

City of Kalamazoo



2008

Comprehensive Annual Financial Report

For the year ended December 31, 2008

City of Kalamazoo, Michigan

CITY OF KALAMAZOO, MICHIGAN

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2008**

City Commission

**Bobby J. Hopewell, Mayor
Hannah J. McKinney, Vice Mayor**

**Sean McCann
Donald Cooney
David Anderson
Barbara Hamilton Miller
Stephanie Moore**

City Manager: Kenneth P. Collard, ICMA-CM, P.E.

Prepared by: Management Services Department, Budget & Accounting Division

**Independent Auditors:
Rehmann Robson**

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INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

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June 25, 2009

To the Honorable Mayor, City Commission, and Citizens of the City of Kalamazoo:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill the City of Kalamazoo's requirement for the fiscal year ended December 31, 2008.

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

Rehmann Robson, Certified Public Accounts, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2008. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally-mandated "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the separately issued City's Single Audit Report.

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

Profile of the Government

The City of Kalamazoo, incorporated in 1884, is located between Chicago and Detroit in the southwest corner of Michigan and encompasses an area of approximately 26 square miles. The current population of the City is approximately 72,000. The City, also the county seat, is home to Western Michigan University, a state-designated Research I university, as well as Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College. As a municipality of the State of Michigan, the City of Kalamazoo is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Kalamazoo has operated under the commission-manager form of government since 1918. As required by the City Charter, the seven member commission is elected at-large on a non-partisan basis to serve two-year terms of office. Policymaking and legislative authority are vested in an elected commission consisting of seven members, all serving part-time. The Commission member who receives the highest number of votes becomes the Mayor and serves as the executive head of the Commission. The Commission member receiving the second highest number of votes becomes the Vice Mayor and performs the duties of the Mayor in his or her absence. The City Manager is the Chief Administrative Officer of the City and is appointed by the Commission to serve at its pleasure. With the exception of the City's Assessor, Attorney, Clerk and Internal Auditor who are also appointed by the Commission, the City Manager is responsible for administering the policies and ordinances of the City Commission, for appointing the department heads of the City's various departments and overseeing day-to-day operations of the City.

City Services

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

The City has three tax-increment-financed districts within its boundaries: a Downtown Development Authority for its downtown area, a Brownfield Redevelopment Authority to redevelop blighted properties within its boundaries, and a Local Development Financing Authority for a business and technology research park. A tax-increment financing ("TIF") district captures incremental increases in property tax revenues and reinvests them within that district. In addition to these TIF districts, a portion of the City has been designated as a Renaissance Zone by the State of Michigan, which allows residents and businesses within that zone to enjoy exemption from property taxes and certain state taxes. These districts are discretely presented component units of the City.

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

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

Budgeting Control

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

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

The budget has been approved in accordance with GAAP for all governmental funds with the exception of property taxes, as the State of Michigan property tax calendar (which begins July 1) differs from the City's fiscal year (which begins January 1). The City Charter allows property taxpayers to pay their taxes in twelve (12) monthly installments. Property taxes are budgeted in the year levied, even though they are not fully available to finance operations in the current year. Because GAAP requires the recognition of only those property tax collections made during the fiscal year with a sixty-day accrual period, the City prepares dual statements for its General and Solid Waste funds, one in conformity with GAAP, and one on a "Non-GAAP, budgetary basis". Further discussion on this difference and its implication is provided in the note disclosures.

Cash Management Policies and Practices

The City's investments, managed by the City Treasurer, are guided by an investment policy adopted by the City Commission in compliance with statutory requirements for municipal investments. Due to their long-term nature, funds for the City's pension fund and Cemetery Perpetual Care fund maintain separate investment portfolios, as allowed by State law, and are managed by an Investment Committee appointed by the City Commission.

Risk Management

The City is predominantly self-insured for general liability, workers' compensation, life and health insurance. The City's policy is to recognize the cost of these claims at the time the liability is incurred in the Insurance and Benefits Fund. The estimated uninsured claim liability (both reported and incurred but not reported) has been recorded as a liability in the Insurance and Benefits Fund. Additional information on risk management can be found in the note disclosures.

Pension and Other Postemployment Benefits

The City sponsors a single-employer defined benefit pension plan for its employees. A five-member Board of Trustees is empowered to administer the system. A six-member Investment Committee appointed by the City Commission is responsible for the investment of the system's assets.

As of December 31, 2008, the City of Kalamazoo Employee Retirement System had 1,563 members. Each year, an independent actuary calculates the amount of the annual contribution that the City must make to ensure that the plan will be able to fully meet its obligations to retirees and beneficiaries on a timely basis. Due to the Plan's over-funded status, no contribution was required of the City for fiscal year 2008. The funded status, defined as the percentage of actuarial assets to actuarial liabilities, decreased from 153.0% in 2007 to 146.9% as of December 31, 2008, due to unfavorable asset experience.

The City also provides other postemployment benefits for certain retirees and their beneficiaries. These benefits are financed on a pay-as-you go basis. Newly implemented GAAP requires the City to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The unfunded actuarial accrued liability for other post-employment benefits is approximately \$207 million. The Annually Required Contribution (ARC) for 2008 is roughly \$18.1 million. The City contributed \$6.2 million in other post-employment benefit expenses in 2008, leaving a net other post employment benefit obligation of \$11.9 million, which is reflected in the General Insurance Fund.

SEC Disclosure under Rule 15c2-12

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

Local Economy

Kalamazoo has a diverse regional economy, anchored by major employers in the pharmaceutical (Pfizer), health care product (Stryker Corp.), health services (Bronson and Borgess regional hospitals), banking (National City), and higher education (Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College) industries. Kalamazoo's workforce is as diverse as its economy, ranging from those skilled in manufacturing to research scientists. At the same time, enrollment in local universities and colleges exceeds 45,000 students, creating a base of potential employees that is highly attractive to business and industry.

A long-time cultural and commercial center for the region, Kalamazoo has made tremendous strides over the past decade to revitalize its central business district, and downtown Kalamazoo has now become a dining and entertainment hub, with much of the new activity occurring in restored historic buildings. Within the last five years, the Radisson Plaza Hotel, located in the heart of downtown, celebrated the completion of its \$33 million renovation, including a new façade, the addition of 71 rooms (including suites and long-term stay rooms), a new restaurant, and several upscale shops.

Major projects completed within recent years include the \$4.6 million renovation of the United Electric Building; the public-private \$27 million multi-screen movie theater, parking ramp and retail/residential project at 141 East South Street; continued progress on Bronson Healthcare Group's campus master plan and several smaller projects resulting in preservation of historic structures and creation of residential loft space.

The Arcadia Commons project, the \$180 million Bronson Hospital campus, improvements to the downtown mall, the \$33 million expansion of the Kalamazoo Gazette, the \$3.3 million project to renovate 2 buildings in the downtown into new entertainment and restaurant venues and projects discussed above account for more than \$450 million in total new investment downtown over the last 10 years.

In 2005, a group of anonymous citizens interested in the economic strength and quality of life in the City of Kalamazoo made a tremendous contribution on behalf of Kalamazoo Public School System students. All students who graduate from Kalamazoo Public Schools, are residing in the district, and have been students four years or more will be given funding for college tuition and mandatory fees.

The amount of available dollars depends on years of residency and the number of grades attended in KPS, up to 100% of tuition and mandatory fees. The funds will be available to use at any public university or community college in the State of Michigan. The scholarships that now await graduates of Kalamazoo Public Schools go a long way toward making the school-improvement goal a done deal and in the process, could launch an unprecedented boon to business and economic development.

Western Michigan University's \$72.5 million College of Engineering opened its doors in 2003, and the adjoining Business, Technology and Research Park (BTR) saw new investment from life science, advanced engineering, and high technology companies. In its first five years of existence, 33 private-sector businesses have been attracted to the BTR Park: 18 life-science companies, 7 advanced engineering firms and 1 information technology company. Currently, 20 these businesses have laboratory and office space in the Southwest Michigan Innovation Center (SMIC). In addition, 103 acres of the 137-acre BTR site have been developed, are under construction, or are under option.

Pfizer, the area's largest employer, has announced plans to consolidate approximately 450 staff from the region and also from Sandwich, England, to its research facilities in the City. In addition, approximately \$50 million in new investment in the same building is planned to accommodate this growth.

Pfizer, MPI Research, and the City have announced plans which would result in the second of Pfizer's downtown buildings being deeded to the City of Kalamazoo, which will in turn lease the facility to MPI Research. MPI will then locate more than 400 employees in this facility. Another 2,900 employees are planned to be added in MPI's Mattawan facility, which is located approximately 15 miles west of Kalamazoo, with a total investment over the next 5 years of over \$330 million in the region.

The City continues to make progress in the area of affordable housing. The City also developed a 10-point affordable housing strategy used as the foundation for a countywide initiative.

The City of Kalamazoo initiated the creation of the countywide transit authority, which marks the first efforts to improving the transportation system throughout the County. Additionally, we completed \$13 million of facility renovations in August of 2006 to rehabilitate the historical Intermodal Transportation Center (bus/train station) and construct a new transfer station for Metro Transit and inter-city buses.

Long-term financial planning

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

Fiscal year 2009 is expected to be another difficult year as state-shared revenues and other revenues continue to lag behind expenditures. This situation is not unique to our community. A number of Michigan cities – especially those in urban centers – have been reducing government services in recent years.

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

Since 2006, the City has utilized a five-year Fiscal Plan (The Plan) utilizing a methodology designed to identify and embrace new realities, strategies, and opportunities. The Plan embodies achievement of balanced annual budgets, establishment and maintenance of strategic prudent reserve funds, responsible reinvestment in capital infrastructure, and efficient use of resources. Expenditures will be primarily reduced through comprehensive analysis for cost containment, establishment of reserves and use of alternative funding sources, and non-head count efficiency improvements. Revenue will be increased through new or alternative funding.

Given the unprecedented downturn in the economy in the latter part of 2008, the City has decided to employ a 2-year rolling budget presentation, in order to foreshorten our fiscal perspective and lengthen our budgeting perspective. We have also implemented a Quarterly Review of economics and fiscal matters impacting the City. These approaches, when taken together, focus our efforts towards maintaining service levels for our community, as well as to control expenditures in response to emerging information about changes in resources.

Awards and Acknowledgements

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kalamazoo for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the thirteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized comprehensive annual finance report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

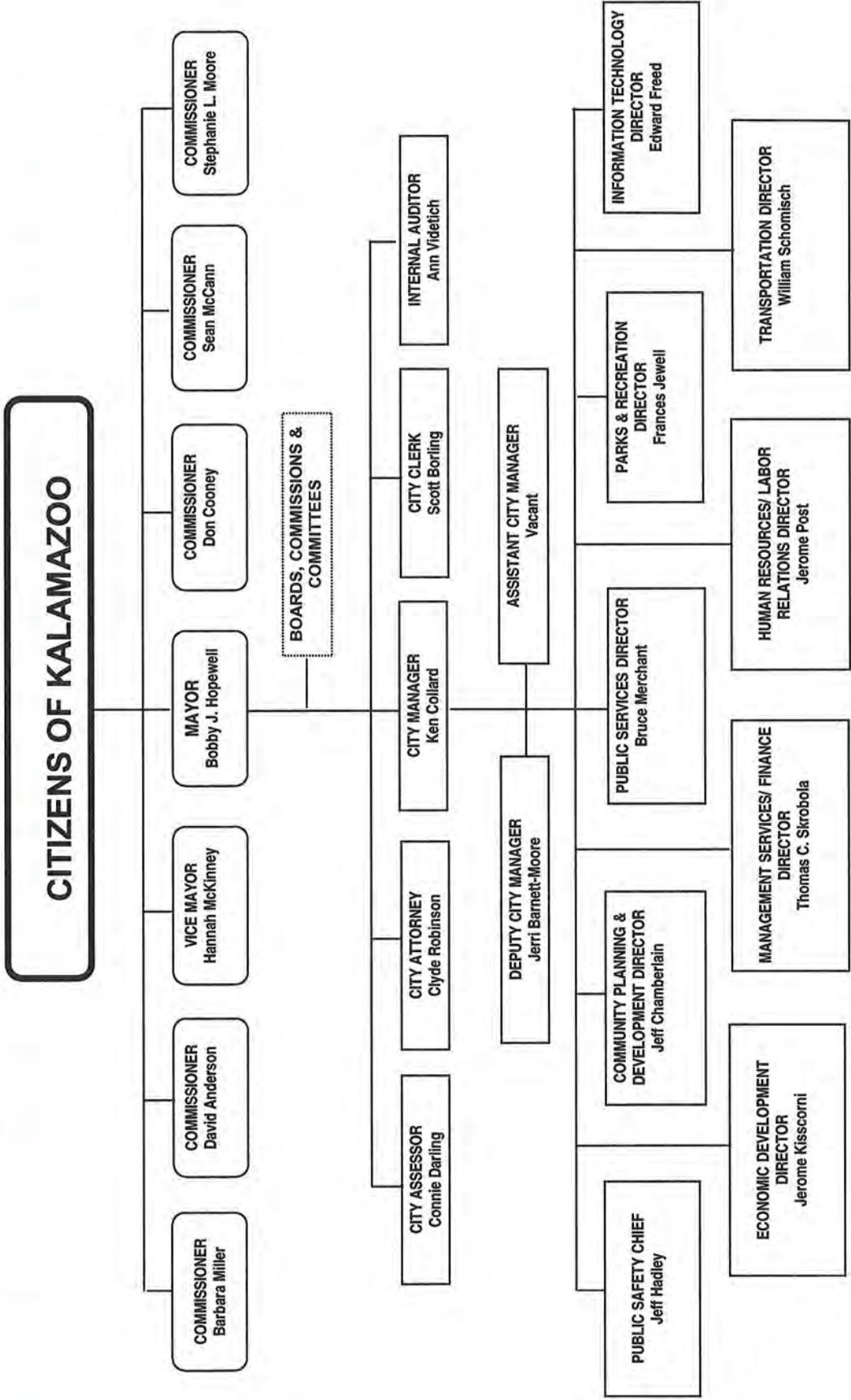
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the City of Kalamazoo. We want to thank all involved in the financial monitoring and reporting of City activities, especially the Budget & Accounting Division and specifically Thomas C. Skrobola, CFO and Director of Management Services, Deputy CFO Patsy Moore and Accounting Coordinator Jennifer Clark. Credit also must be given to the mayor and the governing commission for their unfailing support to maintaining the highest standards of professionalism in the management of the City of Kalamazoo's finances.

Respectfully submitted,



Kenneth P. Collard
City Manager

CITY OF KALAMAZOO ORGANIZATIONAL CHART



CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2008

City Commission

Bobby J. Hopewell, Mayor
Hannah J. McKinney, Vice Mayor

Sean McCann
Donald Cooney
David Anderson
Barbara Hamilton Miller
Stephanie Moore

City Administration

City Manager: Kenneth P. Collard, ICMA-CM, P.E.

Jerri Barnett-Moore, Deputy City Manager
Jerome Kisscorni, Executive Director of Economic Development Corporation
Jerome Post, Human Resources/Labor Relations Director
Jeff Hadley, Public Safety Chief
Thomas C. Skrobola, Director of Management Services and Finance Director
Patsy Moore, Deputy Finance Director
William Schomisch, Transportation Director
Frances Jewell, Parks & Recreation Director
Edward Freed, Information Technology Director
Bruce Merchant, Public Services Director

MANAGEMENT SERVICES DEPARTMENT

Thomas C. Skrobola, Director of Management
Services and Finance Director
Patsy Moore, Deputy Finance Director
Wade Carlson, City Treasurer
Constance Darling, City Assessor
Nick Lam, Purchasing Director

CITY COMMISSION APPOINTEES

Scott Borling, City Clerk
Constance Darling, City Assessor
Ann Videtich, Internal Auditor
Clyde Robinson, City Attorney

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kalamazoo
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

June 25, 2009

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the *City of Kalamazoo, Michigan*, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kalamazoo's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority and the Kalamazoo Municipal Golf Association, which represent 13.84% and 3.05% of the assets and 28.81% and 4.86% of the revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Development Authority and the Kalamazoo Municipal Golf Association, is 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 of material misstatement. The financial statements of the Kalamazoo Municipal Golf Association were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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 City of Kalamazoo, Michigan, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV.D to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of January 1, 2008. In connection with the implementation of this new pronouncement, beginning net assets of the Insurance and Benefits internal service fund were increased by \$264,673.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of the City 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, in a separately issued single audit report. 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-19 and the historical pension supplementary information for the Employees Retirement System and other postemployment benefit plan information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and do not express opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kalamazoo's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the City of Kalamazoo, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$326,231,224 (*net assets*). Of this amount, \$27,854,726 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$10,065,739 or 2.99%. This net decrease was a combination of a \$11.15 million decrease in governmental activities net assets and a \$1.09 million increase in business-type activity net assets.
- The City's balance of bonded debt decreased by \$2.205 million during the current fiscal year. The City added \$4.165 million in General Obligation debt. The City made scheduled bond payments totaling slightly more than \$6.370 million.
- As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$23,125,997, a decrease of \$5,861,497 in comparison of the prior year. Approximately 56% of the combined fund balances, or \$12,958,501, was available for spending at the government's discretion ("*unreserved fund balance*"). However of that amount, \$9,496,640 was attributable to special revenue funds, debt service funds, capital projects funds and permanent funds. Fund balances in those funds must be used for their intended purposes.
- The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) unreserved, undesignated fund balance for the general fund was \$7,317,369, or 13.6% of total general fund revenues and other financing sources. For the purpose of the City's policy, amounts designated as budgeted for use in the next year, \$2,447,984 for 2008 is added to the unreserved, undesignated fund balance, resulting in a fund balance of \$9,765,353, or 18.2%. The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$1,013,877 or 1.9% of total general fund revenues and other financing sources.
- Combined business-type activities net assets increased \$1,776,395. This included a \$284 thousand increase of net assets in the Water Fund, and a \$1.488 million increase of net assets in the Wastewater fund.

Management's Discussion and Analysis

Overview and Analysis of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 20-21 of this report.

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

Management's Discussion and Analysis

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

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

The City maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's general fund; solid waste, neighborhood and community development special revenue funds; and the Building authority debt service fund. Data from the other fifteen (15) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, and farmer's market. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance, self-insurance, engineering services and city-wide maintenance. Because these services predominantly benefit governmental rather than business-type functions, 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 wastewater and water systems, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on pages 30-35 of this report.

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

The basic fiduciary funds financial statements can be found on pages 36-37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on page 77-78 of this report.

The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 79-125 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$326,231,224 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$271,592,256 or 83.3 percent, reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$26,784,242 or 8.2 percent, represents resources that are subject to external restrictions on how they may be used. Restricted net assets include amounts set aside for endowments, debt service, debt-financed projects, long-term advances, and externally mandated commitments. The remaining balance of *unrestricted net assets*, \$27,854,726 or 8.5 percent may be used to meet the government's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Kalamazoo's Net Assets December 31, 2008 and 2007

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 63,959,290	\$ 66,511,816	\$ 25,446,075	\$ 24,533,338	\$ 89,405,365	\$ 91,045,154
Capital assets, net	177,372,814	174,239,484	176,961,164	178,599,777	354,333,978	352,839,261
Total assets	<u>241,332,104</u>	<u>240,751,300</u>	<u>202,407,239</u>	<u>203,133,115</u>	<u>443,739,343</u>	<u>443,884,415</u>
Long-term liabilities outstanding	83,367,178	72,335,004	24,180,293	25,856,796	107,547,471	98,191,800
Other liabilities	8,054,036	7,615,947	1,906,612	2,044,378	9,960,648	9,660,325
Total liabilities	<u>91,421,214</u>	<u>79,950,951</u>	<u>26,086,905</u>	<u>27,901,174</u>	<u>117,508,119</u>	<u>107,852,125</u>
Net assets:						
Invested in capital assets, net of related debt	117,057,211	114,330,019	154,535,045	154,384,778	271,592,256	268,714,797
Restricted	26,784,242	30,795,758	-	10,915,639	26,784,242	41,711,397
Unrestricted	<u>6,069,437</u>	<u>15,674,572</u>	<u>21,785,289</u>	<u>9,931,524</u>	<u>27,854,726</u>	<u>25,606,096</u>
Total net assets	<u>\$ 149,910,890</u>	<u>\$ 160,800,349</u>	<u>\$ 176,320,334</u>	<u>\$ 175,231,941</u>	<u>\$ 326,231,224</u>	<u>\$ 336,032,290</u>

The government's total net assets decreased by \$10,065,739 or 2.99%, after taking into consideration a prior period adjustment of \$264,673, which increased total net assets for 2007. The effect of this adjustment is not shown in this comparative schedule. This prior period adjustment was due to implementation of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net decrease in total net assets was a combination of a \$11.15 million decrease in governmental activities net assets and a \$1.09 million increase in business-type activity net assets.

