Changes in Fiduciary Net Position

	Retiree Health Care Trust Fund	Pension Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 5,769,169	\$ 1,212,943	\$ 6,982,112
Employees	-	47,754	47,754
Total contributions	5,769,169	1,260,697	7,029,866
Investment income:			
Net appreciation in fair value of investments	1,487,329	26,498,511	27,985,840
Income on mutual funds	333,666	5,071,046	5,404,712
Interest and dividends	78,650	1,368,093	1,446,743
Income on real estate pooled separate account	13,600	206,687	220,287
Other	187,933	-	187,933
Total investment income	2,101,178	33,144,337	35,245,515
Investment expense	(48,160)	(827,332)	(875,492)
Net investment income	2,053,018	32,317,005	34,370,023
Total additions	7,822,187	33,577,702	41,399,889
Deductions			
Benefit payments	2,942,769	12,292,215	15,234,984
Administrative expenses	148,818	313,277	462,095
Total deductions	3,091,587	12,605,492	15,697,079
Change in net position	4,730,600	20,972,210	25,702,810
Net position, beginning of year	12,882,688	207,257,695	220,140,383
Net position, end of year	\$ 17,613,288	\$ 228,229,905	\$ 245,843,193

12. RISK MANAGEMENT

The risks of loss arising from general liability, property, and crime, not associated with operation of the airport, are managed through a combination of purchased commercial insurance, through the Michigan Municipal Risk Management Authority, and the set aside of assets. Assets have been set aside for the coverage of up to a maximum of \$150,000 for each general liability claim, and \$1,000 for each property and crime claim (also, 10% of next \$100,000 of each property and crime claim). Purchased commercial insurance provides coverage in excess of these limits and for all other risks of loss. With regard to vehicle physical damage claims, the County is entirely self-insured due to the prohibitive cost of commercial insurance for such losses.

Risks of loss associated with operation of the Airport (general, contractual, personal injury, and hangar-keepers' liabilities) are managed through the purchase of commercial insurance.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

The Employee Benefit Fund provides coverage for up to a maximum of \$550,000 for each workers' compensation claim. The County purchases commercial insurance for claims in excess of this coverage up to a maximum of \$1,000,000 for each claim and \$10,000,000 for aggregate claims. Workers' compensation claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss may be reasonably estimated.

Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period are not significant, as the County prefers to liquidate such liabilities immediately.

The County manages its risk of loss arising from health and medical claims through a combination of purchased commercial insurance and a set aside of assets for claims settlements. For those claims (up to an annual maximum of \$200,000 per individual) financed from the set aside of assets, the County reports claim expenditures and liabilities when it is probable that a loss has occurred and the amount of loss may be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Health and medical claim liabilities are subject to the same estimation limitations and periodic reevaluation as workers' compensation claims. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. In addition, in the past three fiscal years, settlements did not exceed insurance coverage.

Changes in the balances of claim liabilities consists of the following:

	Estimated Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Estimated Liability End of Year
General liability and crime:				
2016	\$ 478,486	\$ 315,960	\$ (128,168)	\$ 666,278
2017	666,278	(166,147)	(82,958)	417,173
Workers' compensation:				
2016	660,416	472,771	(265,950)	867,237
2017	867,237	436,979	(371,012)	933,204
Employee health and medical:				
2016	497,447	7,087,468	(7,061,082)	523,833
2017	523,833	7,605,231	(7,577,671)	551,393
Employee dental:				
2016	33,007	516,354	(520,919)	28,442
2017	28,442	633,379	(629,369)	32,452

The County considers property and vehicle damage claims arising from natural disasters, catastrophes, or other extraordinary events as subject to the provisions of the accounting standards governing risk management and, therefore, reportable. Expenditures incurred in connection with assets repairs or replacements not associated with such causes are considered outside the measurement and reporting standards.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

13. LEASES

Leases Receivable

The Airport has entered into agreements to lease airport facilities to various airlines and vendors. The aggregate amount of future minimum lease payments expected to be received by the Airport, exclusive of expected extensions and airline month-to-month agreements, in each of the next five years and thereafter are as follows:

Year Ended December 31,	Amount
2018	\$ 279,189
2019	272,917
2020	265,117
2021	231,836
2022	33,981
2023-2027	120,292
2028-2032	88,765
2033	<u>10,356</u>
	<u>\$ 1,302,453</u>

Lease Commitments

The County leases several facilities and equipment under non-cancelable agreements that have been classified as operating leases. Rental expense for such leases was \$294,093 for the year ended December 31, 2017. The future minimum lease payments for these leases consist of the following:

Year Ended December 31,	Amount
2018	\$ 186,914
2019	212,115
2020	332,738
2021	318,081
2022	315,505
2023-2027	1,577,063
2028-2032	1,910,672
2033-2037	1,941,000
2038	<u>161,750</u>
	<u>\$ 6,955,838</u>

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

Included with the facility leases is a building at 400 Bryant in Kalamazoo. On August 2, 2017, an amendment was entered into in which the County provided advance funding of \$5 million related to this lease agreement. This advance funding reduced each of the monthly lease payments through the termination of the lease (May 2038). Amounts exceeding the advance funding amount are included in the future minimum lease payments noted above. Additionally, a \$5 million letter of credit exists related to this advance funding.

14. PROPERTY TAXES

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value.

Tax Abatements

The County received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the County.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the county. The abatements amounted to \$264,074 in reduced county tax revenues for 2017.

15. CONTINGENT LIABILITIES

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County and its Corporate Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

16. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Law Enforcement	General County Public Improvement	Nonmajor Governmental Funds	Total
Nonspendable					
Inventories	\$ 16,906	\$ -	\$ -	\$ 760	\$ 17,666
Prepays	240,151	2,574	-	7,135	249,860
Long-term advances	122,233	-	-	-	122,233
Total nonspendable	379,290	2,574	-	7,895	389,759
Restricted					
Budget stabilization	2,500,000	-	-	-	2,500,000
Law enforcement	-	424,545	-	-	424,545
Register of deeds automation	-	-	-	897,824	897,824
Community development	-	-	-	208,232	208,232
Accommodation tax	-	-	-	815,339	815,339
Grant programs	-	-	-	1,391,571	1,391,571
Concealed pistol license	-	-	-	161,476	161,476
Debt services	-	-	-	74,939	74,939
Total restricted	2,500,000	424,545	-	3,549,381	6,473,926
Committed					
Capital projects	2,617,291	-	-	-	2,617,291
Social welfare	6,786	-	-	-	6,786
Community training disaster recovery	40,000	-	-	-	40,000
Total committed	2,664,077	-	-	-	2,664,077
Assigned					
Capital projects	-	-	19,905,617	-	19,905,617
Grant programs	-	-	-	1,207,131	1,207,131
Total assigned	-	-	19,905,617	1,207,131	21,112,748
Unassigned					
	27,217,070	-	-	-	27,217,070
Total fund balances, governmental funds	\$ 32,760,437	\$ 427,119	\$ 19,905,617	\$ 4,764,407	\$ 57,857,580

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of the County's net investment in capital assets as of December 31, 2017, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 5,102,871	\$ 7,984,236
Capital assets being depreciated, net	85,231,650	44,645,266
	<u>90,334,521</u>	<u>52,629,502</u>
Related debt:		
Total installment debt	21,280,000	10,350,000
Net bond premium/discount	2,895,956	433,394
Deferred charge on refunding	(199,435)	(343,959)
Bonds payable related to capital leases	-	(5,815,000)
Bond premiums related to capital leases	-	(136,736)
	<u>23,976,521</u>	<u>4,487,699</u>
Net investment in capital assets	<u>\$ 66,358,000</u>	<u>\$ 48,141,803</u>

18. SPECIAL ITEM

As of October 1, 2016, the Central County Transportation Authority, a September 30 year end discretely presented component unit of the County, acquired all the assets and liabilities of the Kalamazoo County Transportation Authority, a September 30 year end discretely presented component unit of the County. The Central County Transportation Authority assumed all operational and financial responsibility of the Kalamazoo County Transportation Authority, which ceased operations on September 30, 2016.

19. RESTATEMENTS

The County adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. As a result of this change, beginning net position of governmental activities, the Airport enterprise fund, and business-type activities were decreased by \$27,819,364, \$328,460, and \$328,460, respectively.

In accordance with GASB Statement No. 69, the Central County Transportation Authority's financial statements reflect a restated net position to recognize the combination with the Kalamazoo County Transportation Authority as discussed in Note 18 as though the entities had been combined at the beginning of the Central County Transportation Authority's reporting period. Beginning net position of the Central County Transportation Authority was increased from \$1,390,683, as originally stated, to \$38,788,082, as restated.



REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Changes in Net Pension Asset and Related Ratios

	Year Ended December 31,			
	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 3,629,274	\$ 3,339,511	\$ 3,449,662	\$ 3,502,608
Interest on total pension liability	11,540,803	11,895,347	12,251,457	12,514,402
Difference between expected and actual experience	-	(2,986,458)	(949,324)	1,388,645
Assumption changes	-	2,164,854	-	-
Benefit payments	(11,408,049)	(9,187,843)	(10,252,492)	(12,292,215)
Net change in total pension liability	<u>3,762,028</u>	<u>5,225,411</u>	<u>4,499,303</u>	<u>5,113,440</u>
Total pension liability, beginning of year	<u>157,766,754</u>	<u>161,528,782</u>	<u>166,754,193</u>	<u>171,253,496</u>
Total pension liability, end of year	<u>161,528,782</u>	<u>166,754,193</u>	<u>171,253,496</u>	<u>176,366,936</u>
Plan fiduciary net position				
Employer contributions	1,985,340	1,320,723	1,464,540	1,212,943
Employee contributions	-	4,500	-	47,754
Net investment income (loss)	13,528,275	(3,399,365)	23,448,619	32,317,005
Benefit payments	(11,408,049)	(9,187,843)	(10,252,492)	(12,292,215)
Administrative expense	(252,272)	(345,891)	(303,990)	(313,277)
Net change in plan fiduciary net position	<u>3,853,294</u>	<u>(11,607,876)</u>	<u>14,356,677</u>	<u>20,972,210</u>
Plan fiduciary net position, beginning of year	<u>200,655,600</u>	<u>204,508,894</u>	<u>192,901,018</u>	<u>207,257,695</u>
Plan fiduciary net position, end of year	<u>204,508,894</u>	<u>192,901,018</u>	<u>207,257,695</u>	<u>228,229,905</u>
Net pension asset	<u>\$ (42,980,112)</u>	<u>\$ (26,146,825)</u>	<u>\$ (36,004,199)</u>	<u>\$ (51,862,969)</u>
Plan fiduciary net position as a percentage of total pension liability	126.61%	115.68%	121.02%	129.41%
Covered payroll ⁽¹⁾	<u>\$ 41,180,449</u>	<u>\$ 41,152,336</u>	<u>\$ 43,438,087</u>	<u>\$ 45,624,833</u>
Net pension asset as a percentage of covered payroll	-104.37%	-63.54%	-82.89%	-113.67%

Note: GASB 67 was implemented in 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

(1) Valuation payroll as of the previous year ended December 31

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information
Employees' Retirement System

Schedule of Net Pension Asset

Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Plan Fiduciary Net Position as Percentage of Total Pension Liability	Covered ⁽¹⁾ Payroll	Net Pension Asset as Percentage of Covered Payroll
2014	\$ 161,528,782	\$ 204,508,894	\$ (42,980,112)	126.61%	\$ 41,180,449	-104.37%
2015	166,754,193	192,901,018	(26,146,825)	115.68%	41,152,336	-63.54%
2016	171,253,496	207,257,695	(36,004,199)	121.02%	43,438,087	-82.89%
2017	176,366,936	228,229,905	(51,862,969)	129.41%	45,624,833	-113.67%

Note: GASB 67 was implemented in 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

⁽¹⁾ Valuation payroll as of the previous year ended December 31

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information
Employees' Retirement System

Schedule of Contributions

Year Ended December 31,	Actuarially ⁽²⁾ Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered ⁽¹⁾ Payroll	Actual Contribution as Percentage of Covered Payroll
2014	\$ 1,985,340	\$ 1,985,340	\$ -	\$ 41,180,449	4.82%
2015	1,320,723	1,320,723	-	41,152,336	3.21%
2016	1,464,540	1,464,540	-	43,438,087	3.37%
2017	1,212,943	1,212,943	-	45,624,833	2.66%

(1) Valuation payroll as of the previous year ended December 31

(2) The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, 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 percentage of payroll, open period
Remaining amortization period	10 years
Asset valuation method	Market value with 5-year smoothing
Inflation	3.5%
Salary increases (including inflation):	
County	3.50% to 7.50%
Road commission	3.50% to 7.23%
Authority	3.50% to 5.50%
Investment rate of return	7.5% net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to the January 1, 2009 - December 31, 2013 experience study.
Mortality	RP-2000 mortality combined healthy tables, projected 20 years with U.S. Projection Scale BB.
Cost-of-living adjustment	Varied, depending on union
Other information	There were no benefit changes during the year.

Note: GASB 67 was implemented in 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Investment Returns

Year Ended December 31,	Annual ⁽¹⁾ Return
2014	6.87%
2015	-1.71%
2016	13.21%
2017	17.02%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information Retiree Health Care Trust - Kalamazoo County Government

Schedule of Changes in Net OPEB Liability and Related Ratios

	Year Ended December 31, 2017
Total OPEB liability	
Service cost	\$ 560,834
Interest on total OPEB liability	4,485,283
Changes in benefits	1,003,146
Difference between expected and actual experience	(471,099)
Benefit payments	(2,942,769)
Net change in total OPEB liability	<u>2,635,395</u>
Total OPEB liability, beginning of year	<u>60,994,738</u>
Total OPEB liability, end of year	<u>63,630,133</u>
Plan fiduciary net position	
Employer contributions	5,769,169
Net investment income	2,053,018
Benefit payments	(2,942,769)
Administrative expense	(148,818)
Net change in plan fiduciary net position	<u>4,730,600</u>
Plan fiduciary net position, beginning of year	<u>12,882,688</u>
Plan fiduciary net position, end of year	<u>17,613,288</u>
Net OPEB liability	<u>\$ 46,016,845</u>
Plan fiduciary net position as a percentage of total OPEB liability	27.68%
Covered payroll	<u>\$ 41,683,200</u>
Net OPEB liability as a percentage of covered payroll	110.40%

Note: GASB 74 was implemented in 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit Changes: This change is the result of changes made to the portion of active health insurance paid for by an active employee for FOP (Sheriff).

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information
 Retiree Health Care Trust - Kalamazoo County Government

Schedule of Net OPEB Liability

Year Ended December 31,	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as Percentage of Covered Payroll
2017	\$ 63,630,133	\$ 17,613,288	\$ 46,016,845	27.68%	\$ 41,683,200	110.40%

Note: GASB 74 was implemented in 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information Retiree Health Care Trust - Kalamazoo County Government

Schedule of Contributions

Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2017	\$ 5,131,036	\$ 5,769,169	\$ (638,133)	\$ 41,683,200	13.84%

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end 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 dollar for County, Roads, and CMH; level percent for FOP
Remaining amortization period	25 years, closed for General and CMH; 27 years, closed for Roads, and 30 years, open for FOP
Asset valuation method	Market value of assets
Inflation	3.5%
Salary increases	3.5% to 7.5% for General; 3.5% to 7.23% for Roads; 3.55 to 5.5% for CMH
Investment rate of return	7.5%, net of OPEB plan expenses
Retirement age	General and CMH: Age-based or Service-based table of rates that are specific to the type of eligibility condition. Roads: Age-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Annuitant Mortality Tables projected 20 years with U.S. Projection Scale BB.
Healthcare cost trend rates	Initial trend of 9.0% gradually decreasing to 3.5%
Other information	The FOP (Sheriff) is open to new hires; the remainder of the General County and Mental Health is closed to new hires hired on or after 1/1/2012. The Road Commission is closed to new hires for Non-Union members hired on or after 1/1/2013, and for Union members hired on or after 1/1/2017.

Note: GASB 74 was implemented in 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

COUNTY OF KALAMAZOO, MICHIGAN

Required Supplementary Information Retiree Health Care Trust - Kalamazoo County Government

Schedule of Investment Returns

Year Ended December 31,	Annual (1) Return
2017	15.58%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 74 was implemented in 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

This page intentionally left blank.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

■ General Fund

The General Fund is the principal operating fund of the County. It is used to account for all revenues, expenditures, and activities not specifically accounted for and reported in another fund. Revenues are derived primarily from property taxes, intergovernmental revenues, and charges for services.