Management's Discussion and Analysis

City of Kalamazoo's Changes in Net Assets For the Year Ended December 31, 2008 and 2007

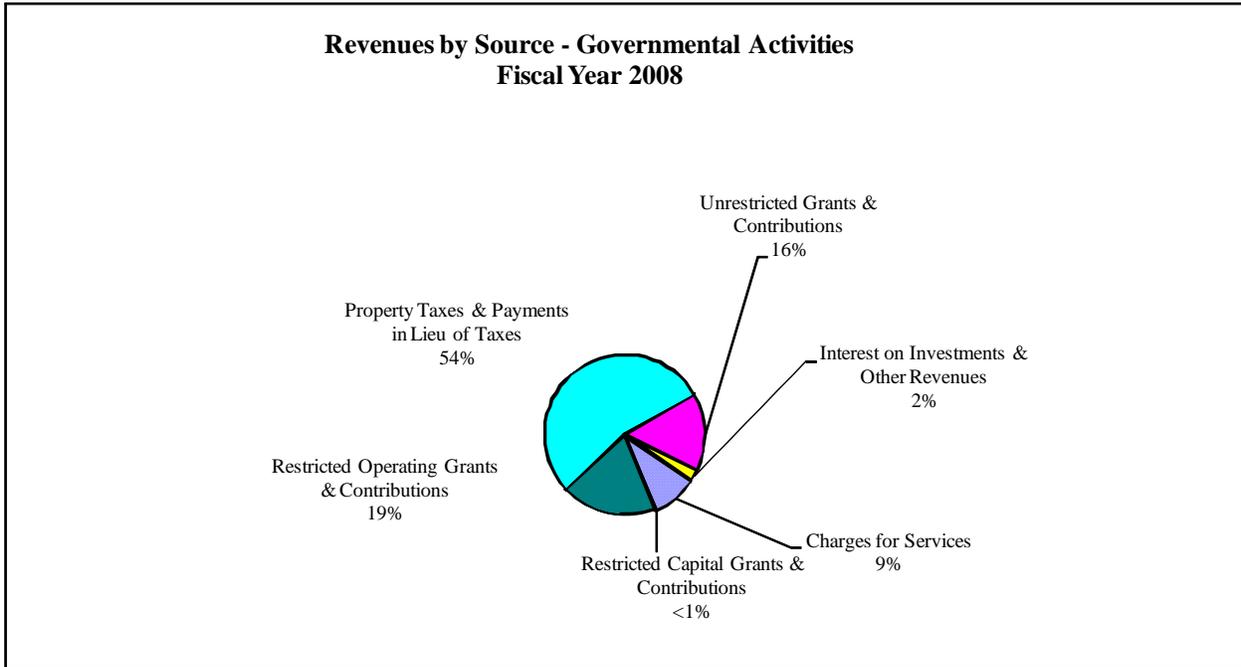
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenue:						
Charges for services	\$ 6,143,338	\$ 5,856,878	\$ 32,856,430	\$ 27,760,888	\$ 38,999,768	\$ 33,617,766
Operating grants and contributions	12,966,562	15,685,545	451,421	962,170	13,417,983	16,647,715
Capital grants and contributions	151,241	661,968	2,959,418	3,965,417	3,110,659	4,627,385
General revenue:						
Property taxes	36,221,234	35,263,246	-	-	36,221,234	35,263,246
Grants and contributions not restricted to specific programs	10,548,626	10,243,913	1,326	7,390	10,549,952	10,251,303
Other	1,417,272	2,074,947	42,110	92,189	1,459,382	2,167,136
Total revenue	<u>67,448,273</u>	<u>69,786,497</u>	<u>36,310,705</u>	<u>32,788,054</u>	<u>103,758,978</u>	<u>102,574,551</u>
Expenses:						
General government	11,449,623	3,370,219	-	-	11,449,623	3,370,219
Public safety	37,207,556	31,437,072	-	-	37,207,556	31,437,072
Economic development	1,220,954	522,649	-	-	1,220,954	522,649
Community development and planning	6,284,976	5,162,836	-	-	6,284,976	5,162,836
Parks	234,262	1,171,824	-	-	234,262	1,171,824
Recreation	1,864,828	1,921,507	-	-	1,864,828	1,921,507
Public works	5,508,637	6,015,033	-	-	5,508,637	6,015,033
Streets	11,776,466	13,354,094	-	-	11,776,466	13,354,094
Interest on long-term debt	2,957,164	2,986,121	-	-	2,957,164	2,986,121
Wastewater	-	-	20,584,823	20,240,292	20,584,823	20,240,292
Water	-	-	14,686,137	13,819,287	14,686,137	13,819,287
Other	-	-	49,291	44,672	49,291	44,672
Total expenses	<u>78,504,466</u>	<u>65,941,355</u>	<u>35,320,251</u>	<u>34,104,251</u>	<u>113,824,717</u>	<u>100,045,606</u>
Increase (decrease) in net assets before transfers	(11,056,193)	3,845,142	990,454	(1,316,197)	(10,065,739)	2,528,945
Transfers	(97,939)	432,487	97,939	(432,487)	-	-
Change in net assets	<u>(11,154,132)</u>	<u>4,277,629</u>	<u>1,088,393</u>	<u>(1,748,684)</u>	<u>(10,065,739)</u>	<u>2,528,945</u>
Net assets - beginning, as restated	<u>161,065,022</u>	<u>156,522,720</u>	<u>175,231,941</u>	<u>176,980,625</u>	<u>336,296,963</u>	<u>333,503,345</u>
Net assets - end of year	<u>\$ 149,910,890</u>	<u>\$ 160,800,349</u>	<u>\$ 176,320,334</u>	<u>\$ 175,231,941</u>	<u>\$ 326,231,224</u>	<u>\$ 336,032,290</u>

Governmental activities. Governmental activities decreased the City's net assets \$11.2 million.

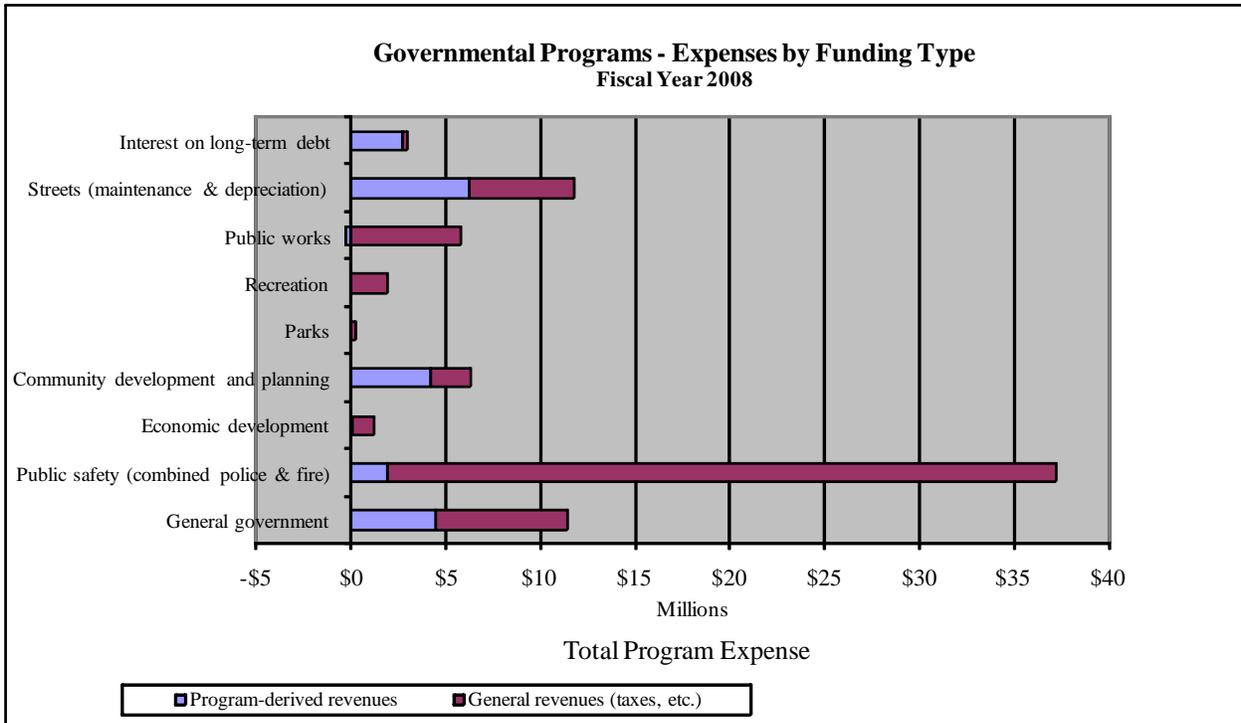
For the first time, new GAAP requires that the City show a portion of our long-term liability for retiree health care or other postemployment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. The total Actuarially Accrued Liability (AAL) of \$206 million for retiree health care has been amortized to an Annually Required Contribution (ARC) of roughly \$18.1 million for 2008. After crediting current payments for retiree health care of \$6.2 million, a net OPEB obligation of \$11.9 million is spread amongst the various activities shown above, which is the primary cause of the overall decrease.

While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and/or by intergovernmental aid. In total, for fiscal year 2008, 61% of governmental program expenses were funded by a combination of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and reserves as depicted on the following chart.

Management's Discussion and Analysis



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

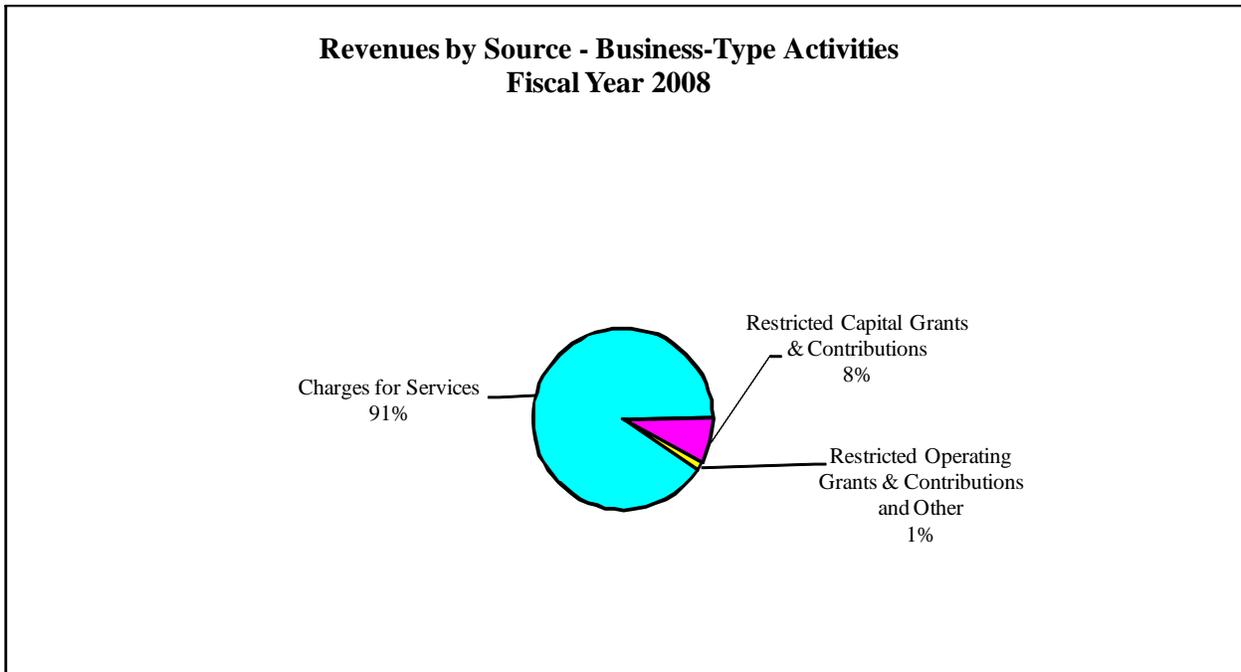


Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City's net assets by \$1.1 million. The key elements of this increase are as follows:

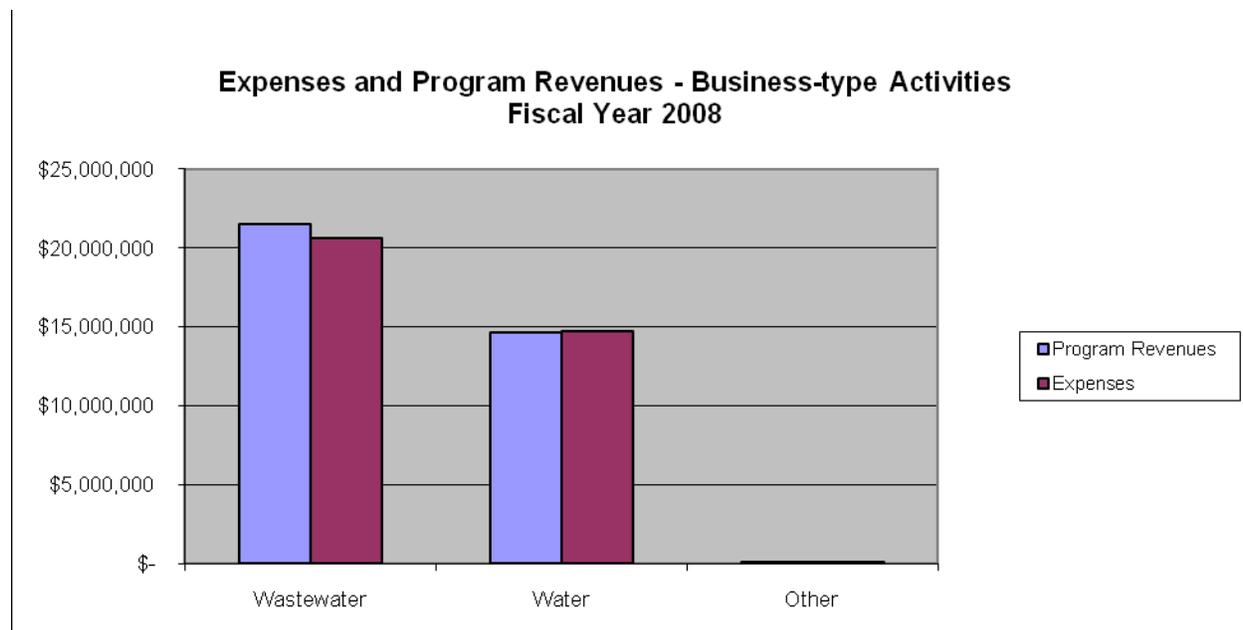
- There was a major increase in operating revenue of \$5.2 million for the Wastewater system. This was primarily driven by "true-up" receipts of \$4 million, which fully realized cost recovery from industrial clients for the years 2006 and 2007.
- Capital contributions represented a major revenue source for the Water system during the current fiscal year, producing \$2.9 million in revenue.

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



Management's Discussion and Analysis

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



Financial Analysis of the Government's Funds.

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

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

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$23,125,997, a decrease of \$5,861,497 in comparison of the prior year. Approximately 56% of the combined fund balances, or \$12,958,501, was available for spending at the government's discretion ("*unreserved fund balance*"). However of that amount, \$9,496,640 was attributable to special revenue funds, debt service funds, capital projects funds and permanent funds. Fund balances in those funds must be used for their intended purposes.

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

Management's Discussion and Analysis

General Fund. The general fund is the chief operating fund of the City of Kalamazoo. Because of the City's property tax installment payment option provided for in the City charter, some property tax collections, \$6,303,492 for 2008, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP). As a result the City reports two fund balances in the fund financial statements, a "GAAP" fund balance and a "non-GAAP, budgetary basis" fund balance.

The City has a formal unreserved, undesignated fund balance policy target, using the *non-GAAP, budgetary* fund balance, of 13-15% of total general fund revenues and other financing sources. The General Fund *non-GAAP, budgetary* unreserved, undesignated fund balance for the general fund was \$7,317,369, or 13.6% of total general fund revenues and other financing sources. For the purpose of the City's policy, amounts designated as budgeted for use in the next year, \$2,447,984 for 2008 is added to the unreserved, undesignated fund balance, resulting in a fund balance of \$9,765,353, or 18.2%.

The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$1,013,877 or 1.9% of total general fund revenues and other financing sources. This was a \$1,172,875 decrease from 2007 and resulted from a planned decrease of fund balance for 2008 in accordance with the Fiscal Year 2008 Adopted Budget, and the Five-Year Fiscal Plan.

Revenues and other financing sources came in \$426,289 more than the amended budget. Expenditures and other financing uses were \$800,190 below budget, resulting in the favorable variance. However, \$157 thousand of the positive expenditure and other financing source variance is being carried forward for spending in 2009 (recorded as designations of fund balance on the balance sheet). This is in addition to another \$2,290,984 that has been designated for expenditure in future periods.

Solid Waste Special Revenue Fund. The Solid Waste fund is used to account for funds provided by a special tax millage for the collection and removal of solid waste.

Like the General Fund, the Solid Waste fund balance is reported using two bases: the non-GAAP, budgetary basis and the GAAP basis. The fund's *non-GAAP, budgetary* unreserved, undesignated fund balance increased \$59,701 during the course of 2008 to \$1,628,562. The GAAP basis unreserved, undesignated fund balance is \$1,106,621 (the entire fund balance is being carried forward for use in 2009). The increase in the GAAP fund balance was attributable mainly to nominal increases in property tax revenues in 2008 and decreased expenditures.

Neighborhood and Community Development Special Revenue Fund. This fund is used to account for a variety of federal award programs, most notably the City's Community Development Block, HOME, and Emergency Shelter Grants.

During 2008, the fund balance decreased from \$844,489 to \$741,672. This difference was caused by an increase in expenditures for various housing projects versus 2007 of \$467 thousand, while revenue increased only by \$386 thousand.

Management's Discussion and Analysis

Building Authority Debt Service Fund. This debt service fund is used to account for the debt service activity of the Kalamazoo Building Authority, a blended component unit. Resources consist of the collection of lease payments by the Downtown Development Authority, as well as transfers from other funds for Building Authority-related debt repayment. While this fund generally operates on a cash-in, cash-out basis, it is designated as a major fund because of the relative size of assets and liabilities as compared to other funds.

During the year, the fund balance increased from \$46,450 to \$48,270. The fund balance is comprised of accumulated interest earnings and bond proceeds, which will be used to offset debt service payments in 2009.

Other (Nonmajor) Governmental Funds. During the year, the combined fund balance for the City's nonmajor governmental funds decreased from \$21,719,950 to \$17,007,039. The majority of the \$17 million fund balance is attributable to capital improvement projects funds (\$4.9 million), special revenue funds used for major and local streets (\$3.6 million), economic activities (\$3.2 million), and endowments held for recreational and cemetery perpetual care purposes (\$4.5 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

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

Wastewater Fund. *Unrestricted* net assets (the amount available for future spending) of the City's Wastewater fund amounted to \$16.4 million as of December 31, 2008. The fund had a increase in total net assets for the year of \$1,487,940.

Contributing to the increase in total net assets was an operating gain of \$1,268,376. This was largely due to \$3.9 million of "look-back" revenue from industrial clients, representing a complete cost recovery for 2006 and 2007.

Overall revenues increased by \$5.25 million. The aforementioned look-back was primarily responsible for this.

The City has a financial policy, which targets minimum levels for certain reserves in the Wastewater Fund. The Operating Reserve (working capital) should be at least 90 days of budgeted operation & maintenance expense; the Emergency Capital Reserve should be at least equal to the prior year's depreciation expense; and the Environmental Clean-Up Reserve should be equal to the estimated present value cost of known, quantifiable and probable clean-up liabilities. As of December 31, 2008, the balances in these reserves were at or above the minimum levels.

Water Fund. *Unrestricted* net assets (the amount available for future spending) of the City's Water fund amounted to \$3,258,862 as of December 31, 2008. The fund had an increase in total net assets for the year of \$283,837 and a decrease in unrestricted net assets of \$229,777.

Management's Discussion and Analysis

The increase in net assets is primarily attributable to \$2.9 million of capital contributions (revenues received for extensions and improvements to the water distribution system that are paid for by an outside party, such as a homeowner or developer) received in 2008. Because that amount was used to purchase capital assets, it increased the amount of net assets reported as *Invested in capital assets, net of related debt*.

The Water Fund experienced an operating loss of \$1,756,965, due to inflationary increases in expenses and depreciation. This was offset by \$2.9 million of contributed capital to the system.

The City has a financial policy, which targets minimum levels for certain reserves in the Water Fund. The Operating Reserve (working capital) should be at least 90 days of budgeted operation & maintenance expense. As of December 31, 2008, the Operating Reserves were at or above the minimum levels. The Emergency Capital Reserve is required to be at least equal to the prior year's depreciation expense. As of December 31, 2008, the balance was at the prior year's depreciation expense.

Other Enterprise Funds. During the year, the combined net assets for the City's nonmajor proprietary funds increased \$4,618 to \$139,417. The City Market (farmers' market) Fund represents the entire net asset balance, the unrestricted portion (not invested in capital assets) being \$56,909.

General Fund Budgetary Highlights

During the year, there was a \$635,475 increase in appropriations between the original and final amended General Fund budget adopted by the City Commission. Following are the main components of the increase:

- Unspent budget appropriations in the amount of \$442,534 from 2007 under the City's budgetary policies were reappropriated in 2008.
- A fuel surcharge of \$315,100.
- Other various operational increases totaling \$172,400.

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008, totaled \$354.3 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; water, wastewater, and storm sewer systems; vehicles and equipment; park facilities; roads; highways; and bridges. Net capital assets for governmental activities increased \$3.1 million, or 1.8%, while net business-type activity net assets decreased \$1.6 million, or 0.9%, for business-type activities.