COUNTY OF KALAMAZOO, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 39,325,000	\$ 37,755,000	\$38,124,237	\$ 369,237
Treasurer	75,000	75,000	89,096	14,096
Trailer	20,000	20,000	27,062	7,062
Total taxes	39,420,000	37,850,000	38,240,395	390,395
Licenses and permits:				
County clerk / register of deeds	10,000	10,000	9,415	(585)
Animal services and enforcement	519,000	519,000	509,763	(9,237)
Treasurer	12,000	12,000	14,584	2,584
Soil erosion & sedimentation control	30,000	31,000	49,995	18,995
Medical examiner	18,000	18,000	20,130	2,130
Total licenses and permits	589,000	590,000	603,887	13,887
Intergovernmental:				
Federal grants:				
Sheriff	14,000	9,000	17,227	8,227
Emergency management	37,000	37,000	34,230	(2,770)
Prosecuting attorney	8,900	8,900	15,782	6,882
State grants:				
State revenue sharing	5,239,500	5,255,200	5,255,201	1
State stabilization sharing	-	2,533,300	2,533,316	16
State court fund distribution	1,569,400	1,569,400	1,203,043	(366,357)
Convention and tourism	1,315,900	1,304,600	1,304,603	3
Elections	1,000	1,000	-	(1,000)
Friend of the court	238,000	238,000	250,936	12,936
Circuit court trial division	186,000	186,300	186,225	(75)
Circuit court family division	343,000	343,000	330,980	(12,020)
District court	361,900	361,900	338,197	(23,703)
Prosecuting attorney	228,000	228,000	371,426	143,426
Probate court	140,000	140,000	142,628	2,628
Sheriff	20,000	10,000	-	(10,000)
County clerk / register of deeds	2,500	2,500	2,277	(223)
Local unit contributions:				
Sheriff	1,735,000	2,141,900	2,213,361	71,461
Veterans affairs	4,800	4,000	3,988	(12)
Total intergovernmental	11,444,900	14,374,000	14,203,420	(170,580)

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues (continued)				
Charges for services:				
Circuit court administration	\$ 678,900	\$ 623,700	\$ 614,099	\$ (9,601)
District court	2,177,100	2,177,100	1,528,449	(648,651)
Friend of the court	180,000	190,000	181,286	(8,714)
Probate court	66,500	66,500	87,339	20,839
Elections	51,100	136,100	125,577	(10,523)
Animal services & enforcement	67,000	67,500	78,950	11,450
County clerk / register of deeds	2,286,500	2,286,500	2,670,849	384,349
Equalization	-	-	1,500	1,500
Human resources	-	-	465	465
Prosecuting attorney	29,300	29,300	23,538	(5,762)
Treasurer	34,300	34,300	45,115	10,815
Buildings & grounds	-	-	74	74
Drain commissioner	1,500	1,500	550	(950)
Sheriff	922,400	850,000	1,237,039	387,039
HCS administration	2,700	2,700	3,435	735
MSU extension	9,500	9,500	9,500	-
Planning	2,000	2,000	1,467	(533)
Total charges for services	<u>6,508,800</u>	<u>6,476,700</u>	<u>6,609,232</u>	<u>132,532</u>
Fines and forfeitures:				
Circuit court administration	30,000	30,000	19,616	(10,384)
District court	1,660,000	1,660,000	945,683	(714,317)
Animal control	200	200	70	(130)
Treasurer	300	300	245	(55)
Soil erosion & sedimentation control	300	300	-	(300)
Total fines and forfeitures	<u>1,690,800</u>	<u>1,690,800</u>	<u>965,614</u>	<u>(725,186)</u>
Investment earnings	<u>800,000</u>	<u>800,000</u>	<u>805,668</u>	<u>5,668</u>
Contributions and reimbursements:				
Non department revenue	-	10,500	10,500	-
Sheriff	-	-	40	40
Animal services & enforcement	1,000	1,000	1,512	512
Soldiers & sailors relief	-	2,500	70	(2,430)
Resource development	-	-	500	500
MSU extension	5,000	5,000	5,000	-
Total contributions and reimbursements	<u>6,000</u>	<u>19,000</u>	<u>17,622</u>	<u>(1,378)</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues (concluded)				
Other:				
Non department revenue	\$ -	\$ 4,000	\$ 3,665	\$ (335)
Circuit court administration	-	-	705	705
District court	45,100	45,100	3,421	(41,679)
Friend of the court	-	2,000	1,951	(49)
Probate court	-	-	32	32
Family counseling services	25,400	25,400	25,860	460
County clerk / register of deeds	1,000	1,000	343	(657)
Finance	95,600	95,600	92,448	(3,152)
Central service cost recovery	705,000	1,028,900	1,276,107	247,207
Prosecuting attorney	3,000	3,000	3,016	16
Treasurer	100	100	3,737	3,637
Sheriff	197,100	224,500	206,465	(18,035)
Animal services & enforcement	-	-	(23)	(23)
Emergency management	-	-	7,289	7,289
Total other	<u>1,072,300</u>	<u>1,429,600</u>	<u>1,625,016</u>	<u>195,416</u>
Total revenues	<u>61,531,800</u>	<u>63,230,100</u>	<u>63,070,854</u>	<u>(159,246)</u>
Expenditures				
Current:				
General government:				
Board of commissioners	213,600	206,300	205,667	(633)
County administration	583,100	632,300	624,910	(7,390)
Legal services	277,000	247,800	242,082	(5,718)
Elections	274,300	448,700	248,710	(199,990)
County clerk / register of deeds	720,700	621,300	596,052	(25,248)
Finance	1,305,700	1,059,800	1,013,270	(46,530)
Equalization	480,400	479,800	461,303	(18,497)
Fringe benefits, temporary	700,200	840,900	814,137	(26,763)
Information systems	1,082,700	1,075,200	1,062,490	(12,710)
Treasurer	1,074,300	1,087,800	1,103,226	15,426
Buildings & grounds	2,751,600	2,727,800	2,622,732	(105,068)
Utilities	1,375,800	1,375,800	1,137,951	(237,849)
Security	586,100	555,700	552,228	(3,472)
Total general government	<u>11,425,500</u>	<u>11,359,200</u>	<u>10,684,758</u>	<u>(674,442)</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Current (continued):				
Public safety:				
Sheriff	\$ 17,024,100	\$ 17,298,600	\$16,832,310	\$ (466,290)
Animal services & enforcement	669,600	668,400	654,799	(13,601)
Emergency management	225,100	170,500	163,960	(6,540)
Adult probation	50,700	41,700	32,949	(8,751)
Total public safety	17,969,500	18,179,200	17,684,018	(495,182)
Public works:				
Contractual services	316,700	316,600	284,029	(32,571)
Contractual temp employees	90,800	83,400	79,334	(4,066)
Total public works	407,500	400,000	363,363	(36,637)
Health and welfare:				
HCS administration	1,184,600	1,144,300	1,141,517	(2,783)
Public housing	125,000	125,000	125,000	-
Circuit court family division	876,300	875,200	872,687	(2,513)
Veterans affairs	175,000	144,700	138,647	(6,053)
Advertising	530,500	530,500	530,423	(77)
Veterans burial	40,000	17,000	14,343	(2,657)
Soldiers & sailors relief	35,000	56,000	41,642	(14,358)
Appropriations to:				
Community mental health	2,275,900	2,275,900	2,270,302	(5,598)
Social services	-	16,300	9,514	(6,786)
Total health and welfare	5,242,300	5,184,900	5,144,075	(40,825)
Judicial:				
Circuit court administration	5,367,900	5,514,800	5,391,175	(123,625)
Circuit court trial division	458,100	453,400	451,503	(1,897)
District court	4,653,200	4,541,100	4,400,559	(140,541)
Prosecuting attorney	2,331,800	1,942,700	1,956,060	13,360
Jury board	3,300	3,300	265	(3,035)
Probate court	977,800	911,300	895,857	(15,443)
Total judicial	13,792,100	13,366,600	13,095,419	(271,181)
Community and economic development:				
Planning	239,700	257,000	199,883	(57,117)
MSU extension	302,800	301,600	299,565	(2,035)
Appropriation to SW Michigan First	75,000	75,000	75,000	-
Total community and economic development	617,500	633,600	574,448	(59,152)

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Other:				
Contingency	\$ 100,500	\$ 1,500	\$ -	\$ (1,500)
Restricted reserve	291,400	-	-	-
At-large drains	21,800	34,800	34,773	(27)
Insurance	482,800	15,000	(11,672)	(26,672)
Strategic issues	70,000	73,100	44,091	(29,009)
Total other	<u>966,500</u>	<u>124,400</u>	<u>67,192</u>	<u>(57,208)</u>
Capital outlay	<u>951,000</u>	<u>2,455,900</u>	<u>1,181,781</u>	<u>(1,274,119)</u>
Total expenditures	<u>51,371,900</u>	<u>51,703,800</u>	<u>48,795,054</u>	<u>(2,908,746)</u>
Revenues over expenditures	<u>10,159,900</u>	<u>11,526,300</u>	<u>14,275,800</u>	<u>2,749,500</u>
Other financing sources (uses)				
Transfers in	2,040,300	7,114,600	7,163,411	48,811
Transfers out	(12,200,200)	(22,616,900)	(22,219,489)	(397,411)
Proceeds from sale of capital assets	-	-	20,412	20,412
Total other financing sources (uses)	<u>(10,159,900)</u>	<u>(15,502,300)</u>	<u>(15,035,666)</u>	<u>(466,634)</u>
Net change in fund balance	-	(3,976,000)	(759,866)	3,216,134
Fund balance, beginning of year	<u>33,520,303</u>	<u>33,520,303</u>	<u>33,520,303</u>	-
Fund balance, end of year	<u>\$ 33,520,303</u>	<u>\$ 29,544,303</u>	<u>\$ 32,760,437</u>	<u>\$ 3,216,134</u>

concluded

COUNTY OF KALAMAZOO, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Parks Fund - accounts for the maintenance and operation of the County owned parks and fairgrounds. Funding is provided from charges for services, grants, and interfund transfers.

Health Fund - accounts for the costs of providing health protection and health services. Funding is provided through licenses and permits, federal and state grants, charges for services, General Fund appropriations, and interfund transfers.

Capital Outlay Special Grants Fund - accounts for various capital outlay function activities financed by federal and/or state grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Friend of the Court Fund - accounts for operations of the Friend of the Court, including costs incurred in the collection and subsequent disbursement of child support payments. Fund is provided through federal and state grants and charges for services. Most of the Friend of the Court revenues are deposited in the General Fund and later transferred to the Friend of the Court Fund as needed.

Justice Special Grants Fund - accounts for various judicial function activities financed by federal and/or state grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Public Works Special Grants Fund - accounts for various public works function activities financed by federal and/or state grants or local grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Health and Welfare Special Grants Fund - accounts for various health and welfare function activities financed by federal and/or state grants or local grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Community Economic Development Special Grants Fund - accounts for the fiduciary activity of the Public Housing Commission. Funding is provided through tax increment payments.

Accommodation Tax Fund - accounts for the collection of a 5% excise tax, which is imposed on all individuals engaged in the business of providing rooms for transient guests within the County. This tax provides funding for the Kalamazoo Convention and Visitors Bureau. The County Board resolutions allocate the use of these revenues to promote tourism and convention business.

Public Safety Special Grants Fund - accounts for various public safety function activities financed by charges for services and federal and/or state grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Concealed Pistol Licensing Fund - accounts for the fees collected and expenditures related to the County Clerk issuing licenses to carry a concealed pistol and administering Public Act 3 of 2015.

Law Library Fund - accounts for funds provided for the maintenance of a law library. Funding is provided from penal fees and interfund transfers.

Area Agency on Aging Fund - accounts for operation and administration of services programs to senior citizens. Funding is provided through federal and state grants.

Child Care Fund - accounts for the County court-administered health and welfare of minor children. Funding is provided through federal and state grants and interfund transfers.

COUNTY OF KALAMAZOO, MICHIGAN

Nonmajor Governmental Funds

Veterans' Trust Fund - accounts for financial assistance provided to qualified veterans. Funding is provided through state grants.

Community Healthy Start Grant Fund - accounts for operations aimed at reducing infant mortality. Funding is provided through federal grants and local grants and interfund transfers.

HIV/AIDS Consortium Fund - accounts for providing financial assistance to individuals and their families infected or affected with AIDS during difficult financial times. Individuals (families) receive appropriate financial subsidies for housing needs to move the person (family) from an emergency housing situation to a more stable housing plan and to prevent the person (family) from becoming homeless.

Community Corrections Fund - accounts for alternatives such as tethers, bail screening, and additional probation to alleviate jail-overcrowding problems. Funding is provided through state grants and charges for services.

Debt Service Funds

Debt Service Funds account for the collection of resources and the payment of general long-term debt.

2007 Juvenile Home Bond Fund - accounts for the collection of ad valorem taxes and the payment of the general obligation debt service. This debt is secured by the unlimited taxing power of the County, issued in connection with the construction of a new Juvenile Home.

2011 Expo Center Improvements Fund - accounts for the transfer of the Accommodation Tax revenue and the payment of the limited tax general obligation debt service. This debt is secured by Accommodation Tax revenue and the limited taxing power of the County, issued in connection with the improvements to the Expo Center.

Capital Projects Fund

Capital Improvement Program Fund accounts for the accumulation of resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Fund and Trust Funds).

Oshtemo Township Water Supply Construction Fund - accounts for the receipt and use of bond proceeds in connection with a water supply system project within the Charter Township of Oshtemo.

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2017

	Special Revenue Funds				
	Parks	Health	Capital Outlay Special Grants	Friend of the Court	Justice Special Grants
Assets					
Cash and cash equivalents	\$ -	\$ 144,058	\$ 91,061	\$ -	\$ -
Investments	-	-	812,438	-	-
Receivables, net:					
Accounts	100,362	91,610	9,207	-	135,314
Taxes	-	-	-	-	-
Due from other governments	-	33,248	-	294,162	369,021
Inventories	645	-	-	115	-
Prepays	2,339	560	-	-	-
Total assets	\$ 103,346	\$ 269,476	\$ 912,706	\$ 294,277	\$ 504,335
Liabilities					
Negative equity in pooled cash and cash equivalents	\$ 66,863	\$ -	\$ -	\$ 181,127	\$ 319,150
Accounts payable	7,627	55,184	13,914	16,637	83,309
Accrued liabilities	17,145	66,938	968	56,847	22,477
Due to other governments	446	13,305	-	-	4,936
Deposits payable	5,469	-	-	-	-
Unearned revenue	-	72,792	-	-	47,388
Total liabilities	97,550	208,219	14,882	254,611	477,260
Deferred inflows of resources					
Property taxes levied for subsequent period	-	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Nonspendable	2,984	560	-	115	-
Restricted	2,812	-	897,824	-	-
Assigned	-	60,697	-	39,551	27,075
Total fund balances	5,796	61,257	897,824	39,666	27,075
Total liabilities, deferred inflows of resources and fund balances	\$ 103,346	\$ 269,476	\$ 912,706	\$ 294,277	\$ 504,335

Special Revenue Funds						
Public Works Special Grants	Health and Welfare Special Grants	Community Economic Development Special Grants	Accommodation Tax	Public Safety Special Grants	Concealed Pistol Licensing	Law Library
\$ 22,625	\$ 962,024	\$ 513,200	\$ 954,275	\$ 1,022,795	\$ 161,984	\$ 16,561
-	-	-	-	-	-	-
-	16,121	-	144,302	280,889	-	-
-	-	710,653	-	-	-	-
51,964	391,946	-	-	142,325	-	-
-	-	-	-	-	-	-
-	3,000	-	-	-	-	-
<u>\$ 74,589</u>	<u>\$ 1,373,091</u>	<u>\$ 1,223,853</u>	<u>\$ 1,098,577</u>	<u>\$ 1,446,009</u>	<u>\$ 161,984</u>	<u>\$ 16,561</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
74,192	88,468	204,250	283,238	354,375	-	16,561
-	53,247	-	-	3,228	508	-
-	17,218	-	-	-	-	-
-	142	-	-	-	-	-
-	183,184	-	-	115,512	-	-
<u>74,192</u>	<u>342,259</u>	<u>204,250</u>	<u>283,238</u>	<u>473,115</u>	<u>508</u>	<u>16,561</u>
-	-	806,741	-	-	-	-
-	-	4,630	-	-	-	-
-	-	811,371	-	-	-	-
-	3,000	-	-	-	-	-
397	-	208,232	815,339	972,894	161,476	-
-	1,027,832	-	-	-	-	-
<u>397</u>	<u>1,030,832</u>	<u>208,232</u>	<u>815,339</u>	<u>972,894</u>	<u>161,476</u>	<u>-</u>
<u>\$ 74,589</u>	<u>\$ 1,373,091</u>	<u>\$ 1,223,853</u>	<u>\$ 1,098,577</u>	<u>\$ 1,446,009</u>	<u>\$ 161,984</u>	<u>\$ 16,561</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2017

	Special Revenue Funds				
	Area Agency on Aging	Child Care	Veterans' Trust	Community Healthy Start Grant	HIV/AIDS Consortium
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 37,071
Investments	-	-	-	-	-
Receivables, net:					
Accounts	7,574	4,394	-	20,849	-
Taxes	-	-	-	-	-
Due from other governments	153,598	1,425,008	-	193,999	-
Inventories	-	-	-	-	-
Prepays	961	275	-	-	-
Total assets	<u>\$ 162,133</u>	<u>\$ 1,429,677</u>	<u>\$ -</u>	<u>\$ 214,848</u>	<u>\$ 37,071</u>
Liabilities					
Negative equity in pooled cash and cash equivalents	\$ 63,148	\$ 872,054	\$ -	\$ 103,323	\$ -
Accounts payable	69,176	442,052	-	22,189	-
Accrued liabilities	4,252	103,630	-	13,366	-
Due to other governments	-	-	-	-	-
Deposits payable	-	-	-	-	-
Unearned revenue	21,357	-	-	56,865	-
Total liabilities	<u>157,933</u>	<u>1,417,736</u>	<u>-</u>	<u>195,743</u>	<u>-</u>
Deferred inflows of resources					
Property taxes levied for subsequent period	-	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	961	275	-	-	-
Restricted	-	-	-	19,105	-
Assigned	3,239	11,666	-	-	37,071
Total fund balances	<u>4,200</u>	<u>11,941</u>	<u>-</u>	<u>19,105</u>	<u>37,071</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 162,133</u>	<u>\$ 1,429,677</u>	<u>\$ -</u>	<u>\$ 214,848</u>	<u>\$ 37,071</u>

Special Revenue Funds	Debt Service Funds		Capital Project Fund	
Community Corrections	2007 Juvenile Home Bond	2011 Expo Center Improvements	Oshtemo Township Water Supply Construction	Total
\$ 323,080	\$ 291,170	\$ -	\$ -	\$ 4,539,904
-	-	-	-	812,438
-	-	-	-	810,622
-	1,519,299	-	-	2,229,952
142,172	-	-	-	3,197,443
-	-	-	-	760
-	-	-	-	7,135
<u>\$ 465,252</u>	<u>\$ 1,810,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,598,254</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,605,665
40,931	-	-	-	1,772,103
14,226	-	-	-	356,832
-	-	-	-	35,905
-	-	-	-	5,611
13,732	-	-	-	510,830
<u>68,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,286,946</u>
-	1,729,885	-	-	2,536,626
-	5,645	-	-	10,275
-	<u>1,735,530</u>	-	-	<u>2,546,901</u>
-	-	-	-	7,895
396,363	74,939	-	-	3,549,381
-	-	-	-	1,207,131
<u>396,363</u>	<u>74,939</u>	<u>-</u>	<u>-</u>	<u>4,764,407</u>
<u>\$ 465,252</u>	<u>\$ 1,810,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,598,254</u>

concluded

COUNTY OF KALAMAZOO, MICHIGAN

**Combining Statement of Revenues, Expenditures
and Change in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	Special Revenue Funds				
	Parks	Health	Capital Outlay Special Grants	Friend of the Court	Justice Special Grants
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	563,518	-	-	-
Intergovernmental	-	1,484,023	-	2,235,485	1,588,624
Charges for services	1,231,210	1,001,941	219,110	79,640	62,455
Investment earnings	-	-	2,184	-	-
Contributions, grants and reimbursements	109,035	75,256	59,207	-	243,002
Other	11,626	35	-	-	9,754
Total revenues	1,351,871	3,124,773	280,501	2,315,125	1,903,835
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	4,885,131	-	-	-
Cultural and recreation	1,512,866	-	-	-	-
Judicial	-	-	-	3,292,086	2,247,532
Community and economic development	-	-	200,762	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
Capital outlay	-	-	101,741	-	-
Total expenditures	1,512,866	4,885,131	302,503	3,292,086	2,247,532
Revenues over (under) expenditures	(160,995)	(1,760,358)	(22,002)	(976,961)	(343,697)
Other financing sources (uses)					
Transfers in	166,791	1,761,467	-	977,076	329,473
Transfers out	(2,812)	-	-	(5,160)	-
Issuance of refunding bonds	-	-	-	-	-
Premium on issuance of refunding debt	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	163,979	1,761,467	-	971,916	329,473
Net change in fund balances	2,984	1,109	(22,002)	(5,045)	(14,224)
Fund balances, beginning of year	2,812	60,148	919,826	44,711	41,299
Fund balances, end of year	\$ 5,796	\$ 61,257	\$ 897,824	\$ 39,666	\$ 27,075

Special Revenue Funds						
Public Works Special Grants	Health and Welfare Special Grants	Community Economic Development Special Grants	Accommodation Tax	Public Safety Special Grants	Concealed Pistol Licensing	Law Library
\$ -	\$ -	\$ 792,172	\$ 2,851,544	\$ -	\$ -	\$ -
-	-	-	-	-	82,524	-
145,601	4,720,970	-	-	759,420	-	-
-	60,205	-	-	1,176,786	-	-
-	-	-	-	-	-	-
25,406	92,156	-	-	56,814	-	-
-	-	-	-	20,227	930	6,500
<u>171,007</u>	<u>4,873,331</u>	<u>792,172</u>	<u>2,851,544</u>	<u>2,013,247</u>	<u>83,454</u>	<u>6,500</u>
86,884	-	-	-	-	-	-
-	-	-	-	1,762,097	30,333	-
66,886	-	-	-	-	-	-
-	5,259,767	864,257	-	-	-	-
-	-	-	2,017,602	-	-	-
-	-	-	-	-	-	66,242
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	153,892	-	-
<u>153,770</u>	<u>5,259,767</u>	<u>864,257</u>	<u>2,017,602</u>	<u>1,915,989</u>	<u>30,333</u>	<u>66,242</u>
<u>17,237</u>	<u>(386,436)</u>	<u>(72,085)</u>	<u>833,942</u>	<u>97,258</u>	<u>53,121</u>	<u>(59,742)</u>
-	387,934	-	-	121,798	-	59,742
(17,237)	-	-	(500,705)	(143,000)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(17,237)</u>	<u>387,934</u>	<u>-</u>	<u>(500,705)</u>	<u>(21,202)</u>	<u>-</u>	<u>59,742</u>
-	1,498	(72,085)	333,237	76,056	53,121	-
397	1,029,334	280,317	482,102	896,838	108,355	-
<u>\$ 397</u>	<u>\$ 1,030,832</u>	<u>\$ 208,232</u>	<u>\$ 815,339</u>	<u>\$ 972,894</u>	<u>\$ 161,476</u>	<u>\$ -</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

**Combining Statement of Revenues, Expenditures
and Change in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	Special Revenue Funds				
	Area Agency on Aging	Child Care	Veterans' Trust	Community Healthy Start Grant	HIV/AIDS Consortium
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	1,239,418	4,739,347	8,923	834,629	-
Charges for services	26,479	196,041	-	-	-
Investment earnings	-	-	-	-	-
Contributions, grants and reimbursements	32,387	3,240	-	108,416	-
Other	-	268	-	-	-
Total revenues	1,298,284	4,938,896	8,923	943,045	-
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	1,430,222	9,534,259	7,673	943,045	-
Cultural and recreation	-	-	-	-	-
Judicial	-	-	-	-	-
Community and economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,430,222	9,534,259	7,673	943,045	-
Revenues over (under) expenditures	(131,938)	(4,595,363)	1,250	-	-
Other financing sources (uses)					
Transfers in	132,899	4,595,637	-	-	-
Transfers out	-	-	(1,250)	-	-
Issuance of refunding bonds	-	-	-	-	-
Premium on issuance of refunding debt	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	132,899	4,595,637	(1,250)	-	-
Net change in fund balances	961	274	-	-	-
Fund balances, beginning of year	3,239	11,667	-	19,105	37,071
Fund balances, end of year	\$ 4,200	\$ 11,941	\$ -	\$ 19,105	\$ 37,071

Special Revenue Funds	Debt Service Funds		Capital Project Fund	
Community Corrections	2007 Juvenile Home Bond	2011 Expo Center Improvements	Oshtemo Township Water Supply Construction	Total
\$ -	\$ 1,852,056	\$ -	\$ -	\$ 5,495,772
-	-	-	-	646,042
571,100	160,430	-	-	18,487,970
521,461	-	-	-	4,575,328
-	832	-	-	3,016
-	-	-	-	804,919
5,385	-	-	-	54,725
<u>1,097,946</u>	<u>2,013,318</u>	<u>-</u>	<u>-</u>	<u>30,067,772</u>
-	-	-	-	86,884
993,920	-	-	-	2,786,350
-	-	-	-	66,886
-	-	-	-	22,924,354
-	-	-	-	3,530,468
-	-	-	-	5,605,860
-	-	-	-	200,762
-	950,000	190,000	-	1,140,000
-	862,357	65,914	-	928,271
-	250,885	-	-	250,885
-	-	-	-	255,633
<u>993,920</u>	<u>2,063,242</u>	<u>255,914</u>	<u>-</u>	<u>37,776,353</u>
<u>104,026</u>	<u>(49,924)</u>	<u>(255,914)</u>	<u>-</u>	<u>(7,708,581)</u>
-	-	255,914	-	8,788,731
-	-	-	(28,811)	(698,975)
-	19,390,000	-	-	19,390,000
-	3,030,652	-	-	3,030,652
-	(22,508,711)	-	-	(22,508,711)
-	(88,059)	255,914	(28,811)	8,001,697
104,026	(137,983)	-	(28,811)	293,116
<u>292,337</u>	<u>212,922</u>	<u>-</u>	<u>28,811</u>	<u>4,471,291</u>
<u>\$ 396,363</u>	<u>\$ 74,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,764,407</u>

concluded

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2017

	Parks			Health		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	544,500	563,518	19,018
Intergovernmental	-	-	-	1,482,800	1,484,023	1,223
Charges for services	1,236,700	1,231,210	(5,490)	941,300	1,001,941	60,641
Investment earnings	-	-	-	-	-	-
Contributions, grants and reimbursements	113,700	109,035	(4,665)	78,200	75,256	(2,944)
Other	24,300	11,626	(12,674)	-	35	35
Total revenues	1,374,700	1,351,871	(22,829)	3,046,800	3,124,773	77,973
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	4,945,300	4,885,131	(60,169)
Cultural and recreation	1,637,100	1,512,866	(124,234)	-	-	-
Judicial	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	1,637,100	1,512,866	(124,234)	4,945,300	4,885,131	(60,169)
Revenues over (under) expenditures	(262,400)	(160,995)	101,405	(1,898,500)	(1,760,358)	138,142
Other financing sources (uses)						
Transfers in	262,400	166,791	(95,609)	1,898,500	1,761,467	(137,033)
Transfers out	-	(2,812)	2,812	-	-	-
Total other financing sources (uses)	262,400	163,979	(92,797)	1,898,500	1,761,467	(137,033)
Net change in fund balances	-	2,984	8,608	-	1,109	1,109
Fund balances, beginning of year	2,812	2,812	-	60,148	60,148	-
Fund balances, end of year	\$ 2,812	\$ 5,796	\$ 8,608	\$ 60,148	\$ 61,257	\$ 1,109

Capital Outlay Special Grants			Friend of the Court			Justice Special Grants		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	2,178,400	2,235,485	57,085	1,817,000	1,588,624	(228,376)
200,000	219,110	19,110	72,100	79,640	7,540	74,400	62,455	(11,945)
-	2,184	2,184	-	-	-	-	-	-
75,000	59,207	(15,793)	-	-	-	246,400	243,002	(3,398)
-	-	-	-	-	-	9,600	9,754	154
<u>275,000</u>	<u>280,501</u>	<u>5,501</u>	<u>2,250,500</u>	<u>2,315,125</u>	<u>64,625</u>	<u>2,147,400</u>	<u>1,903,835</u>	<u>(243,565)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	3,294,600	3,292,086	(2,514)	2,541,100	2,247,532	(293,568)
374,300	200,762	(173,538)	-	-	-	-	-	-
225,000	101,741	(123,259)	-	-	-	-	-	-
<u>599,300</u>	<u>302,503</u>	<u>(296,797)</u>	<u>3,294,600</u>	<u>3,292,086</u>	<u>(2,514)</u>	<u>2,541,100</u>	<u>2,247,532</u>	<u>(293,568)</u>
<u>(324,300)</u>	<u>(22,002)</u>	<u>302,298</u>	<u>(1,044,100)</u>	<u>(976,961)</u>	<u>67,139</u>	<u>(393,700)</u>	<u>(343,697)</u>	<u>50,003</u>
-	-	-	1,044,100	977,076	(67,024)	377,300	329,473	(47,827)
-	-	-	-	(5,160)	5,160	-	-	-
-	-	-	1,044,100	971,916	(61,864)	377,300	329,473	(47,827)
<u>(324,300)</u>	<u>(22,002)</u>	<u>302,298</u>	<u>-</u>	<u>(5,045)</u>	<u>5,275</u>	<u>(16,400)</u>	<u>(14,224)</u>	<u>2,176</u>
919,826	919,826	-	44,711	44,711	-	41,299	41,299	-
<u>\$ 595,526</u>	<u>\$ 897,824</u>	<u>\$ 302,298</u>	<u>\$ 44,711</u>	<u>\$ 39,666</u>	<u>\$ 5,275</u>	<u>\$ 24,899</u>	<u>\$ 27,075</u>	<u>\$ 2,176</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2017

	Public Works Special Grants			Health and Welfare Special Grants		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	196,400	145,601	(50,799)	4,999,421	4,720,970	(278,451)
Charges for services	-	-	-	76,050	60,205	(15,845)
Investment earnings	-	-	-	-	-	-
Contributions, grants and reimbursements	3,500	25,406	21,906	82,475	92,156	9,681
Other	-	-	-	-	-	-
Total revenues	199,900	171,007	(28,893)	5,157,946	4,873,331	(284,615)
Expenditures						
Current:						
General government	87,300	86,884	(416)	-	-	-
Public safety	-	-	-	-	-	-
Public works	126,297	66,886	(59,411)	-	-	-
Health and welfare	-	-	-	5,594,435	5,259,767	(334,668)
Cultural and recreation	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	213,597	153,770	(59,827)	5,594,435	5,259,767	(334,668)
Revenues over (under) expenditures	(13,697)	17,237	30,934	(436,489)	(386,436)	50,053
Other financing sources (uses)						
Transfers in	13,300	-	(13,300)	436,489	387,934	(48,555)
Transfers out	-	(17,237)	17,237	-	-	-
Total other financing sources (uses)	13,300	(17,237)	(30,537)	436,489	387,934	(48,555)
Net change in fund balances	(397)	-	397	-	1,498	1,498
Fund balances, beginning of year	397	397	-	1,029,334	1,029,334	-
Fund balances, end of year	\$ -	\$ 397	\$ 397	\$ 1,029,334	\$ 1,030,832	\$ 1,498

Community Economic Development Special Grants			Accommodation Tax			Public Safety Special Grants		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 700,000	\$ 792,172	\$ 92,172	\$ 2,741,500	\$ 2,851,544	\$ 110,044	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	826,700	759,420	(67,280)
-	-	-	-	-	-	1,302,500	1,176,786	(125,714)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	54,300	56,814	2,514
-	-	-	-	-	-	9,300	20,227	10,927
<u>700,000</u>	<u>792,172</u>	<u>92,172</u>	<u>2,741,500</u>	<u>2,851,544</u>	<u>110,044</u>	<u>2,192,800</u>	<u>2,013,247</u>	<u>(179,553)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,937,200	1,762,097	(175,103)
-	-	-	-	-	-	-	-	-
700,000	864,257	164,257	-	-	-	-	-	-
-	-	-	2,149,600	2,017,602	(131,998)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	227,700	153,892	(73,808)
<u>700,000</u>	<u>864,257</u>	<u>164,257</u>	<u>2,149,600</u>	<u>2,017,602</u>	<u>(131,998)</u>	<u>2,164,900</u>	<u>1,915,989</u>	<u>(248,911)</u>
-	(72,085)	(72,085)	591,900	833,942	242,042	27,900	97,258	69,358
-	-	-	-	-	-	25,800	121,798	95,998
-	-	-	(591,900)	(500,705)	(91,195)	(143,000)	(143,000)	-
-	-	-	(591,900)	(500,705)	(91,195)	(117,200)	(21,202)	95,998
-	(72,085)	(72,085)	-	333,237	333,237	(89,300)	76,056	165,356
280,317	280,317	-	482,102	482,102	-	896,838	896,838	-
<u>\$ 280,317</u>	<u>\$ 208,232</u>	<u>\$ (72,085)</u>	<u>\$ 482,102</u>	<u>\$ 815,339</u>	<u>\$ 333,237</u>	<u>\$ 807,538</u>	<u>\$ 972,894</u>	<u>\$ 165,356</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2017

	Concealed Pistol Licensing			Law Library		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	100,000	82,524	(17,476)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Contributions, grants and reimbursements	-	-	-	-	-	-
Other	-	930	930	6,500	6,500	-
Total revenues	100,000	83,454	(16,546)	6,500	6,500	-
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	100,000	30,333	(69,667)	-	-	-
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Judicial	-	-	-	65,100	66,242	1,142
Community and economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	100,000	30,333	(69,667)	65,100	66,242	1,142
Revenues over (under) expenditures	-	53,121	53,121	(58,600)	(59,742)	(1,142)
Other financing sources (uses)						
Transfers in	-	-	-	58,600	59,742	1,142
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	58,600	59,742	1,142
Net change in fund balances	-	53,121	53,121	-	-	-
Fund balances, beginning of year	108,355	108,355	-	-	-	-
Fund balances, end of year	\$ 108,355	\$ 161,476	\$ 53,121	\$ -	\$ -	\$ -

Area Agency on Aging			Child Care			Veterans' Trust Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
1,228,429	1,239,418	10,989	4,804,000	4,739,347	(64,653)	85,000	8,923	(76,077)
12,300	26,479	14,179	180,000	196,041	16,041	-	-	-
-	-	-	-	-	-	-	-	-
49,118	32,387	(16,731)	-	3,240	3,240	-	-	-
-	-	-	-	268	268	-	-	-
<u>1,289,847</u>	<u>1,298,284</u>	<u>8,437</u>	<u>4,984,000</u>	<u>4,938,896</u>	<u>(45,104)</u>	<u>85,000</u>	<u>8,923</u>	<u>(76,077)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,442,510	1,430,222	(12,288)	9,505,600	9,534,259	28,659	80,000	7,673	(72,327)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,442,510</u>	<u>1,430,222</u>	<u>(12,288)</u>	<u>9,505,600</u>	<u>9,534,259</u>	<u>28,659</u>	<u>80,000</u>	<u>7,673</u>	<u>(72,327)</u>
<u>(152,663)</u>	<u>(131,938)</u>	<u>20,725</u>	<u>(4,521,600)</u>	<u>(4,595,363)</u>	<u>(73,763)</u>	<u>5,000</u>	<u>1,250</u>	<u>(3,750)</u>
152,663	132,899	(19,764)	4,521,600	4,595,637	74,037	-	-	-
-	-	-	-	-	-	(5,000)	(1,250)	(3,750)
<u>152,663</u>	<u>132,899</u>	<u>(19,764)</u>	<u>4,521,600</u>	<u>4,595,637</u>	<u>74,037</u>	<u>(5,000)</u>	<u>(1,250)</u>	<u>(3,750)</u>
-	961	961	-	274	274	-	-	-
3,239	3,239	-	11,667	11,667	-	-	-	-
<u>\$ 3,239</u>	<u>\$ 4,200</u>	<u>\$ 961</u>	<u>\$ 11,667</u>	<u>\$ 11,941</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2017

	Community Healthy Start Grant			HIV / AIDS Consortium		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	75,700	834,629	758,929	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Contributions, grants and reimbursements	100,000	108,416	8,416	-	-	-
Other	-	-	-	-	-	-
Total revenues	175,700	943,045	767,345	-	-	-
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and welfare	175,700	943,045	767,345	-	-	-
Cultural and recreation	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	175,700	943,045	767,345	-	-	-
Revenues over (under) expenditures	-	-	-	-	-	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-
Fund balances, beginning of year	19,105	19,105	-	37,071	37,071	-
Fund balances, end of year	\$ 19,105	\$ 19,105	\$ -	\$ 37,071	\$ 37,071	\$ -



Community Corrections

Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
582,800	571,100	(11,700)
-	521,461	521,461
-	-	-
-	-	-
-	5,385	5,385
<u>582,800</u>	<u>1,097,946</u>	<u>515,146</u>
-	-	-
582,800	993,920	411,120
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>582,800</u>	<u>993,920</u>	<u>411,120</u>
-	104,026	104,026
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	104,026	104,026
<u>292,337</u>	<u>292,337</u>	<u>-</u>
<u>\$ 292,337</u>	<u>\$ 396,363</u>	<u>\$ 104,026</u>

concluded

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, and to other governmental units on a cost reimbursement basis.

Employee Benefits Fund - was established to accumulate and allocate the costs of fringe benefits provided to employees of the primary government. Funding is provided through charges to the departments based upon payroll costs.

Technology Fund - was established to accumulate and allocate the costs to provide telephone and network services throughout all departments of the primary government. Funding is provided through charges for services to benefited departments.

Nazareth Facility Fund - was established to accumulate and allocate the operating and maintenance costs of the facility that house many health and welfare departments of the primary government. Funding is provided through rental charges to benefited departments.

Central Stores Fund - was established to accumulate and allocate the costs of print shop and central stores of the primary government. Funding is provided through charges for services and products to benefited departments.

HSD Personnel Pool Fund - was established to accumulate and allocate the costs of a personnel pool utilized by many of the health and welfare departments of the primary government. Funding is provided through charges for services to benefited departments.

Local Site Remediation Revolving Fund - was established to account for the money available to the Brownfield Development Authority to pay for the costs of eligible activities on eligible property located in the County in accordance with MCL 125.2663, Section 13(5).

Insurance Fund - was established to account for insurance costs associated with the Michigan Municipal Risk Management Authority and other purchased commercial insurance as well as proceeds related to insurance claims. Funding is provided by the General Fund.