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

- Water system upgrades totaling \$8.9 million
- Wastewater system upgrades totaling \$3.3 million
- Public Services vehicle and heavy equipment purchases totaling \$739 thousand
- Public Works improvements totaling \$640 thousand, including the Kal-Haven Trailway project
- Information Technology equipment purchases totaling \$147 thousand
- Public Safety vehicle purchases totaling \$413 thousand
- Public Safety facilities construction completed with \$2.89 million added in 2008 to the new Park Street Station to complete the project.
- Parks upgrades in the amount of \$1.254 million.
- Construction, reconstruction, or widening of streets and sidewalks in the amount of \$3.66 million.

City of Kalamazoo's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 29,758,986	\$ 29,603,757	\$ 2,979,463	\$ 2,865,494	\$ 32,738,449	\$ 32,469,251
Building & Improvements	39,394,163	40,280,682	53,443,329	54,907,477	92,837,492	95,188,159
Land Improvements	1,776,658	1,873,943	5,434,093	5,705,399	7,210,751	7,579,342
Machinery and Equipment	3,593,551	4,244,493	15,041,192	13,660,126	18,634,743	17,904,619
Vehicles	2,911,104	3,091,400	1,303,714	1,332,770	4,214,818	4,424,170
Infrastructure	89,135,954	91,873,742	96,539,523	92,097,691	185,675,477	183,971,433
Intangible Assets	-	-	1,163,790	1,170,189	1,163,790	1,170,189
Construction in Progress	10,802,398	3,271,467	1,056,060	6,860,631	11,858,458	10,132,098
Total	<u>\$ 177,372,814</u>	<u>\$ 174,239,484</u>	<u>\$ 176,961,164</u>	<u>\$ 178,599,777</u>	<u>\$ 354,333,978</u>	<u>\$ 352,839,261</u>

Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes from 2007, can be found in Note III C on pages 59-60 of this report.

Long-term debt. The City's balance of bonded debt decreased by \$2.205 million during the current fiscal year. The City added \$4.165 million in General Obligation debt. The City made scheduled bond payments totaling slightly more than \$4.910 million.

General obligation bonds. The City issues direct obligations where the government pledges the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The balance of outstanding general obligation bonds as of December 31, 2008 is \$48.765 million.

Revenue Bonds. The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The balance of outstanding revenue bonds as of December 31, 2008 is \$11.09 million for governmental activities and \$22.755 million for business activities.

Special Assessment Debt. The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. Management considers the likelihood of this occurring to be extremely remote. The balance of outstanding special assessment bonds as of December 31, 2008 is \$235 thousand.

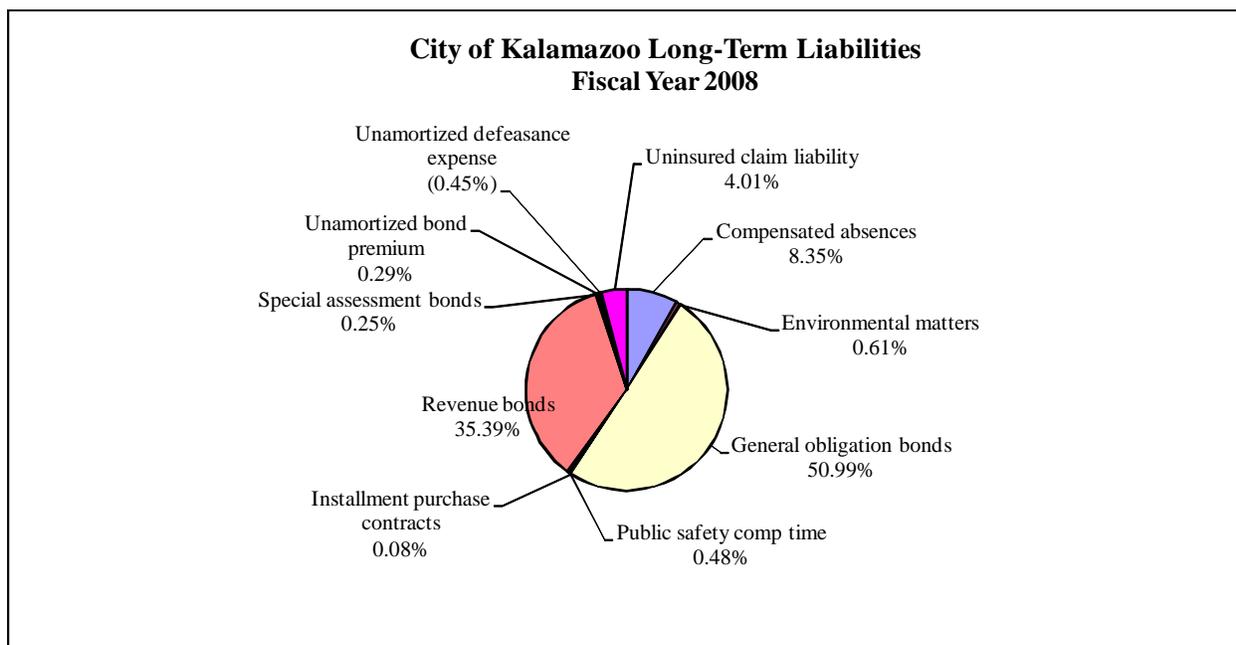
Installment Obligations. The City has entered into various long-term installment payment agreements which are similar in nature to bonds. The balance of outstanding installment obligations as of December 31, 2008 is \$80 thousand.

Compensated Absences. The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2008 is \$8.444 million.

Insurance Claims and Environmental Matters. The City has estimated its liability for various legal issues that the City is aware of as of December 31, 2008. The estimated liability to the City is \$4.416 million.

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

Management's Discussion and Analysis



Additional information on the City's long-term debt, including comparisons by category to 2007, can be found in note disclosures on pages 62-67.

Bond Ratings

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies as of December 31, 2008.

	Fitch	S&P
Water and wastewater revenue bonds	AA-	AA-
General obligation limited tax bonds	AA	AA
General obligation unlimited tax bonds	AA	AA

Economic Factors and Next Year's Budgets and Rates

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

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

Management's Discussion and Analysis

Since 2002, the City and other Michigan local governments have experienced a significant reduction in state revenue sharing. As a result of above-mentioned factors, the City levies the maximum charter millage rate. Reductions in state revenue sharing, a cumulative amount of \$14 million since 2000, combined with the property tax limitation measures and the large amount of tax-exempt properties, have presented significant challenges to the City in maintaining service levels.

The unprecedented economic crisis which took shape in late 2008 and which continues to obliterate millions of jobs and trillions of dollars of wealth across the country has severely impacted the automakers located in Michigan. As of the writing of this letter, both Chrysler and General Motors have filed for bankruptcy protection. The State of Michigan has lost a staggering 23% of its General Fund revenue over the past year. There seems to be little sign of bottoming out. The City could realistically stand to lose as much as \$5-7 million of State Shared Revenues for the General Fund by the end of FY 2011.

Additionally, global capital markets were hammered by losses exceeding 50% over the last year. The City's pension system had lost over 45% of its fair market asset value at one point before recovering to the same level it was at as of December 31, 2008. Even so, the pension system assets are still only valued at 70% of the value they represented at their peak in mid-2007. This increases the chances that the City will have to budget millions of dollars of annual contributions to fund the Pension system in several years. The City has not had to make a budgetary contribution to the Pension system since 1997.

To address these fiscal challenges, the City has altered its fiscal outlook by adopting a two-year rolling budget presentation, to foreshorten the fiscal timeframe from the five-year span that has been employed since 2006, and to lengthen the budgeting perspective from one year to two.

Plans have been proposed by each department within the City representing 5% operational reductions, which can be employed if needed. These plans include reductions in staffing and certain support area service levels.

The fiscal plan includes updates to the formal City of Kalamazoo's General Fund Reserve Policy that guides the creation, maintenance and use of reserves. The fund balance of the General Operating Fund will be budgeted within the target range of 13 – 15 percent of budgeted annual operating revenues. As well, the City has created two formal reserve accounts to provide fiscal stability from year to year and provide emergency funds to replace unanticipated equipment failures or for unscheduled economic development initiatives.

Despite the economic and fiscal uncertainty that exists, the 2009 budget maintains basic services and infrastructure, economic growth, neighborhood and community development, affordable housing and expansion of the resource base.

Management's Discussion and Analysis

The 2009 fiscal year budget increases operational General Fund spending by 1% from the fiscal year 2008 amended budget, despite contractual wage increases and the escalating cost of health care, while transferring a significant amount, \$1.95 million for capital project needs. Additionally, the City will have set-aside \$1.65 million into two different fund reservation accounts for Capital Contingencies and Budget Stabilization.

For fiscal year 2009, the ending fund balance is budgeted to come in at 13.5% of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2008, except for the expiration of a Metro Transit millage, which is slated for renewal in the November 2009 election.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KALAMAZOO, MICHIGAN

Statement of Net Assets

December 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 24,516,553	\$ 10,459,058	\$ 34,975,611	\$ 9,182,480
Investments	2,899,207	-	2,899,207	-
Receivables, net	34,234,403	8,875,906	43,110,309	7,715,505
Internal balances	(2,882,542)	2,882,542	-	-
Prepaid items and other assets	1,166,008	1,388,476	2,554,484	374,120
Restricted cash	2,060,843	1,840,093	3,900,936	2,483,664
Investments with agents	1,554,471	-	1,554,471	-
Assets held for resale	410,347	-	410,347	-
Capital assets not being depreciated	40,561,384	4,035,523	44,596,907	2,012,631
Capital assets being depreciated, net	136,811,430	172,925,641	309,737,071	18,290,094
Total assets	241,332,104	202,407,239	443,739,343	40,058,494
Liabilities				
Accounts payable and accrued expenses	7,824,649	1,906,612	9,731,261	11,788,536
Unearned revenue	229,387	-	229,387	975,683
Long-term liabilities:				
Due within one year	7,771,250	1,754,272	9,525,522	409,642
Due in more than one year	63,675,671	22,426,021	86,101,692	2,287,103
Net other postemployment benefit obligation	11,920,257	-	11,920,257	-
Total liabilities	91,421,214	26,086,905	117,508,119	15,460,964
Net assets				
Invested in capital assets, net of related debt	117,057,211	154,535,045	271,592,256	19,083,049
Restricted net assets:				
Nonexpendable restricted net assets	3,268,220	-	3,268,220	-
Expendable restricted net assets:				
Debt service	5,274,747	-	5,274,747	-
Major and local street projects	3,571,182	-	3,571,182	-
Economic development projects	3,747,767	-	3,747,767	-
Programs	10,922,326	-	10,922,326	-
Unrestricted	6,069,437	21,785,289	27,854,726	5,514,481
Total net assets	\$ 149,910,890	\$ 176,320,334	\$ 326,231,224	\$ 24,597,530

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Activities
For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 11,449,623	\$ 3,953,991	\$ 468,197	\$ -
Public safety (combined police & fire)	37,207,556	36,672	1,733,768	151,241
Economic development	1,220,954	18,140	-	-
Community development and planning	6,284,976	1,456,602	2,719,789	-
Parks	234,262	17,268	-	-
Recreation	1,864,828	297,754	(318,248)	-
Public works	5,508,637	342,100	(601,698)	-
Streets (maintenance & depreciation)	11,776,466	20,811	6,224,002	-
Interest on long-term debt	2,957,164	-	2,740,752	-
Total governmental activities	<u>78,504,466</u>	<u>6,143,338</u>	<u>12,966,562</u>	<u>151,241</u>
Business-type activities:				
Wastewater	20,584,823	21,201,437	288,958	49,863
Water	14,686,137	11,604,749	162,463	2,909,555
Other	49,291	50,244	-	-
Total business-type activities	<u>35,320,251</u>	<u>32,856,430</u>	<u>451,421</u>	<u>2,959,418</u>
Total primary government	<u>\$ 113,824,717</u>	<u>\$ 38,999,768</u>	<u>\$ 13,417,983</u>	<u>\$ 3,110,659</u>
Component units				
Development authorities	\$ 8,807,627	\$ 2,780,807	\$ 2,497,020	\$ 240,278
Public transportation	15,676,063	2,604,808	9,886,589	1,564,240
Golf courses	1,334,961	1,269,484	746	-
Total component units	<u>\$ 25,818,651</u>	<u>\$ 6,655,099</u>	<u>\$ 12,384,355</u>	<u>\$ 1,804,518</u>

General revenues:

Property taxes

Grants and contributions not restricted

to specific programs

Unrestricted investment earnings

Gain on disposal of capital assets

Contributions to permanent funds

Transfers - internal activities

Total general revenues, contributions, and transfers

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,027,435)	\$ -	\$ (7,027,435)	\$ -
(35,285,875)	-	(35,285,875)	-
(1,202,814)	-	(1,202,814)	-
(2,108,585)	-	(2,108,585)	-
(216,994)	-	(216,994)	-
(1,885,322)	-	(1,885,322)	-
(5,768,235)	-	(5,768,235)	-
(5,531,653)	-	(5,531,653)	-
(216,412)	-	(216,412)	-
<u>(59,243,325)</u>	<u>-</u>	<u>(59,243,325)</u>	<u>-</u>
-	955,435	955,435	-
-	(9,370)	(9,370)	-
-	953	953	-
<u>-</u>	<u>947,018</u>	<u>947,018</u>	<u>-</u>
(59,243,325)	947,018	(58,296,307)	-
-	-	-	(3,289,522)
-	-	-	(1,620,426)
-	-	-	(64,731)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,974,679)</u>
36,221,234	-	36,221,234	6,651,384
10,548,626	1,326	10,549,952	-
1,382,472	3,590	1,386,062	344
-	38,520	38,520	2,500
34,800	-	34,800	-
(97,939)	97,939	-	-
<u>48,089,193</u>	<u>141,375</u>	<u>48,230,568</u>	<u>6,654,228</u>
(11,154,132)	1,088,393	(10,065,739)	1,679,549
<u>161,065,022</u>	<u>175,231,941</u>	<u>336,296,963</u>	<u>22,917,981</u>
<u>\$ 149,910,890</u>	<u>\$ 176,320,334</u>	<u>\$ 326,231,224</u>	<u>\$ 24,597,530</u>

FUND FINANCIAL STATEMENTS

CITY OF KALAMAZOO, MICHIGAN

Balance Sheet

Governmental Funds

December 31, 2008

	<u>General</u>	<u>Solid Waste</u>	<u>Neighborhood and Community Development</u>	<u>Building Authority Debt Service</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 3,278,557	\$ 1,307,675	\$ 487,087	\$ 48,036
Investments	-	-	-	-
Receivables:				
Taxes	8,892,394	652,626	-	-
Notes	160,109	-	6,297,826	-
Special assessments	9,051	-	-	-
Accrued interest	46,683	-	13,149	-
Other	1,852,531	-	222,055	-
Due from other funds	4,033,515	18,112	5	3,275
Due from component units	146,835	-	-	5,733,375
Due from other governments	157,960	-	581,199	-
Advances to other funds	340,000	-	-	-
Advances to component units	-	-	-	-
Prepaid items and other assets	173,486	-	-	-
Restricted cash	-	-	-	-
Investments with agents	-	-	-	-
Assets held for resale	-	-	410,347	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	\$ 19,091,121	\$ 1,978,413	\$ 8,011,668	\$ 5,784,686
	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts payable	\$ 673,598	\$ 92,779	\$ 391,873	\$ 2,675
Accrued and other liabilities	27,284	-	-	-
Due to other funds	5,374,011	251,857	233,133	366
Due to component units	16,794	-	-	-
Due to other governments	22,788	-	23,203	-
Advances from other funds	-	-	-	-
Deposits payable	13,900	-	88,177	-
Deferred revenue	8,744,125	523,382	6,533,610	5,733,375
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	14,872,500	868,018	7,269,996	5,736,416
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance				
Reserved for:				
Encumbrances	243,274	3,774	741,672	-
Prepaid items	173,486	-	-	-
Advances to other funds	340,000	-	-	-
Advances to component units	-	-	-	-
Noncurrent due from component units	-	-	-	-
Cemetery perpetual care	-	-	-	-
Recreational activities	-	-	-	-
Debt-financed projects	-	-	-	-
Unreserved:				
Designated for subsequent years' expenditures	2,447,984	-	-	-
Designated for subsequent years' expenditures, reported in nonmajor:				
Capital projects funds	-	-	-	-
Undesignated	1,013,877	1,106,621	-	48,270
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	4,218,621	1,110,395	741,672	48,270
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 19,091,121	\$ 1,978,413	\$ 8,011,668	\$ 5,784,686
	<hr/>	<hr/>	<hr/>	<hr/>

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

Other			
Governmental			
Funds		Total	
\$ 12,070,802	\$	17,192,157	
2,899,207		2,899,207	
-		9,545,020	
549,904		7,007,839	
72,734		81,785	
9,940		69,772	
790,228		2,864,814	
1,327,839		5,382,746	
314,000		6,194,210	
1,067,500		1,806,659	
5,203		345,203	
3,527,384		3,527,384	
-		173,486	
2,060,843		2,060,843	
1,554,471		1,554,471	
-		410,347	
<u>\$ 26,250,055</u>	<u>\$</u>	<u>61,115,943</u>	

\$ 774,354	\$	1,935,279	
65,646		92,930	
5,927,870		11,787,237	
407,048		423,842	
161,093		207,084	
5,203		5,203	
966,159		1,068,236	
935,643		22,470,135	
<u>9,243,016</u>	<u></u>	<u>37,989,946</u>	

1,738,542		2,727,262	
-		173,486	
5,203		345,203	
3,527,384		3,527,384	
100,000		100,000	
1,735,160		1,735,160	
1,533,060		1,533,060	
25,941		25,941	
-		2,447,984	
362,526		362,526	
-		2,168,768	
3,086,895		3,086,895	
124,551		124,551	
3,572,432		3,572,432	
1,195,345		1,195,345	
<u>17,007,039</u>	<u></u>	<u>23,125,997</u>	
<u>\$ 26,250,055</u>	<u>\$</u>	<u>61,115,943</u>	

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
December 31, 2008

Fund balances - total governmental funds \$ 23,125,997

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

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

Add: capital assets	297,970,832
Subtract: accumulated depreciation	(122,477,359)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	6,825,433
Add: other deferred revenues	15,432,915

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 in the statement of net assets.

Subtract: net assets of governmental activities accounted for in internal service funds	(3,344,010)
Subtract: net assets allocated to business-type activities from governmental-type activity internal service funds	(1,163,090)
Subtract: net assets allocated to component units from governmental-type activity internal service funds	(658,467)
Add: net assets allocated from component units to governmental-type activity internal service funds	1,455,145

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

Subtract: bonds and installment purchase contracts payable	(60,170,000)
Subtract: accrued interest on long-term debt	(692,865)
Subtract: compensated absences	(6,357,120)
Subtract: environmental liabilities	(586,823)
Subtract: unamortized bond premium	(171,544)

Costs associated with the issuance of bonds are expended in the individual funds, but are capitalized and amortized over the life of the bonds in the statement of net assets.

Add: deferred charges for bond issuance costs	721,846
---	---------

Net assets of governmental activities	\$ 149,910,890
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The accompanying notes are an integral part of these financial statements.

CITY OF KALAMAZOO, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General</u>	<u>Solid Waste</u>	<u>Neighborhood and Community Development</u>	<u>Building Authority Debt Service</u>
Revenue				
Property taxes and special assessments	\$ 33,017,190	\$ 2,526,409	\$ -	\$ -
Licenses and permits	1,951,085	-	-	-
Intergovernmental revenue	11,474,153	-	2,624,276	-
Charges for services	1,250,471	-	105,913	-
Fines and forfeits	44,510	-	-	-
Interest and dividends	1,050,883	34,964	5,064	1,733
Net investment earnings	-	-	-	-
Rental of facilities	-	-	-	2,991,882
Contributions	-	-	-	-
Other revenue	4,394,810	791	-	125,199
	<hr/>			
Total revenue	53,183,102	2,562,164	2,735,253	3,118,814
<hr/>				
Expenditures				
Current expenditures:				
General government	10,291,380	-	-	-
Public safety (combined police and fire)	33,069,266	-	-	-
Economic development	531,725	-	-	-
Community development and planning	2,843,949	-	2,838,070	-
Parks and recreation	2,406,472	-	-	-
Public works	1,459,732	-	-	-
Cemeteries	-	-	-	-
Solid waste	-	2,537,699	-	-
Streets	-	-	-	-
Debt service:				
Principal	-	-	-	2,775,000
Interest and fiscal charges	188,562	-	-	1,922,626
Capital outlay	-	-	-	-
	<hr/>			
Total expenditures	50,791,086	2,537,699	2,838,070	4,697,626
	<hr/>			
Excess (deficiency) of revenue over expenditures	2,392,016	24,465	(102,817)	(1,578,812)
<hr/>				
Other financing sources (uses)				
Transfers in	11,710	-	-	1,580,632
Transfers out	(3,498,900)	-	-	-
Proceeds from the sale of capital assets	23,120	-	-	-
Issuance of long-term debt	-	-	-	-
Bond premium	-	-	-	-
	<hr/>			
Total other financing sources (uses)	(3,464,070)	-	-	1,580,632
	<hr/>			
Net change in fund balances	(1,072,054)	24,465	(102,817)	1,820
	<hr/>			
Fund balance, beginning of year	5,290,675	1,085,930	844,489	46,450
	<hr/>			
Fund balance, end of year	\$ 4,218,621	\$ 1,110,395	\$ 741,672	\$ 48,270
	<hr/>			

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

Other Governmental Funds		Total
\$ 25,520	\$ 35,569,119	
-	1,951,085	
6,664,192	20,762,621	
226,281	1,582,665	
234,925	279,435	
422,981	1,515,625	
(1,858,775)	(1,858,775)	
-	2,991,882	
1,191,357	1,191,357	
983,988	5,504,788	
<u>7,890,469</u>	<u>69,489,802</u>	
-	10,291,380	
649,254	33,718,520	
608,668	1,140,393	
99,045	5,781,064	
414,200	2,820,672	
-	1,459,732	
476,035	476,035	
-	2,537,699	
8,040,933	8,040,933	
2,222,000	4,997,000	
821,309	2,932,497	
5,264,042	5,264,042	
<u>18,595,486</u>	<u>79,459,967</u>	
<u>(10,705,017)</u>	<u>(9,970,165)</u>	
6,687,921	8,280,263	
(4,879,302)	(8,378,202)	
8,900	32,020	
4,165,000	4,165,000	
9,587	9,587	
<u>5,992,106</u>	<u>4,108,668</u>	
(4,712,911)	(5,861,497)	
<u>21,719,950</u>	<u>28,987,494</u>	
<u>\$ 17,007,039</u>	<u>\$ 23,125,997</u>	

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds \$ (5,861,497)

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.

Add: capital outlay	9,178,241
Subtract: depreciation expense	(5,769,945)
Subtract: proceeds from the sale of capital assets	(32,020)
Subtract: loss on disposal of capital assets	(62,951)

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.

Add: net change in deferred property tax revenues	610,495
Subtract: net change in other deferred revenue	(779,576)

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

Add: principal payments on long-term liabilities	4,997,000
Subtract: bond proceeds received	(4,165,000)
Subtract: bond premium received	(9,587)
Add: bond premium amortized	9,593
Subtract: bond discount amortized	(19,271)
Subtract: bond issuance costs amortized	(179,307)

The reduction of the City's long-term liabilities did not provide current financial resources, and was consequently not reported in the funds.

Add: reduction of long-term liability for environmental remediation	120,460
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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.

Add: decrease in accrued interest on bonds	12,766
Subtract: increase in the accrual of compensated absences	(96,368)

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 net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	324,740
Add: gain on disposal of capital assets in governmental internal service funds	20,503
Subtract: net operating loss from governmental activities accounted for in internal service funds	(9,452,408)

Change in net assets of governmental activities	<u>\$ (11,154,132)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF KALAMAZOO, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue				
Property taxes and special assessments	\$ 33,445,634	\$ 33,445,634	\$ 33,588,675	\$ 143,041
Licenses and permits	1,945,069	1,945,069	1,951,085	6,016
Intergovernmental	11,502,715	11,502,715	11,474,153	(28,562)
Charges for services	1,191,175	1,191,175	1,250,471	59,296
Fines and forfeitures	40,100	40,100	44,510	4,410
Interest and rent	1,205,500	1,205,500	1,050,883	(154,617)
Other revenue	4,019,225	4,019,225	4,394,810	375,585
Total revenue	53,349,418	53,349,418	53,754,587	405,169
Expenditures				
City Commission	88,707	173,707	167,385	6,322
City Administration:				
City Manager	846,954	868,704	844,332	24,372
City Attorney	864,247	937,526	907,929	29,597
City Clerk:				
Administration	290,052	293,014	297,300	(4,286)
Election	242,880	276,050	289,413	(13,363)
Records management	213,845	225,698	224,501	1,197
Total city clerk	746,777	794,762	811,214	(16,452)
Internal Audit	90,526	92,162	87,706	4,456
Human Resources	893,308	935,951	785,456	150,495
Management Services Department:				
Accounting	1,076,086	1,089,991	1,036,244	53,747
Assessing	704,856	732,181	701,070	31,111
Treasury	974,480	978,758	965,214	13,544
Purchasing and risk management	465,088	469,691	462,935	6,756
Total management services department	3,220,510	3,270,621	3,165,463	105,158
Public Safety (combined police and fire):				
Administration	1,009,401	1,009,401	1,073,892	(64,491)
Training	932,012	975,893	846,493	129,400
K-Vet drug enforcement	1,520,671	1,520,671	1,571,085	(50,414)
Operations division	19,617,711	19,617,711	19,518,243	99,468
Criminal investigations	3,604,248	3,604,248	3,546,700	57,548
Service division	6,872,497	7,040,450	6,512,853	527,597
Total public safety (combined police and fire)	33,556,540	33,768,374	33,069,266	699,108

Continued...

CITY OF KALAMAZOO, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Concluded)
General Fund
For the Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (concluded)				
Public Works:				
Forestry, creeks, and environmental inspections	\$ 799,923	\$ 804,973	\$ 820,219	\$ (15,246)
Sidewalks and Pedestrian Mall maintenance	607,857	607,857	639,513	(31,656)
Total public works	1,407,780	1,412,830	1,459,732	(46,902)
Economic Development	500,000	500,000	531,725	(31,725)
Community Planning and Development:				
Programs	586,669	586,669	546,460	40,209
Planning	449,560	449,560	450,983	(1,423)
Inspections	1,867,954	1,869,604	1,846,506	23,098
Total community planning and development	2,904,183	2,905,833	2,843,949	61,884
Parks and Recreation:				
Parks maintenance	1,133,117	1,133,117	1,060,590	72,527
Recreation	1,384,849	1,409,267	1,345,882	63,385
Total parks and recreation	2,517,966	2,542,384	2,406,472	135,912
Non-Departmental:				
City Hall maintenance	552,583	552,583	600,721	(48,138)
Street lighting	1,008,115	1,008,115	1,041,247	(33,132)
Debt Service - interest and fiscal charges	-	-	188,562	(188,562)
Other	1,195,606	1,627,725	1,879,927	(252,202)
Total non-departmental	2,756,304	3,188,423	3,710,457	(522,034)
Total expenditures	50,393,802	51,391,277	50,791,086	600,191
Excess of revenue over expenditures	2,955,616	1,958,141	2,963,501	1,005,360
Other financing sources (uses)				
Transfers in	-	11,710	11,710	-
Transfers out	(4,060,899)	(3,698,899)	(3,498,900)	199,999
Proceeds from the sale of capital assets	2,000	2,000	23,120	21,120
Total other financing sources (uses)	(4,058,899)	(3,685,189)	(3,464,070)	221,119
Net change in fund balance	(1,103,283)	(1,727,048)	(500,569)	1,226,479
Fund balance, beginning of year	11,022,682	11,022,682	11,022,682	-
Fund balance, end of year (budgetary basis)	\$ 9,919,399	\$ 9,295,634	10,522,113	\$ 1,226,479
Accounting basis difference			(6,303,492)	
Fund balance, end of year (GAAP basis)			\$ 4,218,621	

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Solid Waste
For the Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue				
Taxes	\$ 2,570,933	\$ 2,570,933	\$ 2,565,419	\$ (5,514)
Interest and dividends	10,000	10,000	34,964	24,964
Other revenue	-	-	791	791
Total revenue	2,580,933	2,580,933	2,601,174	20,241
Expenditures				
Solid Waste	2,641,179	2,641,179	2,537,699	103,480
Net change in fund balance	(60,246)	(60,246)	63,475	123,721
Fund balance, beginning of year	1,568,861	1,568,861	1,568,861	-
Fund balance, end of year (budgetary basis)	<u>\$ 1,508,615</u>	<u>\$ 1,508,615</u>	1,632,336	<u>\$ 123,721</u>
Accounting basis difference			<u>(521,941)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,110,395</u>	

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Neighborhood and Community Development Fund
For the Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue				
Intergovernmental revenue	\$ 817,592	\$ 5,516,962	\$ 2,624,276	\$ (2,892,686)
Charges for services	-	-	105,913	105,913
Interest	-	-	5,064	5,064
Total revenue	<u>817,592</u>	<u>5,516,962</u>	<u>2,735,253</u>	<u>(2,781,709)</u>
Expenditures				
Community Development:				
Demolition revolving	150,308	174,815	135,913	38,902
Housing services	817,592	817,592	725,277	92,315
Community Development Block Grant	-	2,851,351	1,373,275	1,478,076
Emergency shelter	-	206,735	123,807	82,928
Housing rehabilitation	-	-	45,664	(45,664)
HOME	-	2,928,186	434,134	2,494,052
Total expenditures	<u>967,900</u>	<u>6,978,679</u>	<u>2,838,070</u>	<u>4,140,609</u>
Net change in fund balance	(150,308)	(1,461,717)	(102,817)	1,358,900
Fund balance, beginning of year	<u>844,489</u>	<u>844,489</u>	<u>844,489</u>	-
Fund balance (deficit), end of year	<u>\$ 694,181</u>	<u>\$ (617,228)</u>	<u>\$ 741,672</u>	<u>\$ 1,358,900</u>

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

CITY OF KALAMAZOO, MICHIGAN

Statement of Net Assets

Proprietary Funds

December 31, 2008

	Enterprise Funds				
	Wastewater	Water	Nonmajor		Internal Service Funds
			City	Market	
Assets					
Current assets:					
Cash and cash equivalents	\$ 8,387,656	\$ 1,186,253	\$ 59,532	\$ 9,633,441	\$ 8,150,013
Receivables:					
Customers	6,533,395	2,054,245	400	8,588,040	-
Special assessments	44,504	-	-	44,504	-
Accrued interest	3,850	5	-	3,855	-
Other	-	-	-	-	1,387,018
Due from other funds	3,364,715	2,056,106	-	5,420,821	9,042,346
Due from component units	-	245	-	245	294,757
Due from other governments	-	15,337	-	15,337	-
Inventories	429,524	313,158	-	742,682	287,802
Prepaid items and other assets	46,694	4,067	-	50,761	24,619
Total current assets	<u>18,810,338</u>	<u>5,629,416</u>	<u>59,932</u>	<u>24,499,686</u>	<u>19,186,555</u>
Noncurrent assets:					
Restricted cash	426,789	1,413,304	-	1,840,093	-
Advances to component units	223,925	-	-	223,925	-
Deferred bond issuance costs	101,206	452,082	-	553,288	-
Capital assets	84,074,355	91,318,048	82,508	175,474,911	3,365,594
Total noncurrent assets	<u>84,826,275</u>	<u>93,183,434</u>	<u>82,508</u>	<u>178,092,217</u>	<u>3,365,594</u>
Total assets	<u>103,636,613</u>	<u>98,812,850</u>	<u>142,440</u>	<u>202,591,903</u>	<u>22,552,149</u>
Liabilities					
Current liabilities:					
Accounts payable	540,795	343,176	405	884,376	365,813
Accrued and other liabilities	40,403	286,581	2	326,986	2,367,570
Due to other funds	1,519,465	2,336,308	762	3,856,535	4,202,141
Due to component units	-	218	-	218	76,084
Due to other governments	8,810	14,290	-	23,100	-
Advances from other funds	-	-	-	-	340,000
Deposits payable	100	608,311	-	608,411	-
Unearned revenue	-	-	-	-	17,600
Current portion of compensated absences	134,068	80,882	232	215,182	45,668
Current portion of long-term debt	220,000	1,315,000	-	1,535,000	1,713,241
Total current liabilities	<u>2,463,641</u>	<u>4,984,766</u>	<u>1,401</u>	<u>7,449,808</u>	<u>9,128,117</u>
Noncurrent liabilities:					
Bonds payable	3,195,000	17,696,119	-	20,891,119	-
Compensated absences payable	938,472	566,174	1,622	1,506,268	319,676
Uninsured claim liability	-	-	-	-	2,115,573
Net other postemployment benefit obligation	-	-	-	-	11,920,257
Total noncurrent liabilities	<u>4,133,472</u>	<u>18,262,293</u>	<u>1,622</u>	<u>22,397,387</u>	<u>14,355,506</u>
Total liabilities	<u>6,597,113</u>	<u>23,247,059</u>	<u>3,023</u>	<u>29,847,195</u>	<u>23,483,623</u>
Net assets					
Invested in capital assets, net of related debt	80,659,355	72,306,929	82,508	153,048,792	3,365,594
Unrestricted	16,380,145	3,258,862	56,909	19,695,916	(4,297,068)
Total net assets	<u>\$ 97,039,500</u>	<u>\$ 75,565,791</u>	<u>\$ 139,417</u>	<u>\$ 172,744,708</u>	<u>\$ (931,474)</u>

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

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Net Assets on the Statement of Net Assets
for Proprietary Funds to Net Assets
of Business-Type Activities on the Statement of Net Assets
December 31, 2008

Net assets - total enterprise funds	\$ 172,744,708
<p>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 business-type activities in the Statement of Net Assets</p>	
Add: net assets of business-type activities accounted for in business-type activity internal service funds	2,412,536
Add: net assets allocated to business-type activities from governmental-type activity internal service funds	<u>1,163,090</u>
Net assets of business-type activities	<u><u>\$ 176,320,334</u></u>

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Revenue, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds				Internal Service Funds
	Wastewater	Water	Nonmajor City Market	Total	
Operating revenue					
Charges for services	\$ 21,127,160	\$ 11,458,559	\$ 50,244	\$ 32,635,963	\$ 31,775,086
Other	75,518	217,320	-	292,838	-
Total operating revenue	21,202,678	11,675,879	50,244	32,928,801	31,775,086
Operating expenses					
Operation and maintenance	15,588,587	10,546,477	42,701	26,177,765	8,194,558
Risk management	-	-	-	-	34,207,472
Depreciation	4,345,715	2,886,367	3,960	7,236,042	1,008,153
Total operating expenses	19,934,302	13,432,844	46,661	33,413,807	43,410,183
Operating income (loss)	1,268,376	(1,756,965)	3,583	(485,006)	(11,635,097)
Nonoperating revenue (expenses)					
Interest income	288,958	91,418	1,035	381,411	327,299
Interest expense	(168,945)	(1,008,447)	-	(1,177,392)	-
Gain on sale of capital assets	10	15	-	25	59,008
Total nonoperating revenue (expenses)	120,023	(917,014)	1,035	(795,956)	386,307
Income (loss) before contributions and transfers	1,388,399	(2,673,979)	4,618	(1,280,962)	(11,248,790)
Capital contributions	49,863	2,909,555	-	2,959,418	-
Transfers					
Transfers in	49,678	48,261	-	97,939	-
Change in net assets	1,487,940	283,837	4,618	1,776,395	(11,248,790)
Net assets, beginning of year, as restated	95,551,560	75,281,954	134,799	170,968,313	10,317,316
Net assets, end of year	\$ 97,039,500	\$ 75,565,791	\$ 139,417	\$ 172,744,708	\$ (931,474)

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

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of the Statement of Revenue, Expenses
and Changes in Fund Net Assets
of Proprietary Funds to the Statement of Activities
For the Year Ended December 31, 2008

Net change in net assets - total proprietary funds \$ 1,776,395

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. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Add: interest revenue from business-type activity internal service funds	2,559
Add: gain on disposal of capital assets in business-type internal service funds	38,505
Add: net operating gain from business-type activities accounted for in internal service funds	58,529
Subtract: net operating loss from business-type activities accounted for in governmental internal service funds	<u>(787,595)</u>

Change in net assets of business-type activities \$ 1,088,393

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	<u>Enterprise Funds</u>					<u>Internal Service Funds</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Nonmajor</u>		<u>Total</u>	
			<u>City Market</u>			
Cash flows from operating activities						
Cash received from customers	\$ 14,650,917	\$ 10,208,425	\$ 49,844	\$ 24,909,186	\$ -	-
Cash received from providing interfund services	-	-	-	-	26,541,026	-
Cash payments to suppliers for goods and services	(9,805,214)	(5,653,940)	(18,880)	(15,478,034)	(24,867,604)	-
Cash payments to employees for services	(5,341,746)	(3,917,113)	(21,742)	(9,280,601)	(2,927,569)	-
Net cash provided (used) by operating activities	(496,043)	637,372	9,222	150,551	(1,254,147)	-
Cash flows from noncapital financing activities						
Transfers in	49,678	48,261	-	97,939	-	-
Cash flows from capital and related financing activities						
Principal payments	(210,000)	(1,250,000)	-	(1,460,000)	-	-
Interest payments	(160,510)	(941,188)	-	(1,101,698)	-	-
Purchases of capital assets	(655,052)	(4,898,728)	-	(5,553,780)	(874,398)	-
Capital contributions received	49,863	2,909,555	-	2,959,418	-	-
Proceeds from sale of capital assets	10	15	-	25	61,598	-
Net cash used by capital and related financing activities	(975,689)	(4,180,346)	-	(5,156,035)	(812,800)	-
Cash flows from investing activities						
Interest received	288,958	91,418	1,035	381,411	327,299	-
Sale of investments	7,379,941	2,711,071	-	10,091,012	-	-
Net cash provided by investing activities	7,668,899	2,802,489	1,035	10,472,423	327,299	-
Net increase (decrease) in cash and cash equivalents	6,246,845	(692,224)	10,257	5,564,878	(1,739,648)	-
Cash and cash equivalents, beginning of year	2,567,600	3,291,781	49,275	5,908,656	9,889,661	-
Cash and cash equivalents, end of year	<u>\$ 8,814,445</u>	<u>\$ 2,599,557</u>	<u>\$ 59,532</u>	<u>\$ 11,473,534</u>	<u>\$ 8,150,013</u>	<u>-</u>
Statement of net assets classification of cash and cash equivalents						
Cash and cash equivalents	\$ 8,387,656	\$ 1,186,253	\$ 59,532	\$ 9,633,441	\$ 8,150,013	-
Restricted assets	426,789	1,413,304	-	1,840,093	-	-
	<u>\$ 8,814,445</u>	<u>\$ 2,599,557</u>	<u>\$ 59,532</u>	<u>\$ 11,473,534</u>	<u>\$ 8,150,013</u>	<u>-</u>

Noncash investing, capital and financing transactions

All dividends and interest income were immediately reinvested in the cash management funds.

Continued...

CITY OF KALAMAZOO, MICHIGAN
Statement of Cash Flows
Proprietary Funds (Concluded)
For the Year Ended December 31, 2008

	Enterprise Funds					
	Wastewater	Water	Nonmajor City		Total	Internal Service Funds
			Market			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,268,376	\$ (1,756,965)	\$ 3,583	\$ (485,006)	\$ (11,635,097)	
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:						
Depreciation	4,345,715	2,886,367	3,960	7,236,042	1,008,153	
Changes in assets and liabilities:						
Receivables	(3,913,078)	(65,034)	(400)	(3,978,512)	(1,312,503)	
Due from other funds	(2,639,356)	(1,387,176)	-	(4,026,532)	(3,889,443)	
Due from component units	673	93	-	766	(32,114)	
Due from other governments	-	(15,337)	-	(15,337)	-	
Inventories	(11,891)	20,335	-	8,444	(65,131)	
Prepaid items and other assets	(20,067)	1,132	-	(18,935)	(2,667)	
Accounts payable	273,408	(114,820)	35	158,623	44,086	
Accrued and other liabilities	(2,100)	(23,488)	2	(25,586)	371,529	
Due to other funds	341,937	1,486,002	188	1,828,127	2,083,522	
Due to component units	-	18	-	18	75,918	
Due to other governments	(22,249)	(50,237)	-	(72,486)	(38,325)	
Deposits payable	(100)	(153,669)	-	(153,769)	-	
Unearned revenue	-	(46,876)	-	(46,876)	-	
Compensated absences payable	(117,311)	(142,973)	1,854	(258,430)	232,550	
Uninsured claim liability	-	-	-	-	(14,882)	
Net other postemployment benefit obligation	-	-	-	-	11,920,257	
Net cash provided (used) by operating activities	\$ (496,043)	\$ 637,372	\$ 9,222	\$ 150,551	\$ (1,254,147)	

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	Employees' Retirement System Pension Trust Fund	General Private Purpose Trust Fund	Tax Collector's Agency Fund
Assets			
Cash and cash equivalents	\$ 3,669,562	\$ 67,638	\$ 13,422,995
Investments:			
U.S. treasuries	29,601,213	-	-
U.S. agencies	13,983,883	-	-
Municipal securities	1,141,723	-	-
Corporate debt securities	47,933,009	-	-
Equity mutual funds	253,971,706	-	-
Real estate mutual funds	18,102,200	-	-
Receivables:			
Taxes	-	-	34,109,385
Accrued interest	638,840	-	-
Other	-	-	359
Investments with agent	-	500	-
	<hr/>	<hr/>	<hr/>
Total assets	369,042,136	68,138	\$ 47,532,739
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	346,604	-	\$ 4,723
Accrued and other liabilities	-	52,122	-
Due to component units	-	-	33
Due to other governments	3,675	-	47,527,983
	<hr/>	<hr/>	<hr/>
Total liabilities	350,279	52,122	\$ 47,532,739
	<hr/>	<hr/>	<hr/>
Net assets			
Held in trust for pension benefits and other purposes	\$ 368,691,857	\$ 16,016	
	<hr/>	<hr/>	