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2017

	Employee Benefits	Technology	Nazareth Facility	Central Stores
Assets				
Current assets:				
Cash and cash equivalents	\$ 875,086	\$ 575,560	\$ 277,029	\$ 112,524
Investments	8,393,519	-	-	-
Receivables, net:				
Accounts	394,014	-	1,992	331
Accrued interest	40,863	-	-	-
Inventories	-	4,096	1,162	97,611
Prepays	343,161	98,077	5,010,417	-
Total current assets	10,046,643	677,733	5,290,600	210,466
Noncurrent assets:				
Capital assets not being depreciated	-	14,201	-	-
Capital assets being depreciated, net	37,427	519,419	104,857	2,208
Total noncurrent assets	37,427	533,620	104,857	2,208
Total assets	10,084,070	1,211,353	5,395,457	212,674
Liabilities				
Current liabilities:				
Negative equity in pooled cash and cash equivalents	-	-	-	-
Accounts payable	237,780	9,307	27,637	30,279
Accrued liabilities	155,793	3,901	7,798	1,948
Deposits payable	51,325	-	-	8,195
Current portion of long-term debt	-	9,192	18,982	3,332
Total current liabilities	444,898	22,400	54,417	43,754
Noncurrent liabilities, net of current portion:				
Claims payable	1,517,049	-	-	-
Long-term debt	-	911	7,877	2,513
Total noncurrent liabilities	1,517,049	911	7,877	2,513
Total liabilities	1,961,947	23,311	62,294	46,267
Net position				
Investment in capital assets	37,427	519,419	104,857	2,208
Unrestricted	8,084,696	668,623	5,228,306	164,199
Total net position	\$ 8,122,123	\$ 1,188,042	\$ 5,333,163	\$ 166,407

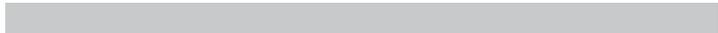


HSD Personnel Pool	Local Site Remediation Revolving Fund	Insurance	Total
\$ 17,456	\$ 38,155	\$ -	\$ 1,895,810
-	-	-	8,393,519
-	-	-	396,337
-	-	-	40,863
-	-	-	102,869
-	-	947,922	6,399,577
<u>17,456</u>	<u>38,155</u>	<u>947,922</u>	<u>17,228,975</u>
-	-	-	14,201
-	-	-	663,911
-	-	-	<u>678,112</u>
<u>17,456</u>	<u>38,155</u>	<u>947,922</u>	<u>17,907,087</u>
-	-	530,749	530,749
-	-	-	305,003
17,456	-	-	186,896
-	-	-	59,520
-	-	-	31,506
<u>17,456</u>	<u>-</u>	<u>530,749</u>	<u>1,113,674</u>
-	-	417,173	1,934,222
-	-	-	11,301
-	-	<u>417,173</u>	<u>1,945,523</u>
<u>17,456</u>	<u>-</u>	<u>947,922</u>	<u>3,059,197</u>
-	-	-	678,112
-	38,155	-	<u>14,169,778</u>
<u>\$ -</u>	<u>\$ 38,155</u>	<u>\$ -</u>	<u>\$ 14,847,890</u>

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Net Position Internal Service Funds For the Year Ended December 31, 2017

	Employee Benefits	Technology	Nazareth Facility	Central Stores
Operating revenues				
Charges for services	\$ 21,458,815	\$ 716,174	\$ 752,909	\$ 780,512
Operating expenses				
Salaries and fringes	62,972	201,835	361,725	103,112
Supplies and other operating expenses	95,615	374,205	387,963	673,518
Depreciation	24,952	178,514	18,937	4,416
Insurance benefits and claims	22,518,223	-	-	-
Total operating expenses	22,701,762	754,554	768,625	781,046
Operating income (loss)	(1,242,947)	(38,380)	(15,716)	(534)
Nonoperating revenues				
Investment earnings	149,391	-	-	-
Gain on sale of capital assets	-	-	1,905	-
Total nonoperating revenues	149,391	-	1,905	-
Income (loss) before transfers	(1,093,556)	(38,380)	(13,811)	(534)
Transfers in	-	-	5,019,755	-
Change in net position	(1,093,556)	(38,380)	5,005,944	(534)
Net position, beginning of year	9,215,679	1,226,422	327,219	166,941
Net position, end of year	\$ 8,122,123	\$ 1,188,042	\$ 5,333,163	\$ 166,407



HSD Personnel Pool	Local Site Remediation Revolving Fund	Insurance	Total
\$ 989,497	\$ 6,985	\$ 750	\$ 24,705,642
937,295	-	-	1,666,939
52,202	-	-	1,583,503
-	-	-	226,819
-	-	211,806	22,730,029
989,497	-	211,806	26,207,290
-	6,985	(211,056)	(1,501,648)
-	-	12,266	161,657
-	-	-	1,905
-	-	12,266	163,562
-	6,985	(198,790)	(1,338,086)
-	-	198,790	5,218,545
-	6,985	-	3,880,459
-	31,170	-	10,967,431
\$ -	\$ 38,155	\$ -	\$ 14,847,890

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2017

	Employee Benefits	Technology	Nazareth Facility	Central Stores
Cash flows from operating activities				
Receipts from customers and users	\$ 21,245,463	\$ 716,174	\$ 757,521	\$ 783,096
Payments to vendors	(95,615)	(378,806)	(5,388,541)	(649,804)
Payments for personnel services	(68,625)	(201,945)	(361,209)	(99,737)
Benefit payments	(22,101,384)	-	-	-
Net cash provided by (used in) operating activities	(1,020,161)	135,423	(4,992,229)	33,555
Cash flows from noncapital financing activities				
Transfers from other funds	-	-	5,019,755	-
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	1,905	-
Purchase of capital assets	-	(162,399)	(19,755)	-
Net cash used in capital and related financing activities	-	(162,399)	(17,850)	-
Cash flows from investing activities				
Purchases of investments	(1,459,434)	-	-	-
Interest received on investments	149,391	-	-	-
Net cash provided by (used in) investing activities	(1,310,043)	-	-	-
Net increase (decrease) in cash and cash equivalents	(2,330,204)	(26,976)	9,676	33,555
Cash and cash equivalents, beginning of year	3,205,290	602,536	267,353	78,969
Cash and cash equivalents, end of year	\$ 875,086	\$ 575,560	\$ 277,029	\$ 112,524
Classification on the combining statement of net position				
Cash and cash equivalents	\$ 875,086	\$ 575,560	\$ 277,029	\$ 112,524
Negative equity in pooled cash and cash equivalents	-	-	-	-
	\$ 875,086	\$ 575,560	\$ 277,029	\$ 112,524



HSD Personnel Pool	Local Site Remediation Revolving Fund	Insurance	Total
\$ 989,497	\$ 6,985	\$ 750	\$ 24,499,486
(52,202)	-	-	(6,564,968)
(936,420)	-	-	(1,667,936)
-	-	(1,103,507)	(23,204,891)
875	6,985	(1,102,757)	(6,938,309)
-	-	198,790	5,218,545
-	-	-	1,905
-	-	-	(182,154)
-	-	-	(180,249)
-	-	-	(1,459,434)
-	-	12,266	161,657
-	-	12,266	(1,297,777)
875	6,985	(891,701)	(3,197,790)
16,581	31,170	360,952	4,562,851
<u>\$ 17,456</u>	<u>\$ 38,155</u>	<u>\$ (530,749)</u>	<u>\$ 1,365,061</u>
\$ 17,456	\$ 38,155	\$ -	\$ 1,895,810
-	-	(530,749)	(530,749)
<u>\$ 17,456</u>	<u>\$ 38,155</u>	<u>\$ (530,749)</u>	<u>\$ 1,365,061</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2017

	Employee Benefits	Technology	Nazareth Facility	Central Stores
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (1,242,947)	\$ (38,380)	\$ (15,716)	\$ (534)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	24,952	178,514	18,937	4,416
Change in:				
Accounts receivable	(189,814)	-	6,604	2,584
Accrued interest receivable	(23,538)	-	(1,992)	-
Due from other funds	143,819	-	-	-
Inventories	-	(1,096)	(1,162)	8,909
Prepays	102,673	(6,470)	(5,000,000)	-
Accounts payable	106,259	2,965	584	13,439
Accrued liabilities	(3,947)	40	896	643
Deposits payable	(33,449)	-	-	1,366
Claims payable	97,537	-	-	-
Compensated absences	(1,706)	(150)	(380)	2,732
Net cash provided by (used in) operating activities	<u>\$ (1,020,161)</u>	<u>\$ 135,423</u>	<u>\$ (4,992,229)</u>	<u>\$ 33,555</u>



HSD Personnel Pool	Local Site Remediation Revolving Fund	Insurance	Total
\$ -	\$ 6,985	\$ (211,056)	\$ (1,501,648)
-	-	-	226,819
-	-	-	(180,626)
-	-	-	(25,530)
-	-	-	143,819
-	-	-	6,651
-	-	(642,596)	(5,546,393)
-	-	-	123,247
875	-	-	(1,493)
-	-	-	(32,083)
-	-	(249,105)	(151,568)
-	-	-	496
<u>\$ 875</u>	<u>\$ 6,985</u>	<u>\$ (1,102,757)</u>	<u>\$ (6,938,309)</u>

concluded

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Fiduciary Funds

Trust and Agency Fund - accounts for collected taxes, court fees, and other assets held by the County in a trustee capacity or as an agent to be distributed to other individuals, private organizations, and other governments.

Library Trust Fund - accounts for monies collected by circuit and district courts, which are disbursed at the request of the State of Michigan Library Service to local libraries.

Inmates' Trust Fund - accounts for the receipt and distribution of monies belonging to individuals residing in the County's corrections facility.

Drain Performance Bond Fund - accounts for the receipt and disbursement of monies deposited with the Office of the Drain Commissioner as performance bonds to ensure satisfactory completion of contractual obligations.

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 December 31, 2017

	Trust and Agency	Library Trust	Inmate's Trust	Drain Performance Bond	Total
Assets					
Cash and cash equivalents	\$ 3,585,228	\$ 149,198	\$ 105,520	\$ 39,503	\$ 3,879,449
Liabilities					
Due to other governments	\$ 77,859	\$ -	\$ -	\$ -	\$ 77,859
Undistributed collections	3,507,369	149,198	105,520	39,503	3,801,590
Total liabilities	<u>\$ 3,585,228</u>	<u>\$ 149,198</u>	<u>\$ 105,520</u>	<u>\$ 39,503</u>	<u>\$ 3,879,449</u>

COUNTY OF KALAMAZOO, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<i>Trust and Agency Fund</i>				
Assets				
Cash and cash equivalents	\$ 2,875,384	\$ 192,800,326	(192,090,482)	\$ 3,585,228
Liabilities				
Due to other governments	\$ 55,414	\$ 11,362,476	\$ (11,340,031)	\$ 77,859
Undistributed collections	2,819,970	181,437,850	(180,750,451)	3,507,369
Total liabilities	\$ 2,875,384	\$ 192,800,326	\$ (192,090,482)	\$ 3,585,228
<i>Library Trust</i>				
Assets				
Cash and cash equivalents	\$ 167,438	\$ 561,808	\$ (580,048)	\$ 149,198
Liabilities				
Undistributed collections	\$ 167,438	\$ 561,808	\$ (580,048)	\$ 149,198
<i>Inmate's Trust</i>				
Assets				
Cash and cash equivalents	\$ 85,001	\$ 1,800,975	\$ (1,780,456)	\$ 105,520
Liabilities				
Undistributed collections	\$ 85,001	\$ 1,800,975	\$ (1,780,456)	\$ 105,520
<i>Drain Performance Bond</i>				
Assets				
Cash and cash equivalents	\$ 29,411	\$ 13,012	\$ (2,920)	\$ 39,503
Liabilities				
Undistributed collections	\$ 29,411	\$ 13,012	\$ (2,920)	\$ 39,503
<i>Total All Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 3,157,234	\$ 195,176,121	\$ (194,453,906)	\$ 3,879,449
Liabilities				
Due to other governments	\$ 55,414	\$ 11,362,476	\$ (11,340,031)	\$ 77,859
Undistributed collections	3,101,820	183,813,645	(183,113,875)	3,801,590
Total liabilities	\$ 3,157,234	\$ 195,176,121	\$ (194,453,906)	\$ 3,879,449

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Component Unit

Drainage Districts - The Drainage Districts consist of multiple individual districts created for alleviating drainage problems and is under the control of the County Drain Commissioner. Each drainage district accounts for the construction, maintenance, and financing costs associated with its drain program. Each individual district is a separate legal entity with power to assess the benefiting communities, including the County and the State of Michigan for road drainage. The County is a direct beneficiary of the service provided and its employees run the day-to-day operations. In addition, the County often pledges its full faith and credit for the long-term debt of the drainage districts. Based on the recommendations of the Michigan Department of Treasury, the County has determined that it would be misleading to exclude this entity from the County reporting entity.

Lake Level - The County Drain Commissioner also administers the activity reported in the County's Lake Level Fund, as permitted by Act 451 PA 1994, as amended, (MCL 324.30701 et al.). Lake level projects establish the lake levels for inland lakes and perform construction and maintenance related to maintaining the established levels. Projects may be funded through the levying of special assessments or by issuing debt, and the County is a direct beneficiary of the services provided.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority (the "Brownfield") was established to review and approve plans for business development within designated areas of the County where property was once contaminated. Property tax revenues from the "captured" portion of these properties are restricted to pay for site clean-up expenditures and future development depending on the development plan adopted for each project. Funding is provided through tax increment financial, federal and state grants, and General Fund appropriations. The County Board appoints the governing body of the Brownfield.

COUNTY OF KALAMAZOO, MICHIGAN

Balance Sheet

Drainage Districts Component Unit

December 31, 2017

Assets

Cash and cash equivalents	\$ 486,487
Restricted cash	750,000
Accounts receivable	267,323
Special assessments receivable	<u>2,524,685</u>

Total assets \$ 4,028,495

Liabilities

Accounts payable	\$ 163,942
Advance from primary government	<u>122,233</u>

Total liabilities 286,175

Deferred inflows of resources

Unavailable revenue - special assessment receivable	<u>2,369,511</u>
---	------------------

Fund balance

Restricted for debt service	750,000
Unassigned	<u>622,809</u>

Total fund balance 1,372,809

Total liabilities, deferred inflows of
resources and fund balance

\$ 4,028,495

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Fund Balance of Governmental Fund
to Net Position of Component Unit
Drainage Districts Component Unit
December 31, 2017

Fund balance - governmental fund \$ 1,372,809

Amounts reported for *component unit* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.

Capital assets not being depreciated	1,122,575
Capital assets being depreciated, net	4,545,761

Certain assets, such as assessments receivable from local units, are not due and receivable in the current period and therefore are offset with deferred inflows of resources in the fund statement.

Deferred special assessments receivable	2,369,511
---	-----------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Bonds payable	(2,122,506)
Accrued interest on long-term debt	(25,984)

Net position of component unit	<u>\$ 7,262,166</u>
--------------------------------	---------------------

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenditures

and Change in Fund Balance

Drainage Districts Component Unit

For the Year Ended December 31, 2017

Revenues	
Other	\$ 713,672
Interest	91
	<hr/>
Total revenues	713,763
	<hr/>
Expenditures	
Current:	
Public works	1,280,754
Debt service:	
Principal	227,494
Interest expense	17,607
	<hr/>
Total expenditures	1,525,855
	<hr/>
Revenues under expenditures	(812,092)
Other financing sources	
Issuance of long-term debt	825,000
	<hr/>
Change in fund balance	12,908
Fund balance, beginning of year	1,359,901
	<hr/>
Fund balance, end of year	\$ 1,372,809
	<hr/> <hr/>

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Net Change in Fund Balance of Governmental Fund
to Change in Net Position of Component Unit
Drainage Districts Component Unit
For the Year Ended December 31, 2017

Net change in fund balance - governmental fund	\$ 12,908
Amounts reported for <i>component unit</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	1,307,590
Depreciation expense	(114,604)
Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.	
Net change in deferred special assessments receivable	1,284,054
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term debt	227,494
Issuance of long-term debt	(825,000)
Some expenses 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.	
Change in accrued interest payable on long-term debt	<u>(14,941)</u>
Change in net position of governmental activities	<u>\$ 1,877,501</u>

COUNTY OF KALAMAZOO, MICHIGAN

Balance Sheet

Lake Level Component Unit

December 31, 2017

	Lake Level Fund
Assets	
Cash and cash equivalents	\$ 35,690
Liabilities	
Accounts payable	851
Fund balance	
Unassigned	34,839
Total liabilities and fund balance	\$ 35,690

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenditures

and Change in Fund Balance

Lake Level Component Unit

For the Year Ended December 31, 2017

	Lake Level Fund
Revenues	
Other	\$ 87
Expenditures	
Capital outlay	<u>1,837</u>
Change in fund balance	(1,750)
Fund balance, beginning of year	<u>36,589</u>
Fund balance, end of year	<u><u>\$ 34,839</u></u>

COUNTY OF KALAMAZOO, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit

December 31, 2017

Assets	
Cash and cash equivalents	\$ 580,588
Accounts receivable	314,007
Due from other government	<u>20,881</u>
Total assets	<u>\$ 915,476</u>
Liabilities	
Accounts payable	\$ 569,681
Deferred inflows of resources	
Property taxes levied for subsequent period	314,007
Fund balance	
Unassigned	<u>31,788</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 915,476</u>

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Fund Balance of Governmental Fund
to Net Position of Component Unit
Brownfield Redevelopment Authority Component Unit
December 31, 2017

Fund balance - governmental fund	\$	31,788
Amounts reported for <i>component unit</i> in the statement of net position are different because:		
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		
Bonds payable		<u>(150,000)</u>
Net position of component unit	\$	<u><u>(118,212)</u></u>

COUNTY OF KALAMAZOO, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance Brownfield Redevelopment Authority Component Unit For the Year Ended December 31, 2017

Revenues	
Taxes	\$ 784,048
Charges for services	9,900
Intergovernmental	<u>141,564</u>
Total revenues	935,512
Expenditures	
Current -	
Community and economic development	<u>1,091,468</u>
Change in fund balance	(155,956)
Fund balance, beginning of year	<u>187,744</u>
Fund balance, end of year	<u><u>\$ 31,788</u></u>

COUNTY OF KALAMAZOO, MICHIGAN

Reconciliation

Net Change in Fund Balance of Governmental Fund
to Change in Net Position of Component Unit
Brownfield Redevelopment Authority Component Unit
For the Year Ended December 31, 2017

Net change in fund balance - governmental fund	<u>\$ (155,956)</u>
Change in net position of governmental activities	<u><u>\$ (155,956)</u></u>

This page intentionally left blank.

STATISTICAL SECTION

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Statistical Section Table of Contents

This part of the County’s Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the County of Kalamazoo, Michigan.