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2008

	Employees' Retirement System Pension Trust Fund	General Private Purpose Trust Fund
Additions		
Contributions:		
Employees	\$ 1,723,718	\$ -
Other	-	629
Total contributions	1,723,718	629
Investment earnings (losses):		
Net depreciation in fair value of investments	(150,823,535)	-
Interest and dividends	16,487,074	238
Less investment advisor fees	(1,351,685)	-
Net investment earnings (losses)	(135,688,146)	238
Total additions (investment losses in excess of contributions)	(133,964,428)	867
Deductions		
Pension benefits paid directly to participants	15,719,908	-
Refund payments to terminated employees	246,526	-
Trustee fees	195,702	-
Actuarial fees	59,586	-
Administrative expenses paid to the City of Kalamazoo	110,964	-
Investment committee expenses	10,951	-
Parks and recreation	-	1
Other expenses	99,927	-
Total deductions	16,443,564	1
Change in net assets	(150,407,992)	866
Net assets, beginning of year	519,099,849	15,150
Net assets, end of year	\$ 368,691,857	\$ 16,016

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

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Net Assets
Component Units
December 31, 2008

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
Assets			
Cash and cash equivalents	\$ 216,188	\$ 12,565	\$ 1,668,754
Receivables, net	2,541,474	2,336,084	822,955
Other assets	-	-	-
Restricted cash	2,483,664	-	-
Capital assets, net	302,288	-	-
Total assets	5,543,614	2,348,649	2,491,709
Liabilities			
Account payable and accrued liabilities	5,307,153	1,676,123	647,800
Unearned revenue	87,640	-	50,400
Long-term liabilities:			
Due within one year	141,694	1,942	-
Due in more than one year	1,021,748	13,595	-
Total liabilities	6,558,235	1,691,660	698,200
Net assets			
Invested in capital assets, net of related debt	302,288	-	-
Unrestricted (deficit)	(1,316,909)	656,989	1,793,509
Total net assets (deficit)	\$ (1,014,621)	\$ 656,989	\$ 1,793,509

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

Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total
\$ 378,450	\$ 6,735,101	\$ 171,422	\$ 9,182,480
98,775	1,916,217	-	7,715,505
-	348,394	25,726	374,120
-	-	-	2,483,664
-	18,977,072	1,023,365	20,302,725
477,225	27,976,784	1,220,513	40,058,494
1,824,779	2,182,609	150,072	11,788,536
-	680,465	157,178	975,683
-	37,261	228,745	409,642
-	260,829	990,931	2,287,103
1,824,779	3,161,164	1,526,926	15,460,964
-	18,977,072	(196,311)	19,083,049
(1,347,554)	5,838,548	(110,102)	5,514,481
\$ (1,347,554)	\$ 24,815,620	\$ (306,413)	\$ 24,597,530

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Activities
Component Units
For the Year Ended December 31, 2008

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
Expenses	\$ 6,630,048	\$ 254,158	\$ 1,648,280
Program revenues			
Charges for services	2,780,807	-	-
Operating grants, contributions, and restricted interest	1,046,513	701,221	749,286
Capital grants and contributions	240,278	-	-
Total program revenues	4,067,598	701,221	749,286
Net (expense) revenue	(2,562,450)	447,063	(898,994)
General revenues			
Property taxes	3,853,476	-	655,821
Interest revenue	-	344	-
Gain on sale of capital assets	-	-	2,500
Total general revenues	3,853,476	344	658,321
Change in net assets	1,291,026	447,407	(240,673)
Net assets (deficit), beginning of year, as restated	(2,305,647)	209,582	2,034,182
Net assets (deficit), end of year	\$ (1,014,621)	\$ 656,989	\$ 1,793,509

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

Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total
\$ 275,141	\$ 15,676,063	\$ 1,334,961	\$ 25,818,651
-	2,604,808	1,269,484	6,655,099
-	9,886,589	746	12,384,355
-	1,564,240	-	1,804,518
-	14,055,637	1,270,230	20,843,972
(275,141)	(1,620,426)	(64,731)	(4,974,679)
476,446	1,665,641	-	6,651,384
-	-	-	344
-	-	-	2,500
476,446	1,665,641	-	6,654,228
201,305	45,215	(64,731)	1,679,549
(1,548,859)	24,770,405	(241,682)	22,917,981
\$ (1,347,554)	\$ 24,815,620	\$ (306,413)	\$ 24,597,530

NOTES to the FINANCIAL STATEMENTS

CITY OF KALAMAZOO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

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CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Kalamazoo, Michigan (the “City”) conform to United States generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Kalamazoo is a municipal corporation governed by an elected, seven-member City Commission. As required by generally accepted accounting principles, these financial statements present the City of Kalamazoo (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column on the statement of net assets to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a December 31 year end.

Blended Component Unit

Kalamazoo Building Authority – The Kalamazoo Building Authority has been blended into the City’s financial statements as debt service and capital project fund types. The Authority is governed by a three-member board consisting of the City Manager, City Attorney and Finance Director and is reported as if it were part of the primary government because its sole purpose is to finance and construct the City’s public buildings.

Discretely Presented Component Units

Except for the Kalamazoo Municipal Golf Association, the governing bodies of all of these component units are appointed by the Mayor of the City of Kalamazoo with approval of the City Commission.

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

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

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

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

Hospital Finance Authority - The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2008.

Local Development Finance Authority - The purpose of the LDFA is to finance improvements, through the use of tax increment financing, within the City's business and technology research park. The LDFA was established as a tax-increment financing (TIF) district in 2002 in accordance with Michigan Public Act 248 of 2000.

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

Kalamazoo Municipal Golf Association - The Kalamazoo Municipal Golf Association operates the City's public golf courses. The Board of Governors consists of nine members elected from the general membership, two members elected from the Governing Board (to add diversity with respect to race and sex) and three voting ex-officio members from the City of Kalamazoo (the City Manager, Deputy City Manager, and Director of Finance). The Association is fiscally dependent on the City in that the City Commission approves the annual budget, greens fees and membership fees, and one of the three City ex-officio members must approve of any proposal to expend money for any purpose.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

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

Downtown Development Authority

141 East Michigan Avenue
Kalamazoo, MI 49007

Economic Development Corporation

241 West South Street
Kalamazoo, MI 49007

Metro Transit System

530 South Rose
Kalamazoo, MI 49007

Kalamazoo Municipal Golf Association

4200 Lovers Lane
Kalamazoo, MI 49007

B. Government-Wide and Fund Financial Statements

Government-wide financial statements. The statements of net assets and 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 support. Likewise, the primary government is reported separately from certain legally separate 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.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

C. Measurement Focus, Basis of Accounting and Basis of 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. Property taxes are recognized as revenues in the year for which they are levied. 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 60 days of the end of the current fiscal period, except for reimbursement-based grants that use 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, franchise taxes, licenses, and interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

The *Solid Waste Fund* accounts for funds provided by a special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy and is classified as a special revenue fund due to the limited usage of the assets.

The *Neighborhood and Community Development Fund* accounts for a variety of federal awards programs, including Community Development Block Grant, housing development, rental assistance and several other programs.

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

The City reports the following major enterprise funds:

The *Wastewater Fund* accounts for the operation and maintenance of the sewage disposal system, capital additions and improvements to the system and retirement of revenue bonds. Financing is provided by user charges, Environmental Protection Agency grants for wastewater treatment plant expansion, state grants, and contributions from other municipalities and customers. This fund is classified as an enterprise fund because it is funded primarily through user charges.

The *Water Fund* accounts for the operation and maintenance of the water supply system, capital additions and improvements to the system and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an enterprise fund because it is funded primarily through user charges.

Additionally, the City reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Permanent funds. These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.

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

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes machinery, equipment and building space management services; liability, auto, and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

Pension trust fund. This fund accounts for the activities of the Employees' Retirement System, a defined-benefit pension plan, which accumulates resources for retirement benefit payments to qualified employees.

Private purpose trust. This fund primarily accounts for the Rabbi Trust deferred compensation program and other assets of non-profit organizations held for outside parties in a trustee capacity for purposes other than those that support the government's programs.

Agency fund. This fund accounts for taxes collected and distributed to other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY 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 government's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise 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.

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.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value.

2. 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 long-term portion of interfund loans).

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

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

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

3. Inventories and Prepaid Items

Inventories are valued at cost using the average cost method, which approximates fair value. The costs of governmental fund-type inventories are recorded as expenditures when purchased, and are immaterial at year end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain revenues and resources of the City are classified as restricted assets on the balance sheet and statement of net assets because their use is limited. Proprietary fund restricted assets are held subject to bond covenants and reserved for future capital expenditures.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as: assets with initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

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

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

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	50
Water and wastewater system infrastructure	25-50
Vehicles	7-10
Office equipment	6-10
Machinery and equipment	3-10
Public infrastructure	50

6. *Compensated Absences*

Amounts of vested or accumulated vacation leave are accrued in the government-wide and proprietary fund type 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. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “termination leave” prior to retirement.

7. *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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Information**

The City adopts a formal budget for the general and special revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplated expenditures for the following calendar year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The City Manager is authorized to transfer budgeted amounts between expenditure control accounts within a department as long as the budgeted excess of revenues and other sources over (under) expenditures and other uses stays constant. Capital outlay expenditures in excess of the greater of \$10,000 or in amounts greater than 10 percent of any project cost, interdepartmental transfers, use of contingency funds and position classification changes require prior City Commission approval.

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balance for governmental funds since they do not constitute expenditures or liabilities.

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

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

B. Budget/GAAP Reconciliation

The Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

	<u>Budgetary Basis</u>	<u>Accounting Basis Difference</u>	<u>GAAP Basis</u>
General Fund:			
Deferred revenue	\$ 2,440,633	\$ 6,303,492	\$ 8,744,125
Property tax revenue	33,588,675	(571,485)	33,017,190
Fund balance, beginning of year	11,022,682	(5,732,007)	5,290,675
Fund balance, end of year	10,522,113	(6,303,492)	4,218,621
Solid Waste Special Revenue Fund:			
Deferred revenue	1,441	521,941	523,382
Property tax revenue	2,565,419	(39,010)	2,526,409
Fund balance, beginning of year	1,568,861	(482,931)	1,085,930
Fund balance, end of year	1,632,336	(521,941)	1,110,395

C. Excess of Expenditures Over Appropriations

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

Expenditures in the combining and individual fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended December 31, 2008, expenditures exceeded the amount appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
General Fund:			
City clerk	\$ 794,762	\$ 811,214	\$ (16,452)
Public works	1,412,830	1,459,732	(46,902)
Economic development	500,000	531,725	(31,725)
Non-Departmental	3,188,423	3,710,457	(522,034)

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

D. Deficit Fund Equity

The Public Works Equipment and Insurance and Benefits internal service funds had deficits in unrestricted net assets of \$438,218 and \$6,723,419, respectively, as of December 31, 2008. The total net assets (including amounts invested in capital assets) for the Public Works Equipment internal service fund amounted to a positive balance of \$873,063.

The Downtown Development Authority, the Local Development Finance Authority and the Kalamazoo Municipal Golf Association component units had deficits in unrestricted net assets at December 31, 2008, of \$1,316,909, \$1,347,554 and \$110,102, respectively. For the DDA and the LDFA, these deficits existed as a result of presenting the financial statements for these component units on the full accrual basis, in accordance with GAAP. On a modified accrual fund basis, only the LDFA has a deficit fund balance, which was a planned deficit, as eligible expenditures were incurred in advance of tax increment financing revenues. The City plans to eliminate the deficit of the LDFA through future tax increment financing collections.

III. DETAILED NOTES ON ALL FUNDS

A-1. Deposits and Investments – Pooled Cash and Investments

Following is a reconciliation of deposit and investment balances (including pooled cash and investments as well as pension trust fund balances; see Note A-2) as of December 31, 2008:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Statement of Net Assets			
Cash and cash equivalents	\$ 34,975,611	\$ 9,182,480	\$ 44,158,091
Investments	2,899,207	-	2,899,207
Restricted cash	3,900,936	2,483,664	6,384,600
Investments with agent	1,554,471	-	1,554,471
Statement of Fiduciary Net Assets			
Cash and cash equivalents	17,769,096	-	17,769,093
Investments	364,124,836	-	364,124,836
Investments with agent	<u>500</u>	<u>-</u>	<u>500</u>
	<u>\$ 425,224,654</u>	<u>\$ 11,666,144</u>	<u>\$ 436,890,798</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Deposits and Investments

Cash on hand	\$ 6,920
Bank deposits (checking accounts, savings accounts and CDs)	36,238,439
Investments with agent (Kalamazoo Community Foundation)	1,554,971
Investments in securities, mutual funds and similar vehicles - pool	30,687,172
Investments in securities, mutual funds and similar vehicles - pension	<u>368,403,296</u>
	<u>\$ 436,890,798</u>

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of December 31, 2008, \$34,132,369 of the City's total bank balance of \$34,822,238 (total book balance was \$36,238,439) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

Custodial Credit Risk – Investments with Agent. As permitted by State statutes, the City has placed monies for investment with the Kalamazoo Community Foundation (KCF). These monies, amounting to \$1,554,971 as of December 31, 2008, are pooled with other KCF funds and invested at the discretion of KCF, which for purposes of the City essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk - Investments. Following is a summary of investments as of December 31, 2008:

U.S. agencies	\$ 19,032,975
Commercial paper	1,982,780
Equity mutual funds	2,899,207
Money market	<u>6,772,210</u>
Total	<u>\$ 30,687,172</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery *vs.* payment. As of December 31, 2008, none of the City's investments, excluding the mutual funds and money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Credit Risk. As of December 31, 2008, all of the City's investments in securities of U.S. agencies and commercial paper were rated AAA and A1+ by Standard & Poor's, respectively. The City also held investments in equity mutual funds and money market accounts, which are not rated. The City's investment policy requires that commercial paper held to be rated within the three highest classifications by at least two standard rating services. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At December 31, 2008, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	25.99%
	Federal Home Loan Bank	19.74%
	Federal Farm Credit Bank	9.78%
	Federal Home Loan Mortgage Corporation	6.51%
Commercial Paper	General Electric Capital Corporation	6.46%

Among other provisions, the City's investment policy permits the entire portfolio to be invested in obligations of U.S. agencies with the limitation that no more than 35% may be placed with a single institution. In addition, the investment policy limits commercial paper to 10% of the total portfolio. The policy neither provides for nor prohibits the placement of funds with community foundations.

Interest Rate Risk. As of December 31, 2008, \$14,939,710 of U.S. agencies and commercial paper securities were due within one year; the remaining balance of \$6,076,045 was due within two years. The City's policy provides that the maximum weighted average maturity will be limited to 18 months.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

A-2. Deposits and Investments – Pension Trust Fund

Cash and Short-term Investments – The Pension Trust Fund (or the “System”) does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and short-term investments in the statement of plan net assets include cash and money market accounts held by the System’s investment managers. These accounts are insured by the Securities Investors Protection Act for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2008 was \$4,278,460, of which \$3,278,451 was uninsured and uncollateralized.

Investments - The System is authorized by the State’s Pension Investment Act, as amended, to invest in common stocks, real estate, and various other obligations, subject to certain limitations. The System’s Investment Committee is responsible for recommending to the City Commission the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries and other fiduciaries utilized by the System. The City Commission is responsible for approving the recommendations of the Investment Committee.

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

The System’s investments are held in 10 portfolios administered by five investment managers. Following is a summary of the System’s investments as of December 31, 2008:

U.S. treasuries	\$ 2,470,322
U.S. agencies	10,225,303
Corporate debt securities	271,883,846
Equity mutual funds	76,196,969
Real estate mutual funds	3,348,396
Cash and short-term investments	<u>4,278,460</u>
	<u>\$368,403,296</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Credit Risk. The System's investment policy provides that its investments in bonds must be rated in the top four major grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2008, the System's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

	U.S. agencies	Corporate debt securities
Standard & Poor's		
AAA	\$ 5,680,944	\$ 51,917,050
AA	1,521,133	4,865,578
A	1,632,758	11,965,252
BBB	875,700	3,104,743
Not rated	514,768	200,031,223
	\$ 10,225,303	\$ 271,883,846
Moody's		
AAA	\$ 5,680,944	\$ 47,859,160
AA	1,141,723	5,904,202
A	1,644,165	10,441,817
BAA	1,243,703	3,773,135
Not rated	514,768	203,905,532
	\$ 10,225,303	\$ 271,883,846

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty in the System's name. Investments in mutual funds and money market funds are not subject to custodial credit risk.

Concentration of Credit Risk. The System's investments are not exposed to concentration of credit risk relative to a single issuer (i.e., company or government agency) inasmuch as no holdings equal or exceed 5% or more of total investments.

The System's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of December 31, 2008, the System's equity holdings accounted for 20.9% of the total investment portfolio; the System's holdings in real estate were 0.92% at December 31, 2008.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Interest Rate Risk. As of December 31, 2008, maturities of the System's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			<u>More Than 10</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
U.S. treasuries	\$ 2,470,322	\$ -	\$ -	\$ 319,156	\$ 2,151,166
U.S. agencies	10,225,303	-	977,123	4,425,903	4,822,277
Corporate debt	<u>271,883,846</u>	<u>194,228,113</u>	<u>11,348,171</u>	<u>7,506,322</u>	<u>58,801,240</u>
Total debt securities	<u>\$ 284,579,471</u>	<u>\$ 194,228,113</u>	<u>\$ 12,325,294</u>	<u>\$ 12,251,381</u>	<u>\$ 65,774,683</u>

The System's investment policy does not address interest rate risk.

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

The portfolios managed by Jennison Associates utilize U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2008, the System had receivable futures contracts with a fair value of \$149,136 and payable futures contracts with a fair value of \$283,311. A cumulative gain on futures contracts amounting to \$1,468,669 has been recognized by the System through December 31, 2008. As of that date, a net payable balance of \$84,275 has been reported in interest and dividends receivable.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

B. Receivables and Deferred Revenue

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts Customers	\$ 4,251,832	\$ -
Taxes	-	8,588,040
Special assessments	9,545,020	-
Interest	81,785	44,504
Due from other governments	69,772	3,855
Notes	1,806,659	15,337
Due from component units	7,007,839	-
Advances to component units	7,944,112	245
	<u>3,527,384</u>	<u>223,925</u>
	<u>\$ 34,234,403</u>	<u>\$ 8,875,906</u>
Amount not expected to be collected in one year	<u>\$ 10,535,223</u>	<u>\$ 223,925</u>

Customer accounts receivable of the Wastewater and Water Enterprise Funds are reported net of allowances for uncollectible accounts of \$6,400 and \$57,300, respectively.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in governmental activities were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental funds			
Property taxes receivable	\$ 6,825,433	\$ -	\$ 6,825,433
Grants and contracts received in advance of meeting all eligibility requirements	-	211,787	211,787
Long-term receivables	<u>15,432,915</u>	<u>-</u>	<u>15,432,915</u>
	22,258,348	211,787	22,470,135
Internal service funds			
Other	<u>-</u>	<u>17,600</u>	<u>17,600</u>
	<u>\$ 22,258,348</u>	<u>\$ 229,387</u>	<u>\$ 22,487,735</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

C. Capital Assets

Governmental activities capital assets activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 29,603,757	\$ 155,229	\$ -	\$ 29,758,986
Construction in progress	3,271,467	7,544,688	(13,757)	10,802,398
Total capital assets not being depreciated	32,875,224	7,699,917	(13,757)	40,561,384
Capital assets being depreciated:				
Building & improvements	49,979,258	69,129	-	50,048,387
Land improvements	3,908,176	62,013	-	3,970,189
Machinery and equipment	11,798,660	173,907	(18,424)	11,954,143
Vehicles	11,569,981	716,317	(600,057)	11,686,241
Infrastructure	188,977,138	889,737	-	189,866,875
Total capital assets being depreciated	266,233,213	1,911,103	(618,481)	267,525,835
Accumulated depreciation:				
Building & improvements	(9,698,576)	(955,648)	-	(10,654,224)
Land improvements	(2,034,233)	(159,298)	-	(2,193,531)
Machinery and equipment	(7,554,167)	(824,849)	18,424	(8,360,592)
Vehicles	(8,478,581)	(801,641)	505,085	(8,775,137)
Infrastructure	(97,103,396)	(3,627,525)	-	(100,730,921)
Total accumulated depreciation	(124,868,953)	(6,368,961)	523,509	(130,714,405)
Total capital assets being depreciated, net	141,364,260	(4,457,858)	(94,972)	136,811,430
Governmental Activities capital assets, net	\$ 174,239,484	\$ 3,242,059	\$ (108,729)	\$ 177,372,814

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

General government	\$ 582,149
Public safety (combined police & fire)	1,238,565
Community development & planning	15,297
Parks	272,183
Recreation	22,901
Public works	11,324
Streets	3,627,526
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	599,016
	\$ 6,368,961

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Business-type activities capital assets activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 2,865,494	\$ 113,969	\$ -	\$ 2,979,463
Construction in progress	6,860,631	948,149	(6,752,720)	1,056,060
Total capital assets not being depreciated	9,726,125	1,062,118	(6,752,720)	4,035,523
Capital assets being depreciated:				
Building & improvements	89,183,290	260,712	-	89,444,002
Land improvements	12,889,238	105,877	-	12,995,115
Machinery and equipment	51,703,517	3,377,689	(376)	55,080,830
Infrastructure	144,375,924	7,453,186	-	151,829,110
Vehicles	4,387,466	341,848	(207,734)	4,521,580
Intangible assets	1,508,040	160,450	-	1,668,490
Total capital assets being depreciated	304,047,475	11,699,762	(208,110)	315,539,127
Accumulated depreciation:				
Building & improvements	(34,275,813)	(1,724,860)	-	(36,000,673)
Land improvements	(7,183,839)	(377,183)	-	(7,561,022)
Machinery and equipment	(38,043,391)	(1,996,623)	376	(40,039,638)
Infrastructure	(52,278,233)	(3,011,354)	-	(55,289,587)
Vehicles	(3,054,696)	(368,316)	205,146	(3,217,866)
Intangible assets	(337,851)	(166,849)	-	(504,700)
Total accumulated depreciation	(135,173,823)	(7,645,185)	205,522	(142,613,486)
Total capital assets being depreciated, net	168,873,652	4,054,577	(2,588)	172,925,641
Business-type activities capital assets, net	\$ 178,599,777	\$ 5,116,695	\$ (6,755,308)	\$ 176,961,164

Depreciation of business-type activities by function:

Wastewater	\$ 4,345,716
Water	2,886,371
Other	3,960
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	409,138
	\$ 7,645,185

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

D. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses in the primary government are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 2,237,571	\$ 947,897
Accrued and other liabilities	3,153,365	326,986
Due to component units	1,158,393	218
Due to other governments	207,084	23,100
Deposits payable	<u>1,068,236</u>	<u>608,411</u>
	<u>\$ 7,824,649</u>	<u>\$ 1,906,612</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, was as follows:

	<u>Receivables</u>	<u>Payables</u>
Due to/from other funds:		
General Fund	\$ 4,033,515	\$ 5,374,011
Solid Waste	18,112	251,857
Neighborhood and Community Development	5	233,133
Building Authority Debt Service	3,275	366
Nonmajor governmental funds	1,327,839	5,927,870
Wastewater	3,364,715	1,519,465
Water	2,056,106	2,336,308
Nonmajor enterprise funds	-	762
Internal service funds	<u>9,042,346</u>	<u>4,202,141</u>
	<u>\$ 19,845,913</u>	<u>\$ 19,845,913</u>
Advances to/from other funds:		
General Fund	\$ 340,000	\$ -
Nonmajor governmental funds	5,203	5,203
Internal service funds	<u>-</u>	<u>340,000</u>
	<u>\$ 345,203</u>	<u>\$ 345,203</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

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. In addition, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of the internal service funds.

	<u>Transfers In</u>	<u>Transfers Out</u>
Interfund transfers:		
General Fund	\$ 11,710	\$ 3,498,900
Building Authority Debt Service	1,580,632	-
Nonmajor governmental funds	6,687,921	4,879,302
Wastewater	49,678	-
Water	<u>48,261</u>	<u>-</u>
	<u>\$ 8,378,202</u>	<u>\$ 8,378,202</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-Term Debt

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The original amount of the general obligation bonds issued was \$76,380,000. General obligation bonds currently outstanding are as follows:

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

	Interest	Beginning	Additions	Reductions	Ending	Due Within
Issuance Date	Rates	Balance			Balance	One Year
General Obligation Bonds						
<i>Governmental Activities:</i>						
1992 Downtown Development	03/01/1992	5.50%-5.80%	\$ 1,300,000	\$ -	\$ 200,000	\$ 1,100,000
1993 Downtown Development Refunding	06/15/1993	4.30%-5.50%	1,655,000	-	240,000	1,415,000
1997 Building Authority Parking System Refunding	10/01/1997	3.90%-4.90%	675,000	-	320,000	355,000
1997 Downtown Development Refunding	10/01/1997	4.70%-5.35%	2,115,000	-	10,000	2,105,000
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	4,730,000	-	575,000	4,155,000
1998 Building Authority KMGA	12/01/1998	3.80%-5.00%	1,150,000	-	80,000	1,070,000
1999 Building Authority	09/01/1999	5.13%-5.38%	515,000	-	250,000	265,000
2001 Building Authority	04/01/2001	4.00%-5.00%	2,970,000	-	100,000	2,870,000
2002 Building Authority	01/01/2002	2.00%-4.75%	720,000	-	65,000	655,000
2003 Building Authority	01/27/2003	1.75%-3.75%	1,230,000	-	185,000	1,045,000
2004 Capital Improvement	04/27/2004	2.00%-4.70%	6,460,000	-	675,000	5,785,000
2005 Parking Ramp Bonds	04/11/2005	5.00%-5.25%	6,605,000	-	370,000	6,235,000
2005B Parking Ramp Bonds	10/12/2005	5.00%-5.25%	2,635,000	-	140,000	2,495,000
2005 Refunding Bonds	07/26/2005	5.125%-5.50%	7,645,000	-	40,000	7,605,000
2006A Building Authority Bonds	01/23/2006	4.85%-5.50%	2,695,000	-	50,000	2,645,000
2006B Building Authority Bonds	10/26/2006	4.00%-4.40%	4,115,000	-	150,000	3,965,000
2007 Capital Improvement	07/12/2007	3.90%-4.75%	855,000	-	20,000	835,000
2008 Capital Improvement Bonds	07/01/2008	3.25%-4.375%	-	4,165,000	-	4,165,000
Total General Obligation Bonds			\$ 48,070,000	\$ 4,165,000	\$ 3,470,000	\$ 48,765,000
						\$ 3,750,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending December 31	Governmental Activities	
	Principal	Interest
2009	\$ 3,750,000	\$ 2,220,221
2010	3,480,000	2,029,756
2011	3,565,000	1,883,478
2012	3,650,000	1,731,047
2013	3,730,000	1,571,709
2014 - 2018	13,235,000	5,859,554
2019 - 2023	9,535,000	3,287,094
2024 - 2028	7,015,000	1,110,081
2029 - 2030	805,000	42,788
Total	\$ 48,765,000	\$ 19,735,728

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Revenue Bonds. The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$21,870,000 for governmental activities and \$27,025,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

Revenue Bonds	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>							
1994 Michigan Transportation Fund	06/01/1994	4.75%-5.90%	\$ 130,000	\$ -	\$ 130,000	-	-
1996 Michigan Transportation Fund	03/01/1996	3.90%-5.10%	890,000	-	200,000	690,000	215,000
1998 Michigan Transportation Fund	04/01/1998	3.60%-4.75%	1,120,000	-	160,000	960,000	170,000
2000 Michigan Transportation Fund	04/24/2000	4.88%-5.13%	1,810,000	-	185,000	1,625,000	195,000
2002 Michigan Transportation Fund Refunding	04/01/2002	2.50%-4.88%	1,550,000	-	145,000	1,405,000	150,000
2004 Michigan Transportation Fund Refunding	04/27/2004	3.00%-3.70%	3,120,000	-	410,000	2,710,000	420,000
2007 Michigan Transportation Fund	07/12/2007	4.00%-4.50%	3,860,000	-	160,000	3,700,000	205,000
Total Governmental Activities			12,480,000	-	1,390,000	11,090,000	1,355,000
<i>Business-Type Activities:</i>							
2001 Wastewater System Refunding	04/01/2001	3.00%-5.00%	\$ 3,625,000	\$ -	\$ 210,000	\$ 3,415,000	\$ 220,000
2002 Water System Refunding	06/06/2002	4.50%-4.75%	7,060,000	-	480,000	6,580,000	500,000
2002 Water System Refunding	10/23/2002	2.00%-3.88%	2,465,000	-	285,000	2,180,000	300,000
2004 Water System Refunding	04/27/2004	2.00%-4.65%	4,600,000	-	140,000	4,460,000	145,000
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	4,565,000	-	310,000	4,255,000	320,000
2007 Water Supply System	07/12/2007	4.00%-4.65%	1,900,000	-	35,000	1,865,000	50,000
Total Business-Type Activities			24,215,000	-	1,460,000	22,755,000	1,535,000
Total Revenue Bonds			\$ 36,695,000	\$ -	\$ 2,850,000	\$ 33,845,000	\$ 2,890,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Years Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,355,000	\$ 445,145	\$ 1,535,000	\$ 1,021,354
2010	1,410,000	388,807	1,590,000	959,282
2011	1,480,000	329,065	1,665,000	893,774
2012	1,285,000	271,474	1,730,000	824,196
2013	1,345,000	216,564	1,800,000	750,318
2014 - 2018	2,940,000	517,013	7,840,000	2,528,209
2019 - 2023	1,275,000	116,907	3,505,000	1,086,043
2024 - 2028	-	-	2,325,000	483,397
2029 - 2033	-	-	765,000	68,124
Total	\$ 11,090,000	\$ 2,284,975	\$ 22,755,000	\$ 8,614,697

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Special Assessment Debt. The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. Management considers the likelihood of this occurring to be extremely remote. The original amount of special assessment bonds was \$680,000. Special assessment bonds outstanding at year end are as follows:

Special Assessment Bonds	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>							
1999 Special Assessment Limited Tax Bonds	09/01/1999	4.40%-7.00%	\$ 285,000	\$ -	\$ 50,000	\$ 235,000	\$ 50,000

Annual debt service requirements to maturity for special assessment bonds are as follows:

Years Ending December 31	Governmental Activities	
	Principal	Interest
2009	\$ 50,000	\$ 11,980
2010	45,000	9,530
2011	45,000	7,280
2012	50,000	4,985
2013	45,000	2,385
Total	\$ 235,000	\$ 36,160

Installment Obligations. The City has entered into various long-term installment payment agreements which are similar in nature to bonds. The original amount of installment obligations issued was \$684,783 for governmental activities. Installment obligations outstanding at December 31, 2008, are as follows:

Installment Purchase Contracts	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>							
2000 Cable Access	07/24/2000	5.38%	\$ 32,000	\$ -	\$ 21,000	\$ 11,000	\$ 11,000
2005 KMGAs	04/25/2005	3.85%	135,000	-	66,000	69,000	69,000
<i>Total Governmental Activities</i>			\$ 167,000	\$ -	\$ 87,000	\$ 80,000	\$ 80,000

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for installment obligations are as follows:

<u>Years Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 80,000	\$ 1,623

Other Debt. The City has also recorded liabilities related to certain environmental matters, and accumulated compensated absences.

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

The accumulated compensated absences represent the estimated liability to be paid to governmental fund type employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the government. For the governmental activities, compensated absences, the uninsured claim liability, and death benefits payable are generally liquidated by the insurance and benefits internal service fund. Other sundry long-term liabilities are generally liquidated by the General Fund.

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

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2008, \$9,700,417 of bonds outstanding from prior year refundings are considered defeased.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

No Commitment Debt. Excluded from the statement of net assets are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation and Hospital Finance Authority to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts, amounting to \$295,415,000, are not reflected in the City's financial statements. In March 2009, the Hospital Finance Authority refinanced \$69,690,000 of these outstanding bonds. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

Changes in Long-Term Debt. Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities					
General obligation bonds	\$ 48,070,000	\$ 4,165,000	\$ 3,470,000	\$ 48,765,000	\$ 3,750,000
Revenue bonds	12,480,000	-	1,390,000	11,090,000	1,355,000
Special assessment bonds	285,000	-	50,000	235,000	50,000
Installment purchase contracts	167,000	-	87,000	80,000	80,000
Compensated absences	5,870,689	3,280,017	2,919,109	6,231,597	755,741
Public safety comp time	494,384	-	36,241	458,143	57,268
Environmental matters	707,283	-	120,460	586,823	10,000
Uninsured claim liability	3,843,696	-	14,882	3,828,814	1,713,241
Add: unamortized bond premium	171,550	9,587	9,593	171,544	-
Subtract: unamortized bond discount	(19,271)	-	(19,271)	-	-
Total Governmental Activities	<u>\$ 72,070,331</u>	<u>\$ 7,454,604</u>	<u>\$ 8,078,014</u>	<u>\$ 71,446,921</u>	<u>\$ 7,771,250</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Revenue bonds	\$ 24,215,000	\$ -	\$ 1,460,000	\$ 22,755,000	\$ 1,535,000
Compensated absences	2,008,353	862,907	1,128,498	1,742,762	217,845
Comp time	-	11,412	-	11,412	1,427
Subtract: unamortized defeasance expense	(477,011)	-	45,580	(431,431)	-
Add: unamortized bond premium	110,454	-	7,904	102,550	-
Total Business-Type Activities	<u>\$ 25,856,796</u>	<u>\$ 874,319</u>	<u>\$ 2,641,982</u>	<u>\$ 24,180,293</u>	<u>\$ 1,754,272</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

G. Short-Term Debt

The City issued and repaid \$6,000,000 of tax revenue anticipation notes during the year ended December 31, 2008. The purpose of this short-term debt is to provide liquidity for governmental operations financed by property taxes, which are collected throughout the year.

IV. OTHER INFORMATION

A. Risk Management

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

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

	<u>2008</u>	<u>2007</u>
Estimated liability, beginning of year	\$ 4,108,369	\$ 4,164,149
Estimated claims incurred, including changes in estimates	16,164,244	17,449,435
Claim payments	<u>(16,443,799)</u>	<u>(17,505,215)</u>
Estimated liability, end of year	<u>\$ 3,828,814</u>	<u>\$ 4,108,369</u>

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

B. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 and are levied on July 1. The City bills and collects its own property taxes for general governmental services, solid waste collection and downtown development and also collects taxes for the Metro Transit System, Kalamazoo County, Kalamazoo Valley Community College, the District Library and various school districts. Collections of property taxes and remittances of them to the appropriate authorities are accounted for in the Tax Collector's Agency Fund.

The City is permitted by State law to levy taxes up to \$20.00 per \$1,000 of assessed valuation of property for general governmental services other than the payment of principal and interest on long-term debt. The authority to tax the residents for the payment of principal and interest on long-term debt is obtained when the debt is approved by a vote of the people. The City's current year tax rate was the maximum \$19.2705 per \$1,000 of assessed valuation for general operations (after applying the Headlee constitutional rollback adjustment).

The City is currently levying \$1.55 per \$1,000 of assessed valuation for solid waste collection. State laws allow an additional nonvoted solid waste levy of \$1.65 per \$1,000 of assessed valuation.

The Metro Transit System is permitted by P.A. 55 of the Public Acts of 1963, as amended, to levy a tax to assist in the operation of the transit system. During the current year, the System levied a voted millage of \$1.00 per \$1,000 of assessed valuation.

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

Taxpayers may elect to pay their tax bills in 12 equal monthly installments beginning on July 1 and on the first day of each of the next 11 months. As a result, for those taxpayers electing the installment payment plan, up to one-half of their property tax levy is collected after the fiscal year end. Because a portion of those taxes are due and collected more than 60 days after year end, they are not susceptible to accrual. Accordingly, those amounts are recorded as deferred revenue as of December 31 and then recognized as revenue in the subsequent year.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

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

C. Contingent Liabilities

Lawsuits

The City is a defendant in various legal actions arising in the normal course of its activities including certain discrimination cases on file with the Equal Employment Opportunity Commission and the Michigan Department of Civil Rights. In the opinion of the City Attorney and management, the potential uninsured liability that may result from these actions should not exceed amounts either reserved in the Insurance and Benefits Fund (an internal service fund) or included in funds maintained by the City's claims administrators.

Environmental

The City of Kalamazoo has identified a number of sites within its boundaries that are in need of environmental remediation. Some are privately-held properties, and some are owned by the County and/or the City of Kalamazoo. The City of Kalamazoo has been named as a Potentially-Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) in two such sites: the Cork Street Landfill and the Auto Ion site. The City has also entered into cleanup agreements, although not named as a PRP, for two other sites. Based on currently-available information, the City has recorded liabilities for the net present value of estimated response costs for these sites in the amount of \$586,823 in the government-wide statements. The City has set aside \$959,375 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

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

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

The City also has identified a number of additional environmental issues that need to be addressed in the next two to four years. In most of these environmental issues, the City has not been identified as a PRP and, in all of the issues, the City has not determined the ultimate exposure, if any, for these sites. Accordingly, no provision for any loss that may result from the resolution of these matters has been recorded in the financial statements.

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$5,397,216. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. However, \$1,660,439 of these commitments were made by governmental funds and are, therefore, included within the reservations of fund balance for encumbrances.

D. Other Postemployment Benefits

Plan Description

The City of Kalamazoo Postretirement Welfare Benefits Plan (the “Plan”) is a single-employer defined other postemployment benefit plan administered by the City of Kalamazoo. The City provides medical and dental insurance benefits to eligible retirees and their spouses. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. In addition to the healthcare benefits described above, the Plan provides a death benefit of \$1,000 to all eligible retirees.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate is 40.10% of annual covered payroll. City employees are expected to contribute 0.50% of their annual covered payroll.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 18,129,246
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>18,129,246</u>
Contributions made	<u>(6,208,989)</u>
 Increase in net OPEB obligation	 11,920,257
 Net OPEB obligation - Beginning of year	 <u>-</u>
 Net OPEB obligation - End of year	 <u>\$ 11,920,257</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

Three-Year Trend Information* – OPEB

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
12/31/2008	\$ 18,129,246	34.2%	\$ 11,920,257

*This is the first year of this information.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Funded Status and Funding Progress

As of December 31, 2007, the date of the most recent actuarial valuation, the Plan was not funded. The actuarial accrued liability for benefits was \$206,854,739, and the actuarial value of assets was \$-, resulting in an unfunded actuarial accrued liability (UAAL) of \$206,854,739. The covered payroll (annual payroll of the active employees covered by the Plan) was \$45,214,897 and the ratio of the UAAL to the covered payroll was 457.49 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions includes: (a) a rate of return on investments of 4.5%; (b) projected salary increases of 4.0% attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 8.0%, depending on age, attributable to seniority/merit; and (d) projected healthcare benefit increases of 5.0% to 10.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years on an open basis.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

E. Defined Benefit Pension Plan

Plan Description

The Employees' Retirement System is the administrator of a single-employer public employees defined benefit retirement system that covers all employees of the City. The Plan was originally established by City ordinance on February 5, 1952 and is maintained as a Pension Trust Fund in the accompanying financial statements. Plan benefit provisions were established and may be amended under the authority of City ordinances. The system provides retirement benefits, as well as death and disability benefits. The system issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the City of Kalamazoo Employees' Retirement System, 241 W. South Street, Kalamazoo, MI 49007.

Summary of Significant Accounting Policies

The financial statements of the Employees' Retirement System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Commission. Plan members are required to contribute at rates ranging from 1.0% to 6.5% of their annual covered salary, depending on union affiliation. The City is required to contribute at an actuarially determined rate; no employer contributions were required for 2008.

The funded status of the plan as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	\$ 506,592,573
Actuarial Accrued Liability	<u>344,799,153</u>
Overfunded AAL (OAAL)	<u>\$ 161,793,420</u>
Funded Ratio	146.9%
Covered Payroll	\$ 44,159,590
OAAL as a Percentage of Covered Payroll	366.4%

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation (NPO) for the current year were as follows:

Annual required contribution (ARC)	\$ -
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	-
Contributions made	-
Increase (decrease) in net pension obligation	-
Net pension obligation - Beginning of year	-
Net pension obligation - End of year	\$ -

The annual required contributions for 2008 were determined as part of an actuarial valuation of the System as of December 31, 2007, using the individual attained age normal cost actuarial funding method. The actuarial assumptions included: (a) a nominal rate of return on investments, net of expenses, of 7.5% per year compounded annually; (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 8.0% per year, depending on age and service, attributable to seniority/merit; and (d) the assumption that pension benefits will increase after retirement from 1.0% to 2.0% per year depending on the bargaining unit, age, and the date of retirement. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2008, the date of the latest actuarial valuation, was ten years for the System.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period.

CITY OF KALAMAZOO, MICHIGAN

Notes To Financial Statements

Three-Year Trend Information

<u>Years Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ -	-%	\$ -
2007	-	-	-
2008	-	-	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

F. Restatements

Beginning fund balance of the Insurance and Benefits internal service fund and beginning net assets of the governmental activities were increased by \$264,673 as a result of the City's adoption of GASB 45 as outlined in Note IV.D.

In addition, the Kalamazoo Municipal Golf Association, a discretely presented component unit of the City, recorded a prior period adjustment to correct its method of accounting for its operating lease of golf carts. Previously, lease expense was recognized as payment was made, rather than on the straight-line basis over the term of the lease. Accordingly, net assets at January 1, 2008, were reduced by \$58,408 to reflect the reallocation of lease cost to the period benefited. As a result of this adjustment, the change in net assets for 2007 was reduced by \$58,408.