		<u>Page</u>
Financial Trends Tables 1 - 4	These schedules contain trend information to help the reader understand and evaluate how the County’s financial condition, performance and well-being have changed over time.	176
Revenue Capacity Tables 5 - 8	These schedules contain information to help the reader assess the County’s ability to generate its most significant local revenue source, the property tax.	186
Debt Capacity Tables 9 - 11	These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and its ability to issue additional debt in the future.	192
Demographic and Economic Information Tables 12 - 14	These schedules present various demographic and economic indicators to help the reader understand the environment within which the County operates and how they affect the County’s financial activities.	198
Operating Information Tables 15 - 16	These schedules contain information about the County’s operations and resources to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs.	202

COUNTY OF KALAMAZOO, MICHIGAN

Net Position By Component Last Ten Fiscal Years

	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	\$ 66,358,000	\$ 67,512,686	\$ 60,182,534	\$ 54,014,762
Restricted	34,422,473	32,393,370	22,862,531	36,523,766
Unrestricted	18,886,165	34,649,904	41,640,330	38,866,094
Total governmental activities	\$ 119,666,638	\$ 134,555,960	\$ 124,685,395	\$ 129,404,622
Business-type activities				
Net investment in capital assets	\$ 48,141,803	\$ 47,755,499	\$ 48,993,268	\$ 49,480,694
Restricted	432,165	366,757	459,843	247,565
Unrestricted	22,567,806	27,412,103	27,650,978	28,891,477
Total business-type activities	\$ 71,141,774	\$ 75,534,359	\$ 77,104,089	\$ 78,619,736
Primary government				
Net investment in capital assets	\$ 114,499,803	\$ 115,268,185	\$ 109,175,802	\$ 103,495,456
Restricted	34,854,638	32,760,127	23,322,374	36,771,331
Unrestricted	41,453,971	62,062,007	69,291,308	67,757,571
Total primary government	\$ 190,808,412	\$ 210,090,319	\$ 201,789,484	\$ 208,024,358

Source: *County of Kalamazoo, Michigan, Office of Finance.*

Note: GASB Statement No. 68 was implemented for the year ended December 31, 2015. This resulted in presentation of the County's net pension liability on the statement of net position. Prior years were not restated.

GASB Statement No. 75 was implemented for the year ended December 31, 2017. This resulted in presentation of the County's net OPEB liability on the statement of net position. Prior years were not restated.

Certain restatements and reclassifications were made in 2016. Prior years were not restated.

Table 1 - Unaudited

2013	2012	2011	2010	2009	2008
\$ 43,130,177	\$ 39,987,637	\$ 20,075,223	\$ 19,173,432	\$ 14,661,496	\$ 31,973,057
7,707,379	8,005,017	7,953,715	11,398,561	15,968,510	20,947,877
51,652,911	53,804,428	70,239,778	59,674,138	59,211,457	35,299,847
<u>\$ 102,490,467</u>	<u>\$ 101,797,082</u>	<u>\$ 98,268,716</u>	<u>\$ 90,246,131</u>	<u>\$ 89,841,463</u>	<u>\$ 88,220,781</u>
\$ 50,504,667	\$ 52,076,706	\$ 53,833,191	\$ 43,917,137	\$ 27,521,531	\$ 23,914,326
-	-	-	-	-	-
32,634,972	31,125,230	29,467,743	31,172,945	30,865,423	29,143,845
<u>\$ 83,139,639</u>	<u>\$ 83,201,936</u>	<u>\$ 83,300,934</u>	<u>\$ 75,090,082</u>	<u>\$ 58,386,954</u>	<u>\$ 53,058,171</u>
\$ 93,634,844	\$ 92,064,343	\$ 73,908,414	\$ 63,090,569	\$ 42,183,027	\$ 55,887,383
7,707,379	8,005,017	7,953,715	11,398,561	15,968,510	20,947,877
84,287,883	84,929,658	99,707,521	90,847,083	90,076,880	64,443,692
<u>\$ 185,630,106</u>	<u>\$ 184,999,018</u>	<u>\$ 181,569,650</u>	<u>\$ 165,336,213</u>	<u>\$ 148,228,417</u>	<u>\$ 141,278,952</u>

COUNTY OF KALAMAZOO, MICHIGAN

Change in Net Position Last Ten Fiscal Years

	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government	\$ 12,005,684	\$ 18,745,016	\$ 21,807,060	\$ 17,791,407
Public safety	29,226,541	30,068,549	26,082,119	25,452,319
Public works	458,479	223,444	493,776	843,526
Health and welfare	28,358,828	25,352,602	30,666,561	28,763,908
Cultural and recreation	4,294,714	4,614,096	5,029,523	4,690,557
Legislative	-	932,316	789,219	1,032,729
Judicial	23,306,159	20,181,383	19,884,101	20,157,134
Community and economic development	803,110	637,206	331,984	178,482
Interest and fiscal charges	1,020,546	1,082,933	1,329,290	1,268,294
	<u>99,474,061</u>	<u>101,837,545</u>	<u>106,413,633</u>	<u>100,178,356</u>
Business-type activities:				
Airport operations	6,865,096	6,811,127	8,119,278	7,144,340
Delinquent tax collection and administration	-	-	-	-
Local government public works financing	182,021	201,631	-	-
Other enterprise funds	1,135,113	1,546,620	816,195	630,876
	<u>8,182,230</u>	<u>8,559,378</u>	<u>8,935,473</u>	<u>7,775,216</u>
Total primary government expenses	<u>107,656,291</u>	<u>110,396,923</u>	<u>115,349,106</u>	<u>107,953,572</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	3,480,241	3,432,129	4,839,529	4,953,679
Public safety	3,034,532	3,597,799	2,556,031	2,029,458
Public works	50,545	-	371,576	108,770
Health and welfare	1,851,619	2,225,346	1,825,814	1,685,714
Cultural and recreation	1,231,210	1,199,359	3,763,599	3,524,463
Judicial	3,548,605	3,826,966	4,121,357	4,066,792
Community and economic development	230,077	-	-	-
Operating grants and contributions:				
General government	5,145,180	4,966,044	5,638,554	5,019,816
Public safety	4,243,117	3,085,903	1,302,264	1,390,921
Public works	84,124	198,805	186,508	79,247
Health and welfare	13,669,745	12,435,279	13,019,722	17,251,266
Cultural and recreation	168,242	106,217	2,640,112	2,562,781
Judicial	5,442,305	5,979,336	8,342,056	7,584,795
Community economic development	5,000	-	-	-
Other	-	-	-	-
Capital grants and contributions	-	689,000	-	-
	<u>42,184,542</u>	<u>41,742,183</u>	<u>48,607,122</u>	<u>50,257,702</u>

Table 2 - Unaudited

2013	2012	2011	2010	2009	2008
\$ 18,178,504	\$ 16,560,972	\$ 14,685,317	\$ 16,454,956	\$ 15,304,080	\$ 18,716,502
26,770,373	25,317,944	25,723,553	27,429,129	28,190,183	25,185,011
118,527	79,790	133,937	478,320	302,635	166,934
33,943,631	36,491,664	38,749,470	41,958,505	40,947,081	36,838,395
4,746,386	4,241,319	4,013,029	3,950,921	3,345,053	3,268,444
915,035	973,686	971,453	954,998	938,582	862,396
19,913,091	19,273,929	19,540,568	19,851,817	19,477,810	17,665,498
162,897	61,191	81,132	59,446	-	-
1,334,369	1,396,053	1,461,542	1,599,239	1,615,949	1,797,799
<u>106,082,813</u>	<u>104,396,548</u>	<u>105,360,001</u>	<u>112,737,331</u>	<u>110,121,373</u>	<u>104,500,979</u>
7,231,919	7,437,568	7,755,405	6,269,714	7,244,951	6,019,869
-	-	-	1,800	-	800
-	-	-	-	-	-
812,633	666,526	537,829	516,924	266,656	-
<u>8,044,552</u>	<u>8,104,094</u>	<u>8,293,234</u>	<u>6,788,438</u>	<u>7,511,607</u>	<u>6,020,669</u>
<u>114,127,365</u>	<u>112,500,642</u>	<u>113,653,235</u>	<u>119,525,769</u>	<u>117,632,980</u>	<u>110,521,648</u>
5,264,150	5,530,702	5,284,450	1,866,708	2,147,274	2,252,045
2,189,115	2,094,447	2,080,437	1,895,004	1,977,075	1,947,155
112,768	103,093	98,709	4,618	-	-
1,699,642	1,710,269	2,282,647	2,359,508	2,519,035	2,175,576
3,331,511	3,073,186	2,911,332	2,821,377	2,527,150	2,669,459
4,523,285	4,796,952	4,688,164	5,041,762	5,095,013	5,652,775
-	-	-	-	-	-
4,210,224	4,239,285	5,346,046	363,001	207,441	284,284
1,573,156	1,877,706	2,230,316	2,257,433	1,874,351	1,660,903
118,350	79,749	129,378	161,622	75,520	117,541
21,826,508	24,679,271	27,124,803	29,290,317	28,652,957	24,561,585
2,551,873	2,159,040	1,805,102	1,811,563	1,689,076	1,602,217
7,179,923	7,149,876	7,412,821	7,434,135	7,404,748	7,281,433
80,115	60,036	160,623	-	-	-
-	-	-	10,789	-	-
-	-	-	-	-	-
<u>54,660,620</u>	<u>57,553,612</u>	<u>61,554,828</u>	<u>55,317,837</u>	<u>54,169,640</u>	<u>50,204,973</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Change in Net Position
Last Ten Fiscal Years

	2017	2016	2015	2014
Business-type activities:				
Charges for services:				
Airport operations	\$ 4,393,811	\$ 4,295,639	\$ 4,336,589	\$ 4,616,801
Delinquent tax collection and administration	1,866,637	1,772,140	1,832,230	1,987,138
Local government public works financing	117,267	201,631	-	-
Other enterprise funds	1,100,003	875,502	1,128,377	1,243,266
Operating grants and contributions:				
Airport operations	75,057	6,381	-	1,212,558
Delinquent tax collection and administration	56,302	15,098	-	-
Local government public works financing	135	35	-	-
Other enterprise funds	-	-	249,649	-
Capital grants and contributions:				
Airport operations	3,401,193	1,881,974	1,440,882	1,538,535
	<u>11,010,405</u>	<u>9,048,400</u>	<u>8,987,727</u>	<u>10,598,298</u>
Total primary government program revenues	<u>53,194,947</u>	<u>50,790,583</u>	<u>57,594,849</u>	<u>60,856,000</u>
Net (expense) revenue				
Governmental activities	(57,289,519)	(60,095,362)	(57,806,511)	(49,920,654)
Business-type activities	<u>2,828,175</u>	<u>489,022</u>	<u>52,254</u>	<u>2,823,082</u>
Total primary government net expense	<u>(54,461,344)</u>	<u>(59,606,340)</u>	<u>(57,754,257)</u>	<u>(47,097,572)</u>
General revenues and other changes in net position				
Governmental activities:				
Property taxes	52,375,761	51,866,549	49,166,240	51,140,600
Lodging excise taxes	2,851,544	2,920,184	-	-
State revenue sharing	5,255,201	5,204,061	-	-
Local unit contract revenue	-	-	-	-
Unrestricted investment earnings	876,523	595,652	503,800	1,784,898
Gain on sale of capital assets	270,213	-	-	-
Other revenues	1,698,019	1,664,583	1,537,244	1,647,760
Transfers in	6,892,300	1,883,400	1,880,000	7,614,391
Total governmental activities	<u>70,219,561</u>	<u>64,134,429</u>	<u>53,087,284</u>	<u>62,187,649</u>
Business-type activities:				
Unrestricted investment earnings	-	-	41,636	12,932
Other	-	-	37,500	-
Transfers - internal activities	(6,892,300)	(1,883,400)	(1,880,000)	(7,614,391)
Total business-type activities	<u>(6,892,300)</u>	<u>(1,883,400)</u>	<u>(1,800,864)</u>	<u>(7,601,459)</u>
Total primary government	<u>63,327,261</u>	<u>62,251,029</u>	<u>51,286,420</u>	<u>54,586,190</u>
Changes in net position				
Governmental activities	12,930,042	4,039,067	(4,719,227)	12,266,995
Business-type activities	<u>(4,064,125)</u>	<u>(1,394,378)</u>	<u>(1,748,610)</u>	<u>(4,778,377)</u>
Total primary government changes in net position	<u>\$ 8,865,917</u>	<u>\$ 2,644,689</u>	<u>\$ (6,467,837)</u>	<u>\$ 7,488,618</u>

Source: County of Kalamazoo, Michigan, Finance Office.

Note: Certain restatements and reclassifications were made in 2016. Prior years were not restated.

Table 2 - Unaudited

	2013	2012	2011	2010	2009	2008
\$	4,578,069	\$ 4,309,619	\$ 4,554,926	\$ 4,098,683	\$ 3,762,887	\$ 3,902,591
	2,586,938	2,663,575	3,922,110	3,638,412	2,696,334	2,062,382
	-	-	-	-	-	-
	1,856,636	1,040,019	763,810	1,301,043	550,258	-
	127,989	528,096	114,992	640,594	159,178	197,926
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	640,768	1,066,540	8,364,153	14,672,847	6,350,499	2,879,337
	<u>9,790,400</u>	<u>9,607,849</u>	<u>17,719,991</u>	<u>24,351,579</u>	<u>13,519,156</u>	<u>9,042,236</u>
	64,451,020	67,161,461	79,274,819	79,669,416	67,688,796	59,247,209
	(51,422,193)	(46,842,936)	(43,805,173)	(57,419,494)	(55,951,733)	(54,296,006)
	1,745,848	1,503,755	9,426,757	17,563,141	6,007,549	3,021,567
	<u>(49,676,345)</u>	<u>(45,339,181)</u>	<u>(34,378,416)</u>	<u>(39,856,353)</u>	<u>(49,944,184)</u>	<u>(51,274,439)</u>
	49,321,723	47,231,113	48,405,162	48,288,959	50,691,287	50,142,756
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	1,642,012	1,696,138
	311,871	1,131,111	2,102,983	1,304,275	1,702,897	3,080,203
	-	-	-	-	-	-
	651,375	384,078	44,613	1,673,430	2,191,289	2,521,458
	1,830,609	1,625,000	1,275,000	1,000,000	1,000,000	1,000,000
	<u>52,115,578</u>	<u>50,371,302</u>	<u>51,827,758</u>	<u>52,266,664</u>	<u>57,227,485</u>	<u>58,440,555</u>
	22,464	22,247	59,095	139,987	313,064	588,058
	-	-	-	-	8,170	1,823
	(1,830,609)	(1,625,000)	(1,275,000)	(1,000,000)	(1,000,000)	(1,000,000)
	<u>(1,808,145)</u>	<u>(1,602,753)</u>	<u>(1,215,905)</u>	<u>(860,013)</u>	<u>(678,766)</u>	<u>(410,119)</u>
	50,307,433	48,768,549	50,611,853	51,406,651	56,548,719	58,030,436
	693,385	3,528,366	8,022,585	(5,152,830)	1,275,752	4,144,549
	(62,297)	(98,998)	8,210,852	16,703,128	5,328,783	2,611,448
\$	<u>631,088</u>	<u>\$ 3,429,368</u>	<u>\$ 16,233,437</u>	<u>\$ 11,550,298</u>	<u>\$ 6,604,535</u>	<u>\$ 6,755,997</u>

concluded

COUNTY OF KALAMAZOO, MICHIGAN

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	2017	2016	2015	2014
General fund				
Nonspendable	\$ 379,290	\$ 488,478	\$ 303,118	\$ 145,027
Restricted	2,500,000	2,500,000	2,500,000	2,500,000
Committed	2,664,077	2,715,700	7,894,020	3,475,421
Assigned	-	-	290,500	2,600,000
Unassigned	27,217,070	27,816,125	23,634,426	23,371,325
Reserved:				
Encumbrances	-	-	-	-
Prepaid expenditures/inventories	-	-	-	-
Unreserved				
Designated for future expenditures	-	-	-	-
Reported in General fund	-	-	-	-
Total general fund	32,760,437	33,520,303	34,622,064	32,091,773
All other governmental funds				
Nonspendable	10,469	133,368	262,488	46,853
Restricted	3,973,926	3,885,784	1,023,454	533,873
Committed	-	-	9,246,358	-
Assigned	21,112,748	12,435,363	-	-
Unassigned	-	-	(58,582)	19,158,599
Reserved:				
Revenue sharing reserve fund	-	-	-	-
Encumbrances	-	-	-	-
Prepaid expenditures/inventories	-	-	-	-
Unreserved:				
Designated for future expenditures	-	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	25,097,143	16,454,515	10,473,718	19,739,325
Total fund balance for governmental funds	\$ 57,857,580	\$ 49,974,818	\$ 45,095,782	\$ 51,831,098

Source: *County of Kalamazoo, Michigan, Office of Finance.*

Note: GASB No. 54 was implemented in 2011. Fund Balance information for prior years has not been restated.

Certain restatements and reclassifications were made in 2016. Prior years were not restated.

Table 3 - Unaudited

2013	2012	2011	2010	2009	2008
\$ 157,879	\$ 167,995	\$ 148,715	\$ -	\$ -	\$ -
2,500,000	2,500,000	2,500,000	-	-	-
3,859,384	4,293,928	4,685,797	-	-	-
329,500	583,200	500,000	-	-	-
21,838,815	20,320,881	24,327,571	-	-	-
-	-	-	136,468	525,197	99,516
-	-	-	122,669	61,024	243,393
-	-	-	4,439,610	4,727,510	5,917,064
-	-	-	23,147,791	22,867,133	18,705,734
<u>28,685,578</u>	<u>27,866,004</u>	<u>32,162,083</u>	<u>27,846,538</u>	<u>28,180,864</u>	<u>24,965,707</u>
206,773	53,516	110,378	-	-	-
5,166,830	5,464,798	5,794,840	-	-	-
16,496,564	18,387,782	21,641,559	-	-	-
-	15,246	5,039,590	-	-	-
(169,288)	(13,297)	-	-	-	-
-	-	-	3,729,094	8,844,326	13,876,233
-	-	-	69,139	244,937	63,458
-	-	-	-	119	-
-	-	-	56,429	138,433	305,287
-	-	-	7,669,467	7,142,805	7,071,644
-	-	-	-	483,502	475,127
-	-	-	19,214,149	14,289,474	19,893,490
<u>21,700,879</u>	<u>23,908,045</u>	<u>32,586,367</u>	<u>30,738,278</u>	<u>31,143,596</u>	<u>41,685,239</u>
<u>\$ 50,386,457</u>	<u>\$ 51,774,049</u>	<u>\$ 64,748,450</u>	<u>\$ 58,584,816</u>	<u>\$ 59,324,460</u>	<u>\$ 66,650,946</u>

COUNTY OF KALAMAZOO, MICHIGAN

Change in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2017	2016	2015	2014
Revenues				
Taxes	\$ 55,239,703	\$ 54,891,462	\$ 52,101,773	\$ 50,607,197
Licenses and permits	1,249,929	1,258,556	1,218,025	1,119,636
Intergovernmental	33,190,373	31,158,359	32,043,570	35,028,706
Charges for service	11,184,560	11,843,020	10,410,652	9,657,487
Fines and forfeitures	965,614	1,076,752	1,316,244	1,357,351
Investment earnings	876,523	595,652	731,250	1,784,898
Contributions, grants and reimbursements	822,541	817,286	683,063	521,043
Other	1,724,745	1,767,854	1,939,829	2,268,477
Total revenues	105,253,988	103,408,941	100,444,406	102,344,795
Expenditures				
General government	12,896,809	14,767,659	14,506,746	13,565,337
Public safety	28,044,049	28,274,715	25,199,083	24,427,363
Public works	430,249	211,382	493,772	843,528
Health and welfare	28,068,429	25,191,336	30,710,052	28,877,376
Cultural and recreation	3,530,468	3,959,008	4,189,750	3,783,331
Legislative	-	935,399	797,279	1,032,729
Judicial	20,837,174	19,548,291	19,154,467	19,375,297
Community economic development	775,210	650,000	331,984	178,482
Other	67,192	945,646	-	923,111
Debt service:				
Principal	1,140,000	1,080,000	1,605,000	1,490,000
Interest and fiscal charges	928,271	1,130,518	1,341,322	1,307,725
Bond issuance costs	250,885	-	-	-
Capital outlay	2,526,916	3,300,479	15,960,665	12,702,849
Total expenditures	99,495,652	99,994,433	114,290,120	108,507,128
Excess of revenues over (under) expenditures	5,758,336	3,414,508	(13,845,714)	(6,162,333)
Other financing sources (uses)				
Transfers in	24,857,342	17,511,053	15,695,110	21,998,555
Transfers out	(23,183,587)	(15,676,367)	(13,890,269)	(14,391,581)
Proceeds from sale of capital assets	538,730	17,688	-	-
Issuance of notes	-	-	150,000	-
Issuance of bonds	-	-	5,000,000	-
Issuance of refunding bonds	19,390,000	-	-	-
Premium on bond	3,030,652	-	155,557	-
Payments to refunded bond escrow agent	(22,508,711)	-	-	-
Total other financing sources (uses)	2,124,426	1,852,374	7,110,398	7,606,974
Net change in fund balances	\$ 7,882,762	\$ 5,266,882	\$ (6,735,316)	\$ 1,444,641
Debt service as a percentage of noncapital expenditures	2.4%	2.3%	3.1%	2.6%

Source: County of Kalamazoo, Michigan, Office of Finance.

Note: Effective 2011, bond issuance costs are reported as expenditures. Bond issuance costs in prior years have been restated from other financing sources (uses) to expenditures.

Table 4 - Unaudited

2013	2012	2011	2010	2009	2008
\$ 51,733,873	\$ 51,281,971	\$ 50,467,213	\$ 50,801,324	\$ 52,112,225	\$ 52,127,490
1,050,273	959,212	932,107	926,176	908,768	903,893
37,284,230	42,049,516	45,645,465	43,980,599	42,247,256	38,073,037
9,943,390	9,815,816	9,825,820	9,179,624	9,505,860	9,510,775
1,584,425	1,707,874	1,709,679	2,018,339	2,247,219	2,484,283
311,871	1,131,111	2,102,983	1,651,105	1,702,897	3,080,203
921,577	1,110,360	1,239,054	940,075	810,363	712,053
1,321,630	1,403,064	1,415,236	1,747,905	2,191,289	2,512,099
<u>104,151,269</u>	<u>109,458,924</u>	<u>113,337,557</u>	<u>111,245,147</u>	<u>111,725,877</u>	<u>109,403,833</u>
13,276,576	13,324,605	13,078,145	13,345,721	12,207,828	12,478,693
25,342,943	25,265,647	24,896,389	26,545,756	26,449,376	25,048,512
118,528	79,794	1,650,676	478,288	302,625	166,941
33,470,275	36,712,421	38,782,339	41,800,901	40,150,567	36,636,836
3,930,816	3,422,079	3,345,073	3,323,146	3,031,205	3,026,214
915,035	973,686	971,453	954,998	938,582	862,396
18,440,279	18,446,360	18,598,870	18,667,915	18,204,672	17,424,528
162,897	61,191	81,132	59,446	-	-
1,399,324	364,963	573,791	1,137,672	1,336,165	3,728,747
1,755,000	2,120,000	1,765,000	2,678,010	2,104,898	2,148,821
1,367,857	1,462,091	1,476,923	1,598,867	1,629,462	1,615,516
-	26,039	12,894	67,945	-	16,099
7,190,933	21,828,949	6,216,232	3,175,109	13,200,679	19,102,990
<u>107,370,463</u>	<u>124,087,825</u>	<u>111,448,917</u>	<u>113,833,774</u>	<u>119,556,059</u>	<u>122,256,293</u>
<u>(3,219,194)</u>	<u>(14,628,901)</u>	<u>1,888,640</u>	<u>(2,588,627)</u>	<u>(7,830,182)</u>	<u>(12,852,460)</u>
12,952,105	19,659,931	21,069,304	18,935,879	18,963,217	17,607,669
(11,120,503)	(18,034,931)	(19,794,304)	(17,414,888)	(18,804,451)	(17,463,255)
-	-	-	-	-	-
-	-	-	-	-	12,545
-	-	3,000,000	-	-	415,000
-	1,195,000	-	2,160,000	-	-
-	(15,500)	-	167,992	-	-
-	(1,150,000)	-	(2,000,000)	-	-
<u>1,831,602</u>	<u>1,654,500</u>	<u>4,275,000</u>	<u>1,848,983</u>	<u>158,766</u>	<u>571,959</u>
<u>\$ (1,387,592)</u>	<u>\$ (12,974,401)</u>	<u>\$ 6,163,640</u>	<u>\$ (739,644)</u>	<u>\$ (7,671,416)</u>	<u>\$ (12,280,501)</u>
<u>3.1%</u>	<u>3.5%</u>	<u>3.1%</u>	<u>3.9%</u>	<u>3.5%</u>	<u>3.7%</u>

Assessed and Estimated Actual Value of Taxable Property^(a)

Last Ten Fiscal Years

Fiscal Year	State Equalized Real Property Value (a)						(b) Total Direct Tax Rate
	Agricultural	Commercial	Industrial	Residential	Personal	Total	
2008	\$ 222,094,495	\$1,766,531,482	\$ 513,496,587	\$6,310,592,521	\$ 876,103,736	\$9,688,818,821	6.3300
2009	225,488,791	1,792,326,915	503,111,457	6,046,379,311	896,482,771	9,463,789,245	6.3212
2010	234,323,992	1,743,345,742	399,521,368	5,734,285,728	876,276,355	8,987,753,185	6.3400
2011	238,185,110	1,632,908,929	374,444,944	5,676,932,378	906,612,546	8,829,083,907	6.3555
2012	239,120,450	1,553,005,640	360,467,101	5,408,906,981	926,075,139	8,487,575,311	6.3600
2013	246,429,582	1,494,605,525	363,764,345	5,419,836,318	901,028,023	8,425,663,793	6.3695
2014	260,740,862	1,536,258,273	376,652,416	5,583,276,707	874,725,038	8,631,653,296	6.3601
2015	278,782,491	1,569,670,300	381,032,065	5,857,974,999	915,603,263	9,003,063,118	6.4890
2016	298,493,875	1,617,143,141	399,137,804	6,147,579,563	670,976,890	9,133,331,273	6.4663
2017	314,205,704	1,791,444,752	441,009,523	6,446,770,891	656,559,953	9,649,990,823	6.4420

Fiscal Year	Taxable Real Property Value (a)						(b) Total Direct Tax Rate
	Agricultural	Commercial	Industrial	Residential	Personal	Total	
2008	\$ 111,795,504	\$1,503,751,906	\$ 471,156,153	\$5,302,916,879	\$ 875,811,806	\$8,265,432,248	6.3300
2009	116,576,053	1,555,257,662	466,561,443	5,337,644,827	896,254,117	8,372,294,102	6.3212
2010	116,928,129	1,550,931,709	369,289,877	5,197,581,832	874,806,774	8,109,538,321	6.3400
2011	118,444,863	1,479,953,046	350,799,851	5,202,009,663	905,437,868	8,056,645,291	6.3555
2012	121,793,776	1,430,960,912	340,297,980	5,084,110,088	925,131,893	7,902,294,649	6.3600
2013	125,192,900	1,389,983,754	345,318,005	5,108,027,139	899,131,746	7,867,653,544	6.3695
2014	129,398,410	1,403,033,284	356,358,958	5,197,236,563	873,525,166	7,959,552,381	6.3601
2015	131,035,680	1,444,832,170	358,203,022	5,323,405,225	913,393,709	8,170,869,806	6.4890
2016	132,631,977	1,430,404,974	372,677,644	5,420,542,336	670,550,960	8,026,807,891	6.4663
2017	133,787,037	1,471,168,974	405,890,405	5,576,598,604	656,293,152	8,243,738,172	6.4420

^(a) Property is assessed at the legal market value determined by the local assessor's office.

^(b) Per \$1,000 of value.

Source: *County of Kalamazoo, Michigan, Equalization Department.*

Note: Property is assessed annually. In Michigan, the proportion of real and tangible personal property not exempt by law is assessed at 50% of true cash value.

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

	Year Taxes Are Payable			
	2017	2016	2015	2014
County direct rates:				
Operating	4.6810	4.6871	4.6871	4.6871
Law enforcement	1.4472	1.4491	1.4491	1.4491
Juvenile home debt	0.2140	0.2301	0.2528	0.2239
Housing assistance fund	0.0998	0.1000	0.1000	-
Total county direct rate	6.4420	6.4663	6.4890	6.3601
Kalamazoo County				
Transportation Authority:	0.3145	0.4000	0.4000	0.4000
Central County Transportation:	0.7500	0.0000	0.0000	0.0000
City rates:				
Galesburg	9.8118	9.8118	9.8118	9.8118
Kalamazoo	13.8000	21.0705	20.8205	20.8205
Parchment	16.7239	16.7239	16.7239	16.6772
Portage	10.9205	10.9256	10.9256	10.9256
Township rates	0.78250-11.4891	0.7839-9.4785	0.7860-9.7199	0.7860-8.9691
Village rates	9.0000-15.8527	9.0000-15.9005	9.5000-15.9005	9.5000-15.9005
Intermediate school rates	2.7500-6.2057	2.9783-6.4066	2.9783-6.4066	2.9783-6.2057
Local school rates	21.9900-27.1000	21.9600-27.1000	22.3400-27.5900	22.3400-26.7796
Library rates	0.4913-3.9487	0.4952-3.9583	0.4985-3.9583	0.4985-3.9583
Community college rates:				
Glen Oaks	2.7249	2.7249	2.7249	2.7249
Kalamazoo Valley	2.8089	2.8135	2.8135	2.8135
Kellogg	3.6136	3.6136	3.6136	3.6136
State education tax rates	6.0000	6.0000	6.0000	6.0000

Source: *County of Kalamazoo, Michigan, Equalization Department.*

Note: Rates are stated in dollars per one thousand of state equalized or taxable valuation.

Table 6 - Unaudited

Year Taxes Are Payable						
2013	2012	2011	2010	2009	2008	
4.6871	4.6871	4.6871	4.6871	4.6871	4.6871	
1.4491	1.4491	1.4491	1.4491	1.4491	1.4491	
0.2333	0.2234	0.2193	0.2050	0.1850	0.1950	
-	-	-	-	-	-	
6.3695	6.3596	6.3555	6.3412	6.3212	6.3312	
0.4000	0.4000	0.4000	0.4000	0.0000	0.0000	
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
9.8512	9.8118	9.7856	9.7856	9.7856	9.7856	
20.8205	20.8205	19.2705	19.2705	19.2705	19.2705	
16.6377	16.6772	16.6772	16.6772	16.6772	16.6772	
10.7778	10.7778	10.8916	10.7312	10.6598	10.6598	
0.7860-8.9691	0.7860-8.9691	0.7860-8.9691	0.6519-8.9691	0.7860-8.9691	0.7860-8.9691	
9.5000-15.9005	9.000-23.3500	9.0000-15.9005	9.0000-15.9005	9.0000-15.9005	8.0000-15.9001	
2.6837-6.2057	2.6837-6.2057	2.6837-6.2057	2.6837-6.2057	2.6837-6.2057	4.1217-6.2057	
22.1700-27.1000	22.1700-27.1000	22.2000-27.1000	22.2000-27.1000	18.000-27.1000	18.0000-27.0500	
0.5000-3.9583	0.5000-3.9583	0.5000-3.9583	0.5000-3.9583	0.5000-3.9583	0.5000-3.9583	
2.7249	2.7249	2.7249	2.7249	2.7249	2.7249	
2.8135	2.8135	2.8135	2.8135	2.8135	2.8135	
3.6136	3.7106	3.7106	3.7106	3.7106	3.7106	
6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Pfizer / Pharmacia	\$ 172,421,260	1	2.06%	\$ 518,711,947	1	6.17%
Consumers Energy Company	169,408,388	2	2.02%	108,749,410	2	1.29%
Zoetis	99,723,116	3	1.19%			
Stryker Corporation	50,614,465	4	0.60%	78,392,335	3	0.93%
Edward Rose	44,757,543	5	0.53%	23,165,846	9	0.28%
Michigan Electric Transmission	30,282,682	6	0.36%			
Enbridge Energy	26,843,067	7	0.32%			
General Growth	25,572,085	8	0.31%			
Bronson Properties	25,256,250	9	0.30%	22,032,982	10	0.26%
Meijer/Goodwill	23,645,051	10	0.28%	30,469,232	6	0.36%
Greenleaf				37,718,397	4	0.45%
Target				31,370,777	5	0.37%
Graphic Packaging				23,977,696	7	0.28%
Benteler Auto Corp				23,206,650	8	0.28%

Source: County of Kalamazoo, Michigan, Equalization Department.

Property Taxes, Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes ^(a) Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 52,632,244	\$ 48,201,774	91.58%	\$ 1,893,233	\$ 50,095,007	95.18%
2009	53,090,391	48,996,211	92.29%	2,109,871	51,106,082	96.26%
2010	51,424,204	45,414,298	88.31%	2,039,887	47,454,185	92.28%
2011	51,197,564	44,775,206	87.46%	1,819,001	46,594,207	91.01%
2012	50,255,433	44,735,502	89.02%	1,532,753	46,268,255	92.07%
2013	50,113,019	44,716,135	89.23%	1,481,275	46,197,410	92.19%
2014	50,623,549	45,259,899	89.40%	1,391,118	46,651,017	92.15%
2015	53,020,774	46,356,761	87.43%	1,152,593	47,509,354	89.61%
2016	51,903,748	45,776,972	88.20%	1,292,095	47,069,067	90.69%
2017	53,106,161	47,055,256	88.61%	1,130,814	48,186,070	90.74%

^(a) Taxes levied for the fiscal year included the operating levy, law enforcement levy, juvenile home debt service and housing assistance levy.

Source: *County of Kalamazoo, Michigan, Treasurer's Office, Equalization Reports and Office of Finance.*

Note: The information in this schedule relates to the County's own property levies, and does not include those it collects on behalf of other governments.

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Percentage of Actual Value of Taxable Property	Per Capita
2008	\$ 38,370,000	\$ 8,900,000	\$ 47,270,000	0.54%	0.49%	\$ 192.03
2009	36,645,000	8,650,000	45,295,000	0.53%	0.48%	182.34
2010	34,190,000	8,400,000	42,590,000	0.48%	0.47%	170.13
2011	35,436,486	7,853,096	43,289,582	0.48%	0.49%	171.73
2012	33,318,869	7,908,766	41,227,635	0.42%	0.49%	161.94
2013	31,544,067	7,311,034	38,855,101	0.40%	0.46%	151.35
2014	30,037,657	6,761,387	36,799,044	0.37%	0.43%	142.18
2015	33,713,617	6,095,783	39,809,400	0.37%	0.44%	152.49
2016	25,330,000	12,002,011	37,332,011	0.33%	0.41%	142.68
2017	24,175,956	10,783,394	34,959,350	0.30%	0.36%	132.93

Source: *County of Kalamazoo, Michigan, Office of Finance.*

Note: 2017 percentage of Personal Income calculated using 2016 personal income data, which is the most recent available.

Note: In 2016, debt obligations were reclassified between governmental and business-type activities, prior years have not been restated.

Note: This schedule presents the ratio of total outstanding debt and the ratio of (net) bonded debt, as the amounts are equal.

Computation of Direct and Overlapping Debt
December 31, 2017

Governmental Unit	Net General Obligation Debt	Estimated Percentage Applicable to County	Estimated Share of Direct and Overlapping Debt
Libraries			
Otsego	\$ 2,420,000	34.51%	\$ 835,142
Richland	295,000	100.00%	295,000
Total libraries			<u>1,130,142</u>
Townships			
Brady	-	100.00%	-
Charleston	605	100.00%	605
Comstock	-	100.00%	-
Cooper	540,000	100.00%	540,000
Kalamazoo	9,750,000	100.00%	9,750,000
Pavilion	-	100.00%	-
Total townships			<u>10,290,605</u>
Cities			
Galesburg	1,390,000	100.00%	1,390,000
Kalamazoo	138,890,000	100.00%	138,890,000
Portage	57,835,000	100.00%	57,835,000
Total cities			<u>198,115,000</u>
Villages			
Augusta	345,000	100.00%	345,000
Climax	30,000	100.00%	30,000
Schoolcraft	490,000	100.00%	490,000
Vicksburg	3,055,000	100.00%	3,055,000
Total villages			<u>3,920,000</u>
School districts			
Athens	445,000	7.32%	32,574
Climax Scotts	2,152,965	87.45%	1,882,768
Colon	9,465,000	1.68%	159,012
Comstock	7,555,000	100.00%	7,555,000
Galesburg Augusta	19,734,053	100.00%	19,734,053
Gull Lake	33,475,000	83.64%	27,998,490
Kalamazoo	183,905,000	100.00%	183,905,000
Lawton	25,518,041	0.66%	168,419
Mattawan	81,715,000	68.59%	56,048,319
Mendon	19,346,155	5.88%	1,137,554
Otsego	55,154,251	43.46%	23,970,037
Parchment	35,859,670	100.00%	35,859,670
Plainwell	47,744,825	35.62%	17,006,707
Portage	148,165,000	100.00%	148,165,000
Schoolcraft	6,448,424	100.00%	6,448,424
Vicksburg	13,822,000	97.44%	13,468,157
Total school districts			<u>543,539,183</u>

continued...