G. Subsequent Event

Subsequent to year end, the City issued \$6,000,000 in Tax Anticipation Notes. The debt issue was dated and available for delivery on January 22, 2009.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF KALAMAZOO, MICHIGAN
Employees' Retirement System
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Overfunded AAL (OAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	OAAL as a Percent of Covered Payroll
12/31/1999	\$ 303,750,495	\$ 192,167,206	\$ 111,583,289	158.1%	\$ 37,541,170	297.2%
12/31/2000	331,521,519	208,070,230	123,451,289	159.3%	39,377,238	313.5%
12/31/2001	349,206,708	220,302,430	128,904,278	158.5%	41,595,437	309.9%
12/31/2002	348,677,897	230,979,927	117,697,970	151.0%	40,316,918	291.9%
12/31/2003	361,205,383	245,919,424	115,285,959	146.9%	40,914,264	281.8%
12/31/2004	390,615,277	265,080,190	125,535,087	147.4%	41,989,819	299.0%
12/31/2005	422,565,761	294,416,007	128,149,754	143.5%	40,944,435	313.0%
12/31/2006	463,280,966	312,101,938	151,179,028	148.4%	42,164,958	358.5%
12/31/2007	500,788,244	327,242,870	173,545,374	153.0%	42,889,419	404.6%
12/31/2008	506,592,573	344,799,153	161,793,420	146.9%	44,159,590	366.4%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contributions	Percentage Contributed
1999	\$ -	- %
2000	-	-
2001	-	-
2002	-	-
2003	-	-
2004	-	-
2005	-	-
2006	-	-
2007	-	-
2008	-	-

CITY OF KALAMAZOO, MICHIGAN
Other Postemployment Benefit Plans
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percent of Covered Payroll
12/31/2008	\$ -	\$ 206,854,739	\$ 206,854,739	0.0%	\$ 45,214,897	457.5%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	\$ 18,129,246	34.2%

**COMBINING and INDIVIDUAL FUND
FINANCIAL STATEMENTS**

CITY OF KALAMAZOO, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects	Permanent Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 5,263,636	\$ 125,130	\$ 6,541,653	\$ 140,383	\$ 12,070,802
Investments	-	-	-	2,899,207	2,899,207
Receivables:					
Notes	549,904	-	-	-	549,904
Special assessments	6,034	61,416	5,284	-	72,734
Accrued interest	8,771	-	1,169	-	9,940
Other	131,442	22,000	636,586	200	790,228
Due from other funds	744,364	1,700	581,775	-	1,327,839
Due from component units	145,000	69,000	100,000	-	314,000
Due from other governments	982,492	-	85,008	-	1,067,500
Advances to other funds	-	-	5,203	-	5,203
Advances to component units	3,527,384	-	-	-	3,527,384
Restricted cash	-	-	2,060,843	-	2,060,843
Investments with agents	12,601	-	8,810	1,533,060	1,554,471
<u>TOTAL ASSETS</u>	\$ 11,371,628	\$ 279,246	\$ 10,026,331	\$ 4,572,850	\$ 26,250,055
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts payable	\$ 534,683	\$ 2,000	\$ 237,671	\$ -	\$ 774,354
Accrued and other liabilities	61,280	-	-	4,366	65,646
Due to other funds	1,949,378	279	3,873,294	104,919	5,927,870
Due to component units	407,048	-	-	-	407,048
Due to other governments	158,404	-	2,689	-	161,093
Advances from other funds	5,203	-	-	-	5,203
Deposits payable	5,758	-	960,401	-	966,159
Deferred revenue	775,443	152,416	7,784	-	935,643
Total liabilities	3,897,197	154,695	5,081,839	109,285	9,243,016
Fund balance					
Reserved for:					
Encumbrances	860,152	-	878,390	-	1,738,542
Advances to other funds	-	-	5,203	-	5,203
Advances to component units	3,527,384	-	-	-	3,527,384
Non-current due from component units	-	-	100,000	-	100,000
Cemetery perpetual care	-	-	-	1,735,160	1,735,160
Recreational activities	-	-	-	1,533,060	1,533,060
Debt-financed projects	-	-	25,941	-	25,941
Unreserved:					
Designated for subsequent years' expenditures	-	-	362,526	-	362,526
Undesignated	3,086,895	124,551	3,572,432	1,195,345	7,979,223
Total fund balance	7,474,431	124,551	4,944,492	4,463,565	17,007,039
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 11,371,628	\$ 279,246	\$ 10,026,331	\$ 4,572,850	\$ 26,250,055

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects	Permanent Funds	Total Nonmajor Governmental Funds
Revenue					
Property taxes and special assessments	\$ 1,963	\$ 18,848	\$ 4,709	\$ -	\$ 25,520
Intergovernmental revenue	6,294,192	-	370,000	-	6,664,192
Charges for services	195,115	-	-	31,166	226,281
Fines and forfeits	234,925	-	-	-	234,925
Interest and dividends	188,428	7,044	144,824	82,685	422,981
Net investment earnings	-	-	-	(1,858,775)	(1,858,775)
Contributions	290,000	-	897,723	3,634	1,191,357
Other revenue	345,880	92,474	545,634	-	983,988
Total revenue	7,550,503	118,366	1,962,890	(1,741,290)	7,890,469
Expenditures					
Current expenditures:					
Public safety (combined police and fire)	649,254	-	-	-	649,254
Economic development	608,668	-	-	-	608,668
Community development and planning	99,045	-	-	-	99,045
Parks and recreation	408,575	-	-	5,625	414,200
Cemeteries	454,461	-	-	21,574	476,035
Streets	8,040,933	-	-	-	8,040,933
Debt service:					
Principal	-	2,222,000	-	-	2,222,000
Interest and fiscal charges	-	821,309	-	-	821,309
Capital outlay	-	-	5,264,042	-	5,264,042
Total expenditures	10,260,936	3,043,309	5,264,042	27,199	18,595,486
Deficiency of revenue over expenditures	(2,710,433)	(2,924,943)	(3,301,152)	(1,768,489)	(10,705,017)
Other financing sources (uses)					
Transfers in	2,220,383	2,885,814	1,581,724	-	6,687,921
Transfers out	(2,376,763)	-	(2,247,330)	(255,209)	(4,879,302)
Proceeds from the sale of capital assets	8,900	-	-	-	8,900
Issuance of long-term debt	2,164,386	-	2,000,614	-	4,165,000
Bond premium	4,982	-	4,605	-	9,587
Total other financing sources (uses)	2,021,888	2,885,814	1,339,613	(255,209)	5,992,106
Net change in fund balances	(688,545)	(39,129)	(1,961,539)	(2,023,698)	(4,712,911)
Fund balance, beginning of year	8,162,976	163,680	6,906,031	6,487,263	21,719,950
Fund balance, end of year	\$ 7,474,431	\$ 124,551	\$ 4,944,492	\$ 4,463,565	\$ 17,007,039

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

Grants and Donations - This fund is used to account for various programs funded by grants and/or donations that are not accounted for in the other special revenue funds.

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

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

CITY OF KALAMAZOO, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008

	Major Streets	Local Streets	Cemeteries
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 2,550,595	\$ 194,941	\$ 275
Receivables:			
Notes	-	-	-
Special assessments	-	6,034	-
Accrued interest	-	6,620	-
Other	125,433	2	5,479
Due from other funds	307,456	124,709	104,919
Due from component units	145,000	-	-
Due from other governments	660,549	162,201	-
Advances to component units	1,365,254	-	-
Investments with agents	-	-	-
	<u>\$ 5,154,287</u>	<u>\$ 494,507</u>	<u>\$ 110,673</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 466,616	\$ 8,711	\$ 21,845
Accrued and other liabilities	-	-	-
Due to other funds	1,102,915	432,579	81,407
Due to component units	48,427	-	-
Due to other governments	-	-	-
Advances from other funds	-	5,203	-
Deposits payable	-	-	-
Deferred revenue	555	12,606	3,024
	<u>1,618,513</u>	<u>459,099</u>	<u>106,276</u>
Fund balance			
Reserved for:			
Encumbrances	746,641	35,408	-
Advances to component units	1,365,254	-	-
Unreserved:			
Undesignated	1,423,879	-	4,397
	<u>3,535,774</u>	<u>35,408</u>	<u>4,397</u>
	<u>\$ 5,154,287</u>	<u>\$ 494,507</u>	<u>\$ 110,673</u>

Grants and Donations	Economic Development Programs	Drug Enforcement	Total
\$ 158,613	\$ 1,652,978	\$ 706,234	\$ 5,263,636
-	549,904	-	549,904
-	-	-	6,034
-	2,151	-	8,771
528	-	-	131,442
5,302	200,000	1,978	744,364
-	-	-	145,000
159,742	-	-	982,492
-	2,162,130	-	3,527,384
12,601	-	-	12,601
\$ 336,786	\$ 4,567,163	\$ 708,212	\$ 11,371,628
\$ 32,608	\$ -	\$ 4,903	\$ 534,683
-	-	61,280	61,280
18,802	302,441	11,234	1,949,378
-	358,621	-	407,048
70	158,334	-	158,404
-	-	-	5,203
-	-	5,758	5,758
207,203	552,055	-	775,443
258,683	1,371,451	83,175	3,897,197
78,103	-	-	860,152
-	2,162,130	-	3,527,384
-	1,033,582	625,037	3,086,895
78,103	3,195,712	625,037	7,474,431
\$ 336,786	\$ 4,567,163	\$ 708,212	\$ 11,371,628

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Revenue, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008

	Major Streets	Local Streets	Cemeteries
Revenue			
Property taxes and special assessments	\$ -	\$ 1,963	\$ -
Intergovernmental revenue	4,825,956	1,105,811	-
Charges for services	-	-	163,844
Fines and forfeits	-	-	-
Interest revenue	38,440	15,542	625
Contributions	290,000	-	-
Other revenue	1,752	1,192	-
Total revenue	5,156,148	1,124,508	164,469
Expenditures			
Current expenditures:			
Public safety (combined police and fire)	-	-	-
Economic development	-	-	-
Community development and planning	-	-	-
Cemeteries	-	-	454,461
Parks and recreation	-	-	-
Streets	5,523,157	2,517,776	-
Total expenditures	5,523,157	2,517,776	454,461
Deficiency of revenue over expenditures	(367,009)	(1,393,268)	(289,992)
Other financing sources (uses)			
Transfers in	4,274	1,860,900	255,209
Transfers out	(1,658,735)	(597,105)	-
Proceeds from the sale of capital assets	-	-	-
Issuance of long-term debt	2,164,386	-	-
Bond premium	4,982	-	-
Total other financing sources (uses)	514,907	1,263,795	255,209
Net change in fund balances	147,898	(129,473)	(34,783)
Fund balance, beginning of year	3,387,876	164,881	39,180
Fund balance, end of year	\$ 3,535,774	\$ 35,408	\$ 4,397

Grants and Donations	Economic Development Programs	Drug Enforcement	Total
\$ -	\$ -	\$ -	\$ 1,963
306,566	-	55,859	6,294,192
-	31,271	-	195,115
-	-	234,925	234,925
170	112,538	21,113	188,428
-	-	-	290,000
250,269	62,929	29,738	345,880
557,005	206,738	341,635	7,550,503
225,280	-	423,974	649,254
-	608,668	-	608,668
99,045	-	-	99,045
-	-	-	454,461
408,575	-	-	408,575
-	-	-	8,040,933
732,900	608,668	423,974	10,260,936
(175,895)	(401,930)	(82,339)	(2,710,433)
100,000	-	-	2,220,383
(18,710)	(102,213)	-	(2,376,763)
-	-	8,900	8,900
-	-	-	2,164,386
-	-	-	4,982
81,290	(102,213)	8,900	2,021,888
(94,605)	(504,143)	(73,439)	(688,545)
172,708	3,699,855	698,476	8,162,976
\$ 78,103	\$ 3,195,712	\$ 625,037	\$ 7,474,431

CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Major Streets Fund
For the Year Ended December 31, 2008

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Intergovernmental revenue:			
State trunkline maintenance	\$ 250,000	\$ 256,622	\$ 6,622
Gas and weight tax distribution	4,200,000	3,912,153	(287,847)
Other state revenue	769,171	657,181	(111,990)
Interest	85,000	38,440	(46,560)
Contributions	-	290,000	290,000
Other revenue	288,800	1,752	(287,048)
	<hr/>	<hr/>	<hr/>
Total revenue	5,592,971	5,156,148	(436,823)
	<hr/>	<hr/>	<hr/>
Expenditures			
Streets:			
Administration	567,848	1,003,194	(435,346)
Repair	2,050,268	1,526,907	523,361
Maintenance	-	9,104	(9,104)
Traffic signals	-	14,624	(14,624)
Traffic signs	-	244	(244)
Construction	4,196,940	2,969,084	1,227,856
	<hr/>	<hr/>	<hr/>
Total expenditures	6,815,056	5,523,157	1,291,899
	<hr/>	<hr/>	<hr/>
Deficiency of revenue over expenditures	(1,222,085)	(367,009)	855,076
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Transfers in:			
Economic Development Programs	-	4,274	4,274
Transfers out:			
Local Streets	(281,267)	-	281,267
Michigan Transportation Fund Debt Service Fund	(1,658,467)	(1,658,603)	(136)
Installment Purchase Contracts Debt Service Fund	-	(132)	(132)
Issuance of long-term debt	2,012,996	2,164,386	151,390
Bond premium	4,982	4,982	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	78,244	514,907	436,663
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(1,143,841)	147,898	1,291,739
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	3,387,876	3,387,876	-
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 2,244,035	\$ 3,535,774	\$ 1,291,739
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CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Local Streets Fund
For the Year Ended December 31, 2008

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Special assessments	\$ -	\$ 1,963	\$ 1,963
Intergovernmental revenue:			
Gas and weight tax distribution	1,235,000	1,105,811	(129,189)
Interest	25,000	15,542	(9,458)
Other revenue	3,000	1,192	(1,808)
Total revenue	1,263,000	1,124,508	(138,492)
Expenditures			
Streets:			
Administration	411,583	842,676	(431,093)
Repair	1,211,456	848,860	362,596
Maintenance	-	428	(428)
Signs	-	118	(118)
Construction	1,020,790	825,694	195,096
Total expenditures	2,643,829	2,517,776	126,053
Deficiency of expenditures over revenue	(1,380,829)	(1,393,268)	(12,439)
Other financing sources (uses)			
Transfers in:			
General Fund	1,860,899	1,860,900	1
Major Streets	281,267	-	(281,267)
Transfers out:			
Michigan Transportation Fund Debt Service Fund	(274,591)	(274,529)	62
Capital Improvement Projects Fund	(322,495)	(322,576)	(81)
Proceeds from the sale of capital assets	(185,041)	-	185,041
Total other financing sources (uses)	1,360,039	1,263,795	(96,244)
Net change in fund balance	(20,790)	(129,473)	(108,683)
Fund balance, beginning of year	164,881	164,881	-
Fund balance, end of year	\$ 144,091	\$ 35,408	\$ (108,683)

CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Cemeteries Fund
For the Year Ended December 31, 2008

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Charges for services	\$ 157,500	\$ 163,844	\$ 6,344
Interest	-	625	625
Total revenue	157,500	164,469	6,969
Expenditures			
Cemeteries:			
Maintenance	176,681	209,917	(33,236)
Burials	290,981	244,544	46,437
Total expenditures	467,662	454,461	13,201
Deficiency of expenditures over revenue	(310,162)	(289,992)	20,170
Other financing sources			
Transfers in:			
Cemeteries' Perpetual Care	280,113	255,209	(24,904)
Net change in fund balance	(30,049)	(34,783)	(4,734)
Fund balance, beginning of year	39,180	39,180	-
Fund balance, end of year	\$ 9,131	\$ 4,397	\$ (4,734)

CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Grants and Donations Fund
For the Year Ended December 31, 2008

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Intergovernmental revenue:			
Federal grants	\$ 1,420	\$ 233,922	\$ 232,502
State grants	23,500	72,644	49,144
Interest revenue	-	170	170
Local contributions	263,285	250,269	(13,016)
Total revenue	288,205	557,005	268,800
Expenditures			
Public safety (combined police and fire)	397,519	225,280	172,239
Community development	99,815	99,045	770
Parks and recreation	393,658	408,575	(14,917)
Total expenditures	890,992	732,900	158,092
Deficiency of expenditures over revenue	(602,787)	(175,895)	426,892
Other financing sources (uses)			
Transfers in:			
General Fund	100,000	100,000	-
Transfers out:			
General Fund	-	(11,710)	(11,710)
Capital Improvement Program	-	(7,000)	(7,000)
Total other financing sources (uses)	100,000	81,290	(18,710)
Net change in fund balance	(502,787)	(94,605)	408,182
Fund balance, beginning of year	172,708	172,708	-
Fund balance (deficit), end of year	\$ (330,079)	\$ 78,103	\$ 408,182

CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Economic Development Programs Fund
For the Year Ended December 31, 2008

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Charges for service	\$ -	\$ 31,271	\$ 31,271
Interest	-	112,538	112,538
Other revenue	-	62,929	62,929
Total revenue	-	206,738	206,738
Expenditures			
Economic development:			
Economic Opportunity Fund	-	608,668	(608,668)
Deficiency of revenue over expenditures	-	(401,930)	(401,930)
Other financing uses			
Transfers out:			
Major Streets	-	(4,274)	(4,274)
Waste Water	-	(49,678)	(49,678)
Water	-	(48,261)	(48,261)
Total other financing uses	-	(102,213)	(102,213)
Net change in fund balance	-	(504,143)	(504,143)
Fund balance, beginning of year	3,699,855	3,699,855	-
Fund balance, end of year	\$ 3,699,855	\$ 3,195,712	\$ (504,143)

CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Drug Enforcement Fund
For the Year Ended December 31, 2008

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Intergovernmental revenue - federal grants	\$ -	\$ 55,859	\$ 55,859
Fines and forfeits	200,000	234,925	34,925
Interest	-	21,113	21,113
Other revenue	-	29,738	29,738
Total revenue	200,000	341,635	141,635
Expenditures			
Public safety (combined police and fire)	748,270	423,974	324,296
Deficiency of revenue over expenditures	(548,270)	(82,339)	465,931
Other financing sources			
Proceeds from the sale of capital assets	-	8,900	8,900
Net change in fund balance	(548,270)	(73,439)	474,831
Fund balance, beginning of year	698,476	698,476	-
Fund balance, end of year	\$ 150,206	\$ 625,037	\$ 474,831

NONMAJOR DEBT SERVICE FUNDS

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

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

Installment Purchase Contracts - This fund is used to account for the debt service activity of the City's installment obligations. Financing is provided through transfers from other funds and facility rentals.

CITY OF KALAMAZOO, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2008

	<u>Special Assessments</u>	<u>Michigan Transportation Fund</u>	<u>Installment Purchase Contracts</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 125,130	\$ -	\$ -	\$ 125,130
Receivables:				
Special assessments	61,416	-	-	61,416
Other	-	-	22,000	22,000
Due from other funds	-	1,200	500	1,700
Due from component units	-	-	69,000	69,000
	<u>\$ 186,546</u>	<u>\$ 1,200</u>	<u>\$ 91,500</u>	<u>\$ 279,246</u>
<u>TOTAL ASSETS</u>				
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts payable	\$ 300	\$ 1,200	\$ 500	\$ 2,000
Due to other funds	279	-	-	279
Deferred revenue	61,416	-	91,000	152,416
	<u>61,995</u>	<u>1,200</u>	<u>91,500</u>	<u>154,695</u>
Total liabilities				
	<u>61,995</u>	<u>1,200</u>	<u>91,500</u>	<u>154,695</u>
Fund balance				
Unreserved, undesignated	124,551	-	-	124,551
	<u>124,551</u>	<u>-</u>	<u>-</u>	<u>124,551</u>
	<u>\$ 186,546</u>	<u>\$ 1,200</u>	<u>\$ 91,500</u>	<u>\$ 279,246</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>				

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008

	Special Assessments	Michigan Transportation Fund	Installment Purchase Contracts	Total
Revenue				
Special assessments	\$ 18,848	\$ -	\$ -	\$ 18,848
Interest	7,044	-	-	7,044
Other revenue	-	-	92,474	92,474
Total revenue	25,892	-	92,474	118,366
Expenditures				
Debt service:				
Principal	50,000	1,390,000	782,000	2,222,000
Interest and fiscal charges	15,021	543,132	263,156	821,309
Total expenditures	65,021	1,933,132	1,045,156	3,043,309
Excess (deficiency) of revenue over expenditures	(39,129)	(1,933,132)	(952,682)	(2,924,943)
Other financing sources				
Transfers in:				
Major Streets Fund	-	1,658,603	132	1,658,735
Local Streets Fund	-	274,529	322,576	597,105
Capital Improvements Project Fund	-	-	629,974	629,974
Total other financing sources	-	1,933,132	952,682	2,885,814
Net change in fund balances	(39,129)	-	-	(39,129)
Fund balance, beginning of year	163,680	-	-	163,680
Fund balance, end of year	\$ 124,551	\$ -	\$ -	\$ 124,551

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

Building Authority Justice Facilities - This fund accounts for earmarked revenue set aside for public improvements associated with justice facilities.