Computation of Direct and Overlapping Debt
December 31, 2017

Governmental Unit	Net General Obligation Debt	Estimated Percentage Applicable to County	Estimated Share of Direct and Overlapping Debt
Community colleges			
Glen Oaks	\$ 7,369,000	0.66%	\$ 48,635
Kalamazoo Valley Community College	8,760,000	94.69%	8,294,844
Kellogg Community College	16,115,000	0.36%	58,014
Total community colleges			<u>8,401,493</u>
Intermediate school districts			
Allegan	2,860,000	12.38%	354,068
Kalamazoo RESA	10,585,000	97.49%	10,319,317
St. Joseph	3,435,000	0.58%	19,923
Total intermediate school districts			<u>10,693,308</u>
Subtotal, overlapping debt			776,089,731
County direct debt, governmental activities			<u>24,175,956</u>
Total direct and overlapping debt			<u>\$ 800,265,687</u>
			concluded

Source: *County of Kalamazoo, Michigan, Office of Finance.*

Note: Percentage of overlap based on assessed property values.

This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Computation of Legal Debt Margin for General Obligation Bonds Last Ten Fiscal Years

	2017	2016	2015	2014
Legal debt margin				
Assessed value of property (SEV)*	\$ 9,649,990,823	\$ 9,133,331,273	\$ 9,003,063,118	\$ 8,631,653,296
Debt limit, 10% of assessed value (SEV) (constitutional debt limit)	<u>964,999,082</u>	<u>913,333,127</u>	<u>900,306,312</u>	<u>863,165,330</u>
Amount of debt applicable to limit:				
Debt issues for purpose of the County functions only:				
Building authority	25,815,000	30,805,366	32,830,000	33,805,000
Brownfield redevelopment authority	-	-	150,000	-
Notes payable	-	-	-	-
Debt issues for benefit of local improvements:				
CMH capital improvements	4,900,000	5,139,183	5,000,000	-
Water	375,000	425,000	475,000	525,000
Sewage	540,000	962,462	1,470,000	2,005,000
Drainage	-	-	145,000	190,000
Notes payable	-	-	-	-
Total net debt applicable to limit	<u>31,630,000</u>	<u>37,332,011</u>	<u>40,070,000</u>	<u>36,525,000</u>
Legal debt margin	<u>\$ 933,369,082</u>	<u>\$ 876,001,116</u>	<u>\$ 860,236,312</u>	<u>\$ 826,640,330</u>
Total net debt applicable to limit as a percentage of debt limit	3.28%	4.09%	4.45%	4.23%

Source: *County of Kalamazoo, Michigan, Equalization Department & Office of Finance.*

Note: Prior to Board of Review actions.

* Beginning in 2011, the State Equalized Value is used for the assessed value of property, and the assessed values of property for prior years have been revised accordingly.

Certain restatements and reclassifications were made in 2016. Prior years were not restated.

Table 11 - Unaudited

2013	2012	2011	2010	2009	2008
\$ 8,425,663,793	\$ 8,487,575,311	\$ 8,829,083,907	\$ 8,987,753,185	\$ 9,463,789,245	\$ 9,688,818,821
<u>842,566,379</u>	<u>848,757,531</u>	<u>882,908,391</u>	<u>898,775,319</u>	<u>946,378,925</u>	<u>968,881,882</u>
35,200,000	36,535,000	37,625,000	35,700,000	36,350,000	36,950,000
-	-	-	-	-	-
-	-	1,716	4,960	7,971	386,918
-	-	-	-	-	-
570,000	620,000	670,000	720,000	770,000	820,000
2,535,000	3,440,000	4,715,000	5,815,000	7,565,000	9,070,000
235,000	275,000	315,000	355,000	610,000	430,000
-	-	-	180,000	240,000	240,950
<u>38,540,000</u>	<u>40,870,000</u>	<u>43,326,716</u>	<u>42,774,960</u>	<u>45,542,971</u>	<u>47,897,868</u>
<u>\$ 804,026,379</u>	<u>\$ 807,887,531</u>	<u>\$ 839,581,675</u>	<u>\$ 856,000,359</u>	<u>\$ 900,835,954</u>	<u>\$ 920,984,014</u>
4.57%	4.82%	4.91%	4.76%	4.81%	4.94%

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Percentage Rate
2008	246,157	\$ 8,717,202,000	\$ 35,413	6.2%
2009	248,407	8,570,563,000	34,502	9.8%
2010	250,331	8,793,849,000	35,129	10.2%
2011	252,074	9,057,879,000	35,933	8.2%
2012	254,580	9,731,382,000	38,225	7.0%
2013	256,725	10,055,548,000	39,169	7.1%
2014	258,818	10,658,638,000	41,182	5.6%
2015	260,263	11,207,427,000	43,062	3.2%
2016	261,654	11,703,476,000	44,729	3.4%
2017	262,985	N/A	N/A	3.9%

Source: Michigan Department of Technology, Management and Budget, U.S. Census Bureau, and U.S. Department of Commerce - Bureau of Economic Analysis.

N/A Data is Not Available

Principal Employers

Current and Nine Years Ago

Industry	2017			2008		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment	Employees ⁽¹⁾	Rank	Percentage of Total County Employment
Health care and social assistance	20,512	1	13.60%	20,322	1	13.44%
Manufacturing	19,900	2	13.20%	18,950	2	12.53%
Retail trade	16,127	3	10.69%	15,688	3	10.37%
Accommodation and food services	12,454	4	8.26%	12,564	4	8.31%
Administrative, support and waste management remediation services	9,790	5	6.49%	9,714	5	6.42%
Other services, except public administration	8,537	6	5.66%	8,267	7	5.47%
Local government	8,265	7	5.48%	8,978	6	5.94%
Finance and insurance	8,207	8	5.44%	7,077	9	4.68%
Professional, scientific, and technical services	7,526	9	4.99%	7,012	10	4.64%
Real estate and rental leasing	7,154	10	4.74%			
Construction				7,553	8	4.99%
Total	118,472			116,125		
Total full-time and part-time County employment	150,809			151,259		

⁽¹⁾ Source: U.S. Department of Commerce, Bureau of Economic Analysis, CA25N - Total full-time and part-time employment by NAICS industry for Kalamazoo

COUNTY OF KALAMAZOO, MICHIGAN

Full-Time Equivalent Government Employees by Function/Program Last Ten Fiscal Years

	2017	2016	2015	2014
Function/program				
General government	135.5	140.7	143.9	143.2
Public safety	251.6	248.6	244.3	241.8
Health and welfare	226.3	223.8	217.0	208.1
Cultural and recreation	15.6	17.5	17.6	17.6
Legislative	6.8	6.8	6.3	6.3
Judicial	225.1	224.5	224.3	226.5
Other	23.8	15.6	15.0	16.0
Airport	21.5	21.5	21.5	21.0
Total	<u>906.2</u>	<u>899.0</u>	<u>889.9</u>	<u>880.5</u>

Source: County of Kalamazoo, Michigan, Office of Finance.

Table 14 - Unaudited

2013	2012	2011	2010	2009	2008
138.8	138.8	140.3	139.8	129.2	128.2
241.8	215.8	224.3	220.8	226.5	226.5
203.8	286.3	292.1	285.3	295.6	278.0
18.4	18.6	18.2	18.2	19.0	19.0
6.3	6.3	6.3	6.3	6.3	6.3
224.0	223.5	227.8	226.8	226.0	225.1
16.0	16.0	21.0	21.0	31.6	29.6
22.0	22.0	23.5	23.5	23.5	23.5
<u>871.1</u>	<u>927.3</u>	<u>953.5</u>	<u>941.7</u>	<u>957.7</u>	<u>936.2</u>

COUNTY OF KALAMAZOO, MICHIGAN

Operating Indicators by Function/Program Last Ten Fiscal Years

	2017	2016	2015	2014
Function/program				
General government:				
Revenue from sale of maps, aerial directories	\$ 1,467	\$ 2,442	\$ 1,848	\$ 4,146
Revenue from soil erosion and permits issued	\$ 49,995	\$ 32,340	\$ 34,158	\$ 24,107
Public safety:				
Jail bookings	11,865	11,957	12,024	12,171
Average daily population	359	371	391	400
Judicial:				
8th district court caseloads	46,303	43,999	49,214	50,640
Airport:				
Based aircraft	111	111	110	110
Enplanements	151,662	160,131	124,355	134,175

Source: *County of Kalamazoo, Michigan, Office of Finance and individual County departments.*

Table 15 - Unaudited

2013	2012	2011	2010	2009	2008
\$ 5,056	\$ 9,166	\$ 7,625	\$ 5,594	\$ 865	\$ 1,490
\$ 30,285	\$ 28,029	\$ 21,754	\$ 21,880	\$ 22,715	\$ 30,173
12,973	13,380	12,591	12,372	11,849	11,539
404	409	387	374	388	391
54,898	59,858	55,636	64,034	67,143	73,210
109	111	143	143	143	143
127,559	130,163	152,593	141,083	139,712	166,986

COUNTY OF KALAMAZOO, MICHIGAN

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

	2017	2016	2015	2014
Function/program				
Public safety:				
Correction facility capacity	482	482	482	327
Juvenile home capacity	64	64	64	64
Cultural and recreation:				
Parks	6	6	6	6
County fairgrounds	1	1	1	1
Judicial:				
Courthouse buildings	3	3	3	3
Airport operations:				
Number of runways	3	3	3	3
Number of hangars	84	84	84	84

Source: County of Kalamazoo, Michigan, Office of Finance and individual County departments

Table 16 - Unaudited

2013	2012	2011	2010	2009	2008
327 64	327 64	327 64	327 64	327 64	327 40
6 1	6 1	6 1	6 1	6 1	6 1
3	3	3	3	3	3
3 84	3 84	3 95	3 95	3 95	3 95

This page intentionally left blank.

SINGLE AUDIT ACT COMPLIANCE

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE
SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY SERVICE

June 27, 2018

Honorable Members of the
Board of Commissioners
of the County of Kalamazoo, Michigan
Kalamazoo, Michigan

We have audited the 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 *County of Kalamazoo, Michigan* (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 27, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Additionally, the supplemental schedule of expenditures by service has also been presented for additional analysis. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards and the supplemental schedule of expenditures by service are fairly stated in all material respects in relation to the basic financial statements as a whole.



COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster:					
Breakfast Program	10.553	MDOE	161970	\$ -	\$ 21,379
Breakfast Program	10.553	MDOE	171970	-	15,109
				<u>-</u>	<u>36,488</u>
National School Lunch Program:					
Section 11 - Free and Reduced	10.555	MDOE	161960	-	35,092
Section 11 - Free and Reduced	10.555	MDOE	171960	-	24,372
				<u>-</u>	<u>59,464</u>
Total Child Nutrition Cluster					
				<u>-</u>	<u>95,952</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)					
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	MDHHS	20170293	-	367,223
Special Support Food Program for Women, Infants, and Children (WIC) - Breastfeeding	10.557	MDHHS	20170293	-	35,144
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	MDHHS	20180076	-	247,215
Special Support Food Program for Women, Infants, and Children (WIC) - Breastfeeding	10.557	MDHHS	20180076	-	18,607
				<u>-</u>	<u>668,189</u>
Total U.S. Department of Agriculture					
				<u>-</u>	<u>764,141</u>
U.S. Department of Justice					
Crime Victim Assistance:					
Victims of Violence - Assistance Program	16.575	MDHHS	E20172255-00	-	95,433
Victims of Violence - Assistance Program	16.575	MDHHS	E20181329-00	-	18,750
				<u>-</u>	<u>114,183</u>
Drug Court Discretionary Grant Program:					
BJA FY 17 Adult Drug Court Discretionary Grant Program Enhancement	16.585	Direct	2017-DC-BX-0039	-	4,616
BJA FY 17 Adult Drug Court Discretionary Grant Program Enhancement	16.585	Direct	2017-DC-BX-0039	-	3,777
				<u>-</u>	<u>8,393</u>
Edward Byrne Memorial Justice Assistance Grant Program:					
JAG-70888-SWET-2017	16.738	MSP	2015-MU-BX-0964	-	14,544
Adult Men's Drug Treatment Court 2016/2017	16.738	MSP	2015-MU-BX-0964	-	107,362
Adult Men's Drug Treatment Court 2017/2018	16.738	MSP	2016-MU-BX-0703	-	44,816
Adult Women's Drug Treatment Court 2016	16.738	MSP	2015-MU-BX-0964	-	110,057
Adult Women's Drug Treatment Court 2017	16.738	MSP	2016-MU-BX-0703	-	20,215
Kalamazoo County Sheriff's Dept. Byrne Justice Assistance Grant 2016	16.738	COK	2016-H3208-MI-DJ	-	6,936
				<u>-</u>	<u>303,930</u>
Total U.S. Department of Justice					
				<u>-</u>	<u>426,506</u>
U.S. Department of Transportation					
Highway Safety Cluster:					
State and Community Highway Safety:					
Strategic Traffic Enforcement Program - Police Traffic Services	20.600	MSP	PT-16-28	-	60,462
Interagency Hazardous Materials Public Sector Training & Planning Grants:					
Hazardous Materials Emergency Preparedness Planning Program	20.703	MSP	HM-HMP-0439-14-01-00	-	3,996
Total U.S. Department of Transportation					
				<u>-</u>	<u>64,458</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Environmental Protection Agency					
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds:					
Nontransient NCW System	66.468	MDEQ	FS97548712	\$ -	\$ 875
Brownfield Assessment Grants:					
Hazardous Substance Assessment Funds and Petroleum Assessment Funds	66.818	Direct	EPA-OSWER-OBLR-15-04	-	137,986
Total U.S. Environmental Protection Agency				-	138,861
U.S. Department of Energy					
Weatherization Assistance for Low-Income Persons:					
Weatherization Assistance Program	81.042	MDHHS	WAP-16-39015-1	-	117,920
Weatherization Assistance Program	81.042	MDHHS	WAP-16-39015-2	-	119,717
LIHEAP - Low Income Energy Assistance Program	81.042	MDHHS	LIHEAP16-39015-1	-	94,802
LIHEAP Crisis Assistance	81.042	MDHHS	LCA 16-39015	-	23,251
Total U.S. Department of Energy				-	355,690
U.S. Department of Health and Human Services					
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation:					
Title VII EAP Services	93.041	AASA	20170917	-	8,101
Title VII EAP Services	93.041	AASA	20180434	-	920
				-	9,021
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals:					
Title VII/A LTC Ombudsman	93.042	AASA	20170917	-	10,530
Title VII/A LTC Ombudsman	93.042	AASA	20180434	-	1,076
				-	11,606
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services:					
Title III D Services	93.043	AASA	20170917	-	12,049
Title III D Services	93.043	AASA	20170917	-	1,386
Title III D Services	93.043	AASA	20180434	-	156
				-	13,591
Aging Cluster:					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers:					
Title III B - Administration	93.044	AASA	20170917	-	21,499
Title III B - Services (Program Development)	93.044	AASA	20170917	-	38,988
Title III B - Services	93.044	AASA	20170917	18,030	18,030
Title III B - Services	93.044	AASA	20170917	-	2,286
Title III B - Services	93.044	AAA3B	R3b2017-5111	-	1,828
Title III B - Services	93.044	AAA3C	2017-0004	-	1,500
Title III B - Services	93.044	AASA	20170917	-	4,486
Title III B - Services	93.044	AASA	20170917	-	27,451
Title III B - Administration	93.044	AASA	20180434	-	1,939
Title III B - Services (Program Development)	93.044	AASA	20180434	-	3,312

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Aging Cluster (Concluded):					
Special Programs for the Aging - Title III,					
Part B - Grants for Supportive Services and Senior Centers (Concluded):					
Title III B - Services	93.044	AASA	20180434	\$ 5,361	\$ 5,361
Title III B - Services	93.044	AASA	20180434	-	300
Title III B - Services	93.044	AAA3B	R3b2018-5111	-	609
Title III B - Services	93.044	AAA3C	2018-0004	-	500
Title III B - Services	93.044	AASA	20180434	-	381
Title III B - Services	93.044	AASA	20170917	-	93,624
Title III B - Services	93.044	AASA	20170917	-	918
Title III B - Services	93.044	AASA	20180434	-	17,769
Title III B - Services	93.044	AASA	20180434	-	50
				<u>23,391</u>	<u>240,831</u>
Special Programs for the Aging - Title III,					
Part C - Nutrition Services:					
Title III Administration	93.045	AASA	20170917	-	40,847
Title III C1/C2 Services	93.045	AASA	20170917	291,454	291,454
Title III Administration	93.045	AASA	20180434	-	3,686
Title III C1/C2 Services	93.045	AASA	20180434	99,500	99,500
				<u>390,954</u>	<u>435,487</u>
Nutrition Services Incentive Program:					
Area Agency on Aging - USDA Senior Citizen Meals	93.053	AASA	20170917	111,583	111,583
Area Agency on Aging - USDA Senior Citizen Meals	93.053	AASA	20180434	25,097	25,097
				<u>136,680</u>	<u>136,680</u>
Total Aging Cluster				<u>551,025</u>	<u>812,998</u>
Special Programs for the Aging - Title IV and					
Title II - Discretionary Projects:					
Senior Medicare Patrol	93.048	MMAP	90MP0218-02-00	-	189
Senior Medicare Patrol	93.048	MMAP	90MP0218-03-00	-	153
Senior Medicare Patrol	93.048	MMAP	90MP0218-03-00	1,378	1,378
Senior Medicare Patrol	93.048	MMAP	90MP0218-02-00	1,705	1,705
Senior Medicare Patrol	93.048	MMAP	90MP0218-03-00	-	80
Senior Medicare Patrol	93.048	MMAP	90MP0218-03-00	721	721
				<u>3,804</u>	<u>4,226</u>
National Family Caregiver Support -					
Title III, Part E:					
Title III E - Administration	93.052	AASA	20170917	-	9,316
Title III E - NFCSP	93.052	AASA	20170917	11,323	11,323
Title III E - NFCSP	93.052	AASA	20170917	-	2,210
Title III E - Information and Assistance	93.052	AASA	20170917	-	37,090
Title III E - Administration	93.052	AASA	20180434	-	841
Title III E - NFCSP	93.052	AASA	20180434	2,814	2,814
Title III E - Information and Assistance	93.052	AASA	20180434	-	2,052
Title III E - Care Management	93.052	AASA	20170917	-	28,832
Title III E - Care Management	93.052	AASA	20180434	-	4,558
				<u>14,137</u>	<u>99,036</u>

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Public Health Emergency Preparedness:					
Laboratory Services Bio	93.069	MDHHS	20170293	\$ -	\$ 15,002
Laboratory Services Bio	93.069	MDHHS	20180076	-	3,750
Public Health Emergency Preparedness (PHEP) 10/1/2016 - 6/30/2017	93.069	MDHHS	20170293	-	109,330
PHEP EBOLA Virus Disease (EVD) Phase II	93.069	MDHHS	20170293	-	3,439
PHEP Regional EPI Support	93.069	MDHHS	20170293	-	1,615
				-	133,136
HPP and PHEP Aligned Cooperative Agreements:					
Public Health Emergency Preparedness 7/1/17 - 9/30/17	93.074	MDHHS	20170293	-	33,064
Public Health Emergency Preparedness 10/1/17 - 6/30/18	93.074	MDHHS	20180076	-	24,257
PHEP Regional EPI Support	93.074	MDHHS	20170293	-	1,020
				-	58,341
Project Grants and Cooperative Agreements for Tuberculosis Control Programs:					
TB Control	93.116	MDHHS	20170293	-	76
TB Control	93.116	MDHHS	20180076	-	24
				-	100
Immunization Cooperative Agreements:					
Vaccine Provided (non-cash assistance)	93.268	MDHHS	20170293	-	136,866
Immunization MCIR Regions	93.268	MDHHS	20170293	-	7,650
Infant and Vaccine Program	93.268	MDHHS	20170293	-	34,460
Infant and Vaccine Program	93.268	MDHHS	20180076	-	25,486
Immunizations Fixed Fees	93.268	MDHHS	20170293	-	3,200
Immunizations Fixed Fees	93.268	MDHHS	20180076	-	1,000
Immunizations Fixed Fees	93.268	MDHHS	20170293	-	6,300
Immunizations Fixed Fees	93.268	MDHHS	20180076	-	1,450
				-	216,412
State Health Insurance Assistance Program:					
State Health Insurance Assistance Program	93.324	MMAP	90SA0073-01-01	-	40
State Health Insurance Assistance Program	93.324	MMAP	90SAPG0010-01-00	-	796
State Health Insurance Assistance Program	93.324	MMAP	90SA0073-01-00	-	969
State Health Insurance Assistance Program	93.324	MMAP	90SAPG0010-01-00	-	383
State Health Insurance Assistance Program	93.324	MMAP	90SA0073-01-01	359	359
State Health Insurance Assistance Program - Mileage	93.324	MMAP	90SAPG0010-01-00	7,158	7,158
State Health Insurance Assistance Program	93.324	MMAP	90SA0073-01-00	8,715	8,715
State Health Insurance Assistance Program	93.324	MMAP	90SAPG0010-01-00	381	381
State Health Insurance Assistance Program	93.324	MMAP	90SAPG0010-01-00	3,450	3,450
				20,063	22,251
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance:					
Immunization and Vaccine Program	93.539	MDHHS	20170293	-	58,057

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Child Support Enforcement (CSE):					
Child Support Enforcement (Year 5)	93.563	MDHHS	CS/FOC-13-39001-A2	\$ -	\$ 1,402,205
Child Support Enforcement (Year 1)	93.563	MDHHS	CSFOC17-39001	-	443,933
Federal Performance Incentive Payment (2015)	93.563	MDHHS	CS/FOC-13-39001	-	343,425
Child Support Enforcement (Year 4)	93.563	MDHHS	CSPA-13-39002-A1	-	(297)
Child Support Enforcement (Year 4)	93.563	MDHHS	CSPA-13-39002-A1	-	353,575
Child Support Enforcement (Year 1)	93.563	MDHHS	CSPA17-39002	-	121,470
				<u>-</u>	<u>2,664,311</u>
Weatherization for Low Income Persons:					
Michigan Energy Assistance Program	93.568	MDHHS	PSC-16-07	-	84,808
Michigan Energy Assistance Program	93.568	MDHHS	G-18BMILIEA	-	5,581
				<u>-</u>	<u>90,389</u>
Community Services Block Grant / CSBG	93.569	MDHHS	CSBG14-39015-4	31,411	486,573
Community Services Block Grant / CSBG	93.569	MDHHS	CSBG14-39015-5	7,711	141,479
				<u>39,122</u>	<u>628,052</u>
Grants to States for Access and Visitation Programs:					
Access and Visitation Grant	93.597	SCAO	SCAO-2017-019	-	10,790
Affordable Care Act Implementation Support for State Demonstrations to Integrate for Medicare - Medicaid Enrollees:					
Michigan's Application for Implementation Support for State Demonstrators to Integrate Care for Individuals Who are Eligible for Medicare and Medicaid	93.628	MMAP	1L1CMS331357-02-00	-	443
Michigan's Application for Implementation Support for State Demonstrators to Integrate Care for Individuals Who are Eligible for Medicare and Medicaid	93.628	MMAP	1N1CMS331416	-	647
Michigan's Application for Implementation Support for State Demonstrators to Integrate Care for Individuals Who are Eligible for Medicare and Medicaid	93.628	MMAP	1L1CMS331357-02-00	3,983	3,983
Michigan's Application for Implementation Support for State Demonstrators to Integrate Care for Individuals Who are Eligible for Medicare and Medicaid	93.628	MMAP	1N1CMS331416	5,824	5,824
				<u>9,807</u>	<u>10,897</u>
Cancer Prevention and Control Programs for State Territorial and Tribal Organizations Financed in Part by Prevention and Public Health Funds:					
MI Cancer Prevention Control Program	93.752	MDHHS	20170293	-	70,000

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Preventative Health and Health Services Block Grant Funded					
Solely With Prevention and Public Health Funds (PPHF):					
STD Control	93.758	MDHHS	20170293	\$ -	\$ 37,682
STD Control	93.758	MDHHS	20180076	-	12,558
MPHI MINI Grant	93.758	MDHHS	X-64057-115-504200	-	10,000
				<u>-</u>	<u>60,240</u>
Medicaid Cluster:					
Medical Assistance Program:					
Medicaid Outreach - CHAP	93.778	MDHHS	20170293	3,741	3,741
Medicaid Outreach - AAA	93.778	MDHHS	20170293	-	1,021
Targeted Case Management	93.778	AASA	20170917	-	15,357
Targeted Case Management	93.778	AASA	20180434	-	4,074
Nurse Family Partnership	93.778	MDHHS	20170293	-	178,141
Nurse Family Partnership	93.778	MDHHS	20180076	-	63,396
Medicaid Outreach - NFP	93.778	MDHHS	20170293	-	59,610
Case Management Services - CSHCS	93.778	MDHHS	20170293	-	64,304
Medicaid Outreach - CSHCS	93.778	MDHHS	20170293	-	13,189
Case Management Services - CSHCS	93.778	MDHHS	20180076	-	41,585
Medicaid - LEAD	93.778	MDHHS	20170293	-	7,486
Medicaid - LEAD	93.778	MDHHS	20180076	-	2,217
				<u>-</u>	<u>454,121</u>
Total Medicaid Cluster					
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Maternal, Infant and Early Childhood Home Visiting Program:					
Healthy Families America Expansion	93.870	MDHHS	20170293	-	183,396
Healthy Families America Expansion	93.870	MDHHS	20180076	-	43,359
Nurse Family Partnership Services	93.870	MDHHS	20170293	-	750
				<u>-</u>	<u>227,505</u>
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations:					
MI Cancer Prevention Control Program	93.898	MDHHS	20170293	-	54,050
MI Cancer Prevention Control Program	93.898	MDHHS	20180076	-	34,379
				<u>-</u>	<u>88,429</u>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs:					
MI Cancer Prevention Control Program	93.919	MDHHS	20170293	-	4,237
Healthy Start Initiative:					
Healthy Start	93.926	Direct	H49MC00047-16-03	-	223,274
Healthy Start	93.926	Direct	H49MC00047-17-02	-	534,620
				<u>-</u>	<u>757,894</u>
HIV Prevention Activities - Health Department Based:					
Aids/HIV Prevention	93.940	MDHHS	20170293	-	1,000
Maternal and Child Health Services Block Grant to the States:					
MCH Block Grant - SUID	93.994	MDHHS	20170293	-	875
MCH Block Grant - SUID	93.994	MDHHS	20180076	-	625
MCH Block Grant - FIMR	93.994	MDHHS	20170293	-	1,890
MCH Block Grant - FIMR	93.994	MDHHS	20180076	-	2,430
MCH Block Grant - MCH Assessment	93.994	MDHHS	20170293	-	15,000
MCH Block Grant - Immunizations	93.994	MDHHS	20170293	-	28,283
MCH Block Grant - Immunizations	93.994	MDHHS	20180076	-	9,426

continued...

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Concluded)					
Maternal and Child Health Services Block Grant to the States (Concluded):					
MCH Block Grant - CSHCS	93.994	MDHHS	20170293	\$ -	\$ 38,250
MCH Block Grant - CSHCS	93.994	MDHHS	20180076	-	12,750
MCH Block Grant - IAP	93.994	MDHHS	20170293	-	9,000
MCH Block Grant - IAP	93.994	MDHHS	20180076	-	3,000
MCH Block Grant - CLPP	93.994	MDHHS	20170293	-	11,649
MCH Block Grant - CLP Education and Prevention	93.994	MDHHS	20170293	-	17,007
MCH Block Grant - CLPP	93.994	MDHHS	20180076	-	3,827
MCH Block Grant - CLP Education and Prevention	93.994	MDHHS	20180076	-	4,610
MCH Block Grant - Lead Outreach	93.994	MDHHS	20170293	-	45,000
MCH Block Grant - Lead Outreach	93.994	MDHHS	20180076	-	11,250
				-	214,872
Total U.S. Department of Health and Human Services				641,699	6,721,512
Executive Office of the President					
Domestic Cannabis Eradication / Suppression Program	95.001	MSP	MIDTA#271	-	817
High Intensity Drug Trafficking Areas Program	95.001	SWET	SWE-123-16	-	16,410
Total Executive Office of the President				-	17,227
U.S. Department of Homeland Security					
Boating Safety Financial Assistance:					
Marine Safety Program	97.012	MDNR	MS-17-024	-	24,000
Emergency Management Performance Grants:					
Emergency Management Performance Grant (PY2016)	97.042	MSP	EMC-2016-EP-00001-S1	-	6,769
Emergency Management Performance Grant (PY2017)	97.042	MSP	EMC-2017-EP-00001-S1	-	23,465
				-	30,234
Homeland Security Grant Program	97.067	VAN	EMW-2015-SS-00033	-	16,923
Total U.S. Department of Homeland Security				-	71,157
Total Expenditures of Federal Awards				\$ 641,699	\$ 8,559,552

concluded

See notes to schedule of expenditures of federal awards.

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the County of Kalamazoo, Michigan (the “County”) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County’s reporting entity is defined in Note 1 of the County’s Financial Statements. The County’s financial statements include the operations of the Kalamazoo County Road Commission and the Kalamazoo Community Mental Health and Substance Abuse Services discretely presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2017, as the entities were separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the County’s financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the County has elected not to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

4. OTHER FEDERAL REVENUE

The County is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$2,343,291 for the year ended December 31, 2017) are not presented on the Schedule, as they will be included in the single audit for the State of Michigan.

4. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
AAA3B	Area Agency on Aging Region 3B
AAA3C	Area Agency on Aging Region 3C
AASA	Aging & Adult Services Agency
COK	City of Kalamazoo

COUNTY OF KALAMAZOO, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

Pass-through Agency Abbreviation	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
MDEQ	Michigan Department of Environmental Quality
MDNR	Michigan Department of Natural Resources
MDOE	Michigan Department of Education
MMAP	Michigan Medicare/Medicaid Assistance Program
MSP	Michigan State Police
SCAO	Michigan State Court Administrative Office
SWET	Southwest Enforcement Team
VAN	Van Buren County



This page intentionally left blank.

COUNTY OF KALAMAZOO, MICHIGAN

Supplemental Schedule of Expenditures by Service
September 30, 2017

Service Category	Federal Admin	Title IIIB	Title IIIC-1	Title IIIC-2	Title IIID	NFCSP IIIE	Title VII/EAP	Title VIIA	NSIP
Care Management	\$ -	\$ 72,548	\$ -	\$ -	\$ -	\$ 30,702	\$ -	\$ -	\$ -
Case Coord/Support	-	1,179	-	-	-	-	-	-	-
Information & Assistance	-	27,767	-	-	-	38,034	-	-	-
Transportation	-	7,530	-	-	-	-	-	-	-
Home Injury Control	-	-	-	-	-	3,000	-	-	-
Homemaker	-	20,642	-	-	-	-	-	-	-
Home Delivered Meals	-	-	-	192,236	-	-	-	-	84,268
Medication Management	-	2,281	-	-	-	-	-	-	-
Personal Care	-	-	-	-	-	-	-	-	-
PERS/Assist Tech & Devices	-	-	-	-	-	-	-	-	-
Respite Care	-	-	-	-	-	-	-	-	-
Congregate Meals	-	-	186,840	-	-	-	-	-	52,378
Legal Assistance	-	13,086	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-
Disease Prevent	-	4,486	-	-	12,049	-	-	-	-
Creating Confident Caregivers	-	-	-	-	1,586	2,210	-	-	-
LTC Ombudsman	-	2,400	-	-	-	-	-	10,793	-
Senior Center Staffing	-	6,093	-	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	-	8,637	-	-
Counseling	-	380	-	-	-	6,486	-	-	-
Caregiver E,S,T	-	-	-	-	-	4,951	-	-	-
Program Development	-	39,700	-	-	-	-	-	-	-
Gap Services	-	1,060	-	-	-	-	-	-	-
Nutrition Education	-	-	900	-	-	-	-	-	-
	-	199,152	187,740	192,236	13,635	85,383	8,637	10,793	136,646
Administration	75,648	-	-	-	-	-	-	-	-
Total	\$ 75,648	\$ 199,152	\$ 187,740	\$ 192,236	\$ 13,635	\$ 85,383	\$ 8,637	\$ 10,793	\$ 136,646

COUNTY OF KALAMAZOO, MICHIGAN

Supplemental Schedule of Expenditures by Service
September 30, 2017

	Merit Award Trust Fund	St. CG Support	St. Respite (Escheat)	State ANS	State Admin	Program Income	Cash Match	In-Kind Match	Totals
Care Management	\$ -	\$ -	\$ -	\$ 23,304	\$ -	\$ -	\$ 85,714	\$ -	\$ 382,498
Case Coord/Support	-	-	-	-	-	-	1,300	-	2,479
Information & Assistance	-	-	-	-	-	-	21,159	-	86,960
Transportation	-	-	-	-	-	-	28,670	-	36,200
Home Injury Control	-	-	-	-	-	-	634	-	3,634
Homemaker	-	-	-	-	-	-	18,625	-	141,917
Home Delivered Meals	-	-	-	-	-	40,502	49,633	-	586,208
Medication Management	-	-	-	-	-	-	3,531	-	10,150
Personal Care	-	-	-	-	-	-	2,344	-	18,938
PERS/Assist Tech & Devices	-	-	-	-	-	-	3,472	-	19,582
Respite Care	19,406	3,474	17,966	-	-	-	13,952	-	143,936
Congregate Meals	-	-	-	-	-	49,986	24,102	-	318,313
Legal Assistance	-	-	-	-	-	-	28,100	5,125	46,311
Adult Day Care	43,095	4,237	26,561	-	-	1,401	959	-	76,253
Disease Prevent	-	-	-	-	-	46,999	22,470	-	86,004
Creating Confident Caregivers	-	-	-	-	-	100	1,666	-	5,562
LTC Ombudsman	-	-	-	-	-	-	11,138	-	67,816
Senior Center Staffing	-	-	-	-	-	-	11,035	-	17,128
Elder Abuse Prevention	-	-	-	-	-	-	-	-	8,637
Counseling	-	-	-	-	-	-	2,311	-	9,177
Caregiver E,S,T	-	-	-	-	-	-	881	3,514	9,346
Program Development	-	-	-	-	-	5,756	10,954	-	56,410
Gap Services	-	-	-	-	-	-	3,258	-	4,318
Nutrition Education	-	-	-	-	-	-	100	-	1,000
	<u>62,501</u>	<u>7,711</u>	<u>44,527</u>	<u>23,304</u>	<u>-</u>	<u>144,744</u>	<u>346,008</u>	<u>8,639</u>	<u>2,138,777</u>
Administration	<u>6,181</u>	<u>763</u>	<u>-</u>	<u>-</u>	<u>13,064</u>	<u>10,969</u>	<u>65,327</u>	<u>-</u>	<u>171,952</u>
Total	<u>\$ 68,682</u>	<u>\$ 8,474</u>	<u>\$ 44,527</u>	<u>\$ 23,304</u>	<u>\$ 13,064</u>	<u>\$ 155,713</u>	<u>\$ 411,335</u>	<u>\$ 8,639</u>	<u>\$ 2,310,729</u>

concluded

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 27, 2018

Honorable Members of the
Board of Commissioners
of the County of Kalamazoo, Michigan
Kalamazoo, Michigan

We have audited, in accordance with the 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, the 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 *County of Kalamazoo, Michigan* (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2018. Our report includes a reference to other auditors who audited the financial statements of the Kalamazoo County Transportation Authority, the Central County Transportation Authority, the Kalamazoo County Road Commission, the Kalamazoo County Public Housing Commission, and the Kalamazoo County Consolidated Dispatch Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Kalamazoo County Road Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Johnson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 27, 2018

Honorable Members of the
Board of Commissioners
of the County of Kalamazoo, Michigan
Kalamazoo, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *County of Kalamazoo, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Kalamazoo County Road Commission and the Kalamazoo Community Mental Health and Substance Abuse Services, which expended certain federal awards that are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2017. Our audit, described below, did not include the operations of the Kalamazoo County Road Commission or the Kalamazoo Community Mental Health and Substance Abuse Services, because they arranged for separate financial statement audits. The Kalamazoo County Road Commission did not meet the criteria for a single audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of major programs and type of report issued on compliance for each major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
93.563	Child Support Enforcement	Unmodified
93.926	Healthy Start Initiative	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes no

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

COUNTY OF KALAMAZOO, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

COUNTY OF KALAMAZOO, MICHIGAN

■ Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2017

None reported.

■ ■ ■ ■ ■