CITY OF KALAMAZOO, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2008

	Cork Street Landfill Cap Construction	Capital Improvements Projects	Building Authority Justice Facilities	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 6,515,458	\$ 26,195	\$ 6,541,653
Receivables:				
Special assessments	-	5,284	-	5,284
Accrued interest	1,169	-	-	1,169
Other	27,776	608,810	-	636,586
Due from other funds	-	581,775	-	581,775
Due from component units	-	100,000	-	100,000
Due from other governments	-	85,008	-	85,008
Advances to other funds	-	5,203	-	5,203
Restricted cash	2,060,843	-	-	2,060,843
Investments with agents	-	8,810	-	8,810
	\$ 2,089,788	\$ 7,910,348	\$ 26,195	\$ 10,026,331
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts payable	\$ -	\$ 237,671	\$ -	\$ 237,671
Due to other funds	615,656	3,257,384	254	3,873,294
Due to other governments	-	2,689	-	2,689
Deposits payable	960,401	-	-	960,401
Deferred revenue	-	7,784	-	7,784
	1,576,057	3,505,528	254	5,081,839
Fund balance				
Reserved for:				
Encumbrances	-	878,390	-	878,390
Advances to other funds	-	5,203	-	5,203
Non-current due from component units	-	100,000	-	100,000
Debt-financed projects	-	-	25,941	25,941
Unreserved:				
Designated for subsequent years' expenditures	-	362,526	-	362,526
Undesignated	513,731	3,058,701	-	3,572,432
	513,731	4,404,820	25,941	4,944,492
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 2,089,788	\$ 7,910,348	\$ 26,195	\$ 10,026,331

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008

	Cork Street Landfill Cap Construction	Capital Improvements Projects	Building Authority Justice Facilities	Total
Revenue				
Property taxes and special assessments	\$ -	\$ 4,709	\$ -	\$ 4,709
Intergovernmental revenue	-	370,000	-	370,000
Interest and dividends	20,484	123,813	527	144,824
Contributions	33,861	863,862	-	897,723
Other revenue	-	545,634	-	545,634
Total revenue	54,345	1,908,018	527	1,962,890
Expenditures				
Capital outlay	203,225	5,060,521	288	5,264,034
Other	-	8	-	8
Total expenditures	203,225	5,060,529	288	5,264,042
Excess (deficiency) of revenue over expenditures	(148,880)	(3,152,511)	239	(3,301,152)
Other financing sources (uses)				
Transfers in	-	1,581,724	-	1,581,724
Transfers out	-	(2,247,330)	-	(2,247,330)
Issuance of long-term debt	-	2,000,614	-	2,000,614
Bond premium	-	4,605	-	4,605
Total other financing sources (uses)	-	1,339,613	-	1,339,613
Net change in fund balances	(148,880)	(1,812,898)	239	(1,961,539)
Fund balance, beginning of year	662,611	6,217,718	25,702	6,906,031
Fund balance, end of year	\$ 513,731	\$ 4,404,820	\$ 25,941	\$ 4,944,492

NONMAJOR PERMANENT FUNDS

Cemetery Perpetual Care - This fund is used to account for money held in trust for the perpetual care of graves in the City cemeteries. Revenues consist of interest earnings from the investments, gain on sale of investments and charges for services.

Recreation Endowment - This fund is used to account for monies accumulated for the eventual endowment of recreation activities. Revenues consist of donations and interest earnings of the endowment fund.

Parks Endowment - This fund is used to account for monies accumulated for the eventual endowment of park activities. Revenues consist of donations and interest earnings of the endowment fund.

CITY OF KALAMAZOO, MICHIGAN
Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2008

	Cemetery Perpetual Care Fund	Recreation Endowment Funds	Parks Endowment Fund	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 140,383	\$ -	\$ -	\$ 140,383
Investments	2,899,207	-	-	2,899,207
Accounts receivable	200	-	-	200
Investments with agents	-	818,773	714,287	1,533,060
	\$ 3,039,790	\$ 818,773	\$ 714,287	\$ 4,572,850
<u>TOTAL ASSETS</u>				
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accrued and other liabilities	\$ 4,366	\$ -	\$ -	\$ 4,366
Due to other funds	104,919	-	-	104,919
	109,285	-	-	109,285
Fund balance				
Reserved for:				
Cemetery perpetual care	1,735,160	-	-	1,735,160
Recreational activities	-	818,773	714,287	1,533,060
Unreserved, undesignated	1,195,345	-	-	1,195,345
	2,930,505	818,773	714,287	4,463,565
	\$ 3,039,790	\$ 818,773	\$ 714,287	\$ 4,572,850
<u>TOTAL LIABILITIES AND FUND BALANCE</u>				

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2008

	Cemetery Perpetual Care Fund	Recreation Endowment Funds	Parks Endowment Fund	Total
Revenue				
Charges for services	\$ 31,166	\$ -	\$ -	\$ 31,166
Interest and dividends	82,685	-	-	82,685
Net investment earnings	(1,300,017)	(297,958)	(260,800)	(1,858,775)
Contributions	-	3,634	-	3,634
Total revenue	(1,186,166)	(294,324)	(260,800)	(1,741,290)
Expenditures				
Current expenditures:				
Parks and recreation	-	5,625	-	5,625
Cemeteries	21,574	-	-	21,574
Total expenditures	21,574	5,625	-	27,199
Deficiency of revenues over expenditures	(1,207,740)	(299,949)	(260,800)	(1,768,489)
Other financing uses				
Transfers out	(255,209)	-	-	(255,209)
Net change in fund balance	(1,462,949)	(299,949)	(260,800)	(2,023,698)
Fund balance, beginning of year	4,393,454	1,118,722	975,087	6,487,263
Fund balance, end of year	\$ 2,930,505	\$ 818,773	\$ 714,287	\$ 4,463,565

INTERNAL SERVICE FUNDS

Engineering Fund - This fund is used to account for the operations of the City's Engineering Department. Financing is provided through user charges.

City-Wide Maintenance Fund – This fund is used to account for buildings and grounds maintenance operations for the City's various properties. User fees are charged to various funds and departments.

Management Information Systems Fund - This fund is used to record the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

Public Works Equipment Fund - This fund is used to account for the procurement and maintenance of equipment to be used on various public work projects. Revenues are provided through vehicle and equipment rental charges and maintenance service billings. This fund also accounts for the administration and engineering of streets, storm sewers, parks and sidewalks. User funds and departments are billed to recover costs.

Insurance and Benefits Fund - This fund is used to account for payment of approved insurance claims, public liability, hospitalization insurance, workers' compensation, pension contributions, postemployment benefits, etc. The City is primarily self-insured and finances its insurance payments through budgeted transfers from other funds.

Public Utilities Equipment Fund - This fund is used to account for the procurement and maintenance of equipment to be used by the Wastewater and Water Departments. Revenues are provided through vehicle and equipment rental charges and maintenance service billings.

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
December 31, 2008

	Governmental Activities			
	Engineering	City-Wide Maintenance	Management Information Systems	Public Works Equipment
Assets				
Current assets:				
Cash and cash equivalents	\$ 761	\$ 818	\$ 1,587,972	\$ 852
Other receivables	-	-	2,735	35,252
Due from other funds	1,167,822	567,419	454,554	1,266,299
Due from component units	-	-	21,148	-
Inventories	-	-	-	246,057
Prepaid items and other assets	462	-	1,305	-
Total current assets	1,169,045	568,237	2,067,714	1,548,460
Noncurrent assets:				
Capital assets	-	-	568,060	1,311,281
Total assets	1,169,045	568,237	2,635,774	2,859,741
Liabilities				
Current liabilities:				
Accounts payable	374	18,190	37,503	89,407
Accrued and other liabilities	-	-	-	-
Due to other funds	980,559	454,012	62,648	1,860,475
Due to component units	-	-	-	-
Advance from other funds	-	-	-	-
Unearned revenue	-	-	17,600	-
Current portion of compensated absences	22,005	11,291	3,682	4,600
Current portion of long-term debt	-	-	-	-
Total current liabilities	1,002,938	483,493	121,433	1,954,482
Noncurrent liabilities:				
Compensated absences payable	154,037	79,035	25,774	32,196
Uninsured claim liability	-	-	-	-
Net other post employment benefits obligation	-	-	-	-
Total noncurrent liabilities	154,037	79,035	25,774	32,196
Total liabilities	1,156,975	562,528	147,207	1,986,678
Net assets				
Invested in capital assets	-	-	568,060	1,311,281
Unrestricted (deficit)	12,070	5,709	1,920,507	(438,218)
Total net assets (deficit)	\$ 12,070	\$ 5,709	\$ 2,488,567	\$ 873,063

Insurance and Benefits	Subtotal Governmental Activities	Business-type Activities Public Utilities Equipment	Total
\$ 5,733,993	\$ 7,324,396	\$ 825,617	\$ 8,150,013
1,349,031	1,387,018	-	1,387,018
4,717,547	8,173,641	868,705	9,042,346
273,609	294,757	-	294,757
-	246,057	41,745	287,802
22,852	24,619	-	24,619
12,097,032	17,450,488	1,736,067	19,186,555
-	1,879,341	1,486,253	3,365,594
12,097,032	19,329,829	3,222,320	22,552,149
156,818	302,292	63,521	365,813
2,367,570	2,367,570	-	2,367,570
130,908	3,488,602	713,539	4,202,141
76,084	76,084	-	76,084
340,000	340,000	-	340,000
-	17,600	-	17,600
-	41,578	4,090	45,668
1,713,241	1,713,241	-	1,713,241
4,784,621	8,346,967	781,150	9,128,117
-	291,042	28,634	319,676
2,115,573	2,115,573	-	2,115,573
11,920,257	11,920,257	-	11,920,257
14,035,830	14,326,872	28,634	14,355,506
18,820,451	22,673,839	809,784	23,483,623
-	1,879,341	1,486,253	3,365,594
(6,723,419)	(5,223,351)	926,283	(4,297,068)
\$ (6,723,419)	\$ (3,344,010)	\$ 2,412,536	\$ (931,474)

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Revenue, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2008

	Governmental Activities			
	Engineering	City-Wide Maintenance	Management Information Systems	Public Works Equipment
Operating revenue				
Charges for services	\$ 1,839,314	\$ 1,329,176	\$ 2,455,398	\$ 2,539,265
Operating expenses				
Operation and maintenance	1,840,584	1,330,294	2,171,882	1,871,392
Risk management	-	-	-	-
Depreciation	-	-	202,643	396,373
Total operating expenses	1,840,584	1,330,294	2,374,525	2,267,765
Operating income (loss)	(1,270)	(1,118)	80,873	271,500
Nonoperating revenue				
Interest income	-	-	56,325	-
Gain on disposal of capital assets	-	-	324	20,179
Total nonoperating revenue	-	-	56,649	20,179
Change in net assets	(1,270)	(1,118)	137,522	291,679
Net assets, beginning of year, as restated	13,340	6,827	2,351,045	581,384
Net assets, end of year	\$ 12,070	\$ 5,709	\$ 2,488,567	\$ 873,063

Insurance and Benefits	Subtotal Governmental Activities	Business-type Activities Public Utilities Equipment	Total
\$ 22,163,861	\$ 30,327,014	\$ 1,448,072	\$ 31,775,086
-	7,214,152	980,406	8,194,558
34,207,472	34,207,472	-	34,207,472
-	599,016	409,137	1,008,153
34,207,472	42,020,640	1,389,543	43,410,183
(12,043,611)	(11,693,626)	58,529	(11,635,097)
268,415	324,740	2,559	327,299
-	20,503	38,505	59,008
268,415	345,243	41,064	386,307
(11,775,196)	(11,348,383)	99,593	(11,248,790)
5,051,777	8,004,373	2,312,943	10,317,316
\$ (6,723,419)	\$ (3,344,010)	\$ 2,412,536	\$ (931,474)

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2008

	Governmental Activities			
	Engineering	City-Wide Maintenance	Management Information Systems	Public Works Equipment
Cash flows from operating activities				
Cash received from providing interfund services	\$ 979,829	\$ 1,013,388	\$ 2,445,082	\$ 1,594,357
Cash payments to suppliers for goods and services	(94,246)	(482,608)	(1,761,179)	(567,189)
Cash payments to employees for services	(885,352)	(530,955)	(532,874)	(775,691)
Net cash provided (used) by operating activities	231	(175)	151,029	251,477
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	(147,138)	(271,884)
Proceeds from sale of capital assets	-	-	324	20,180
Net cash used by capital and related financing activities	-	-	(146,814)	(251,704)
Cash flows from investing activities				
Interest received	-	-	56,325	-
Net increase (decrease) in cash and cash equivalents	231	(175)	60,540	(227)
Cash and cash equivalents, beginning of year	530	993	1,527,432	1,079
Cash and cash equivalents, end of year	\$ 761	\$ 818	\$ 1,587,972	\$ 852

Insurance and Benefits	Subtotal Governmental Activities	Business-type Activities Public Utilities Equipment	Total
\$ 19,607,244	\$ 25,639,900	\$ 901,126	\$ 26,541,026
(21,676,328)	(24,581,550)	(286,054)	(24,867,604)
-	(2,724,872)	(202,697)	(2,927,569)
(2,069,084)	(1,666,522)	412,375	(1,254,147)
-	(419,022)	(455,376)	(874,398)
-	20,504	41,094	61,598
-	(398,518)	(414,282)	(812,800)
268,415	324,740	2,559	327,299
(1,800,669)	(1,740,300)	652	(1,739,648)
7,534,662	9,064,696	824,965	9,889,661
\$ 5,733,993	\$ 7,324,396	\$ 825,617	\$ 8,150,013

(Continued...)

CITY OF KALAMAZOO, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds (Concluded)
For the Year Ended December 31, 2008

	Governmental Activities			
	Engineering	City-Wide Maintenance	Management Information Systems	Public Works Equipment
Reconciliation of operating income (loss) to net cash provided				
(used) by operating activities:				
Operating income (loss)	\$ (1,270)	\$ (1,118)	\$ 80,873	\$ 271,500
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	-	-	202,643	396,373
Changes in assets and liabilities:				
Receivables	7,374	4,807	(869)	11,978
Due from other funds	(866,859)	(320,595)	(15,318)	(961,169)
Due from component units	-	-	5,871	4,283
Inventories	-	-	-	(69,157)
Prepaid items and other assets	(231)	-	(1,155)	-
Accounts payable	(1,536)	151	(145,074)	79,294
Accrued and other liabilities	-	-	-	-
Due to other funds	686,711	226,254	33,098	547,570
Due to component units	-	-	(166)	-
Due to other governments	-	-	-	-
Compensated absences payable	176,042	90,326	(8,874)	(29,195)
Uninsured claim liability	-	-	-	-
Net other postemployment benefit obligation	-	-	-	-
Net cash provided (used) by operating activities	\$ 231	\$ (175)	\$ 151,029	\$ 251,477

Insurance and Benefits	Sub-total Governmental Activities	Business-type Activities Public Utilities Equipment	Total
\$ (12,043,611)	\$ (11,693,626)	\$ 58,529	\$ (11,635,097)
-	599,016	409,137	1,008,153
(1,335,793)	(1,312,503)	-	(1,312,503)
(1,178,556)	(3,342,497)	(546,946)	(3,889,443)
(42,268)	(32,114)	-	(32,114)
-	(69,157)	4,026	(65,131)
(1,281)	(2,667)	-	(2,667)
108,941	41,776	2,310	44,086
371,529	371,529	-	371,529
108,821	1,602,454	481,068	2,083,522
76,084	75,918	-	75,918
(38,325)	(38,325)	-	(38,325)
-	228,299	4,251	232,550
(14,882)	(14,882)	-	(14,882)
11,920,257	11,920,257	-	11,920,257
\$ (2,069,084)	\$ (1,666,522)	\$ 412,375	\$ (1,254,147)

AGENCY FUND

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

CITY OF KALAMAZOO, MICHIGAN
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2008

	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008
<u>TAX COLLECTOR'S</u>				
Assets				
Cash and cash equivalents	\$ 11,423,405	\$ 67,243,947	\$ 65,244,357	\$ 13,422,995
Taxes receivable	35,726,262	63,339,559	64,956,436	34,109,385
Other receivables	40	1,326	1,007	359
	<hr/>			
Total assets	\$ 47,149,707	\$ 130,584,832	\$ 130,201,800	\$ 47,532,739
	<hr/>			
Liabilities				
Accounts payable	\$ 155	\$ 71,525,657	\$ 71,521,089	\$ 4,723
Due to component units	-	33	-	33
Due to other governments	47,149,552	59,059,142	58,680,711	47,527,983
	<hr/>			
Total liabilities	\$ 47,149,707	\$ 130,584,832	\$ 130,201,800	\$ 47,532,739
	<hr/>			

COMPONENT UNITS

CITY OF KALAMAZOO, MICHIGAN
Statement of Net Assets / Governmental Fund Balance Sheet
Downtown Development Authority Component Unit
December 31, 2008

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 216,188	\$ -	\$ 216,188
Receivables, net:			
Taxes	1,867,034	349,273	2,216,307
Other	310,927	-	310,927
Due from primary government	14,240	-	14,240
Restricted cash	2,483,664	-	2,483,664
Capital assets, net	-	302,288	302,288
	<u>4,892,053</u>	<u>651,561</u>	<u>5,543,614</u>
Total assets	<u>\$ 4,892,053</u>	<u>651,561</u>	<u>5,543,614</u>
Liabilities			
Accounts payable	\$ 500,361	-	500,361
Accrued liabilities	-	85,779	85,779
Due to primary government	1,013	4,720,000	4,721,013
Deferred/unearned revenue	87,640	-	87,640
Long-term liabilities:			
Due within one year	-	141,694	141,694
Due in more than one year	-	1,021,748	1,021,748
	<u>589,014</u>	<u>5,969,221</u>	<u>6,558,235</u>
Total liabilities	<u>589,014</u>	<u>5,969,221</u>	<u>6,558,235</u>
Fund balance / net assets			
Fund balance:			
Unreserved, undesignated	4,303,039	(4,303,039)	-
	<u>\$ 4,892,053</u>		
Total liabilities and fund balance	<u>\$ 4,892,053</u>		
Net assets:			
Invested in capital assets, net of related debt		302,288	302,288
Unrestricted (deficit)		(1,316,909)	(1,316,909)
		<u>302,288</u>	<u>(1,316,909)</u>
Total net assets (deficit)		<u>\$ (1,014,621)</u>	<u>\$ (1,014,621)</u>

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Fund Balance of the
Governmental Fund to Net Assets
Downtown Development Authority Component Unit
December 31, 2008

Fund balance - governmental fund	\$ 4,303,039
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and therefore not reported in the governmental fund.	
Add: capital assets, net	302,288
Because the focus of the governmental fund is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental fund, and thus are not included in fund balance.	
Add: deferred property taxes	349,273
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental fund.	
Subtract: long-term debt payable	(1,163,442)
Subtract: accrued interest on long-term debt	(85,779)
Subtract: long-term due to primary government	<u>(4,720,000)</u>
Net assets (deficit)	<u><u>\$ (1,014,621)</u></u>

CITY OF KALAMAZOO, MICHIGAN
Statement of Activities / Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
Downtown Development Authority Component Unit
For the Year Ended December 31, 2008

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses	\$ 7,067,479	\$ (437,431)	\$ 6,630,048
Program revenues			
Charges for services	2,780,807	-	2,780,807
Operating grants, contributions, and restricted interest	1,046,513	-	1,046,513
Capital grants and contributions	240,278	-	240,278
Total program revenues	4,067,598	-	4,067,598
Net program expense	(2,999,881)	437,431	(2,562,450)
General revenues			
Property taxes	3,909,795	(56,319)	3,853,476
Change in fund balance / net assets	909,914	381,112	1,291,026
Fund balances / net assets (deficit):			
Beginning of year	3,393,125	(5,698,772)	(2,305,647)
End of year	\$ 4,303,039	\$ (5,317,660)	\$ (1,014,621)

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Governmental Fund Revenue, Expenditures
and Changes in Fund Balances to Changes in Net Assets
Downtown Development Authority Component Unit
For the Year Ended December 31, 2008

Net change in fund balance - governmental fund	\$	909,914
Amounts reported in the statement of activities are different because:		
<p>The governmental fund reports 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.</p>		
Add: capital outlay		24,760
Subtract: depreciation expense		(73,665)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund, but rather are deferred to the following fiscal year.</p>		
Subtract: net change in property tax revenues		(56,319)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Add: principal payments on long-term liabilities		535,181
<p>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 the governmental fund.</p>		
Subtract: net change in accrued interest		<u>(48,845)</u>
Change in net assets	\$	<u><u>1,291,026</u></u>

CITY OF KALAMAZOO, MICHIGAN
Statement of Net Assets / Governmental Fund Balance Sheet
Economic Development Corporation Component Unit
December 31, 2008

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 12,565	\$ -	\$ 12,565
Notes receivable	1,764,428	-	1,764,428
Due from other component units	213,035	-	213,035
Due from primary government	358,621	-	358,621
	<hr/>		
Total assets	\$ 2,348,649	-	2,348,649
Liabilities			
Accounts payable	\$ 1,038	-	1,038
Due to primary government	10,657	-	10,657
Advance from primary government	1,664,428	-	1,664,428
Deferred revenue	100,000	(100,000)	-
Long-term liabilities:			
Due within one year	-	1,942	1,942
Due in more than one year	-	13,595	13,595
	<hr/>		
Total liabilities	1,776,123	(84,463)	1,691,660
Fund balance / net assets			
Fund balance:			
Unreserved, undesignated	572,526	(572,526)	-
	<hr/>		
Total liabilities and fund balance	\$ 2,348,649	(656,989)	1,691,660
Net assets			
Unrestricted		\$ 656,989	\$ 656,989

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Fund Balance of the
Governmental Fund to Net Assets
Economic Development Corporation Component Unit
December 31, 2008

Fund balance - governmental fund	\$ 572,526
Amounts reported in the statement of net assets are different because:	
Because the focus of the governmental fund is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental fund, and thus are not included in fund balance.	
Add: deferred notes receivable	100,000
Certain liabilities, such as compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: compensated absences	<u>(15,537)</u>
Net assets	<u><u>\$ 656,989</u></u>

CITY OF KALAMAZOO, MICHIGAN
Statement of Activities / Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
Economic Development Corporation Component Unit
For the Year Ended December 31, 2008

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses	\$ 238,621	\$ 15,537	\$ 254,158
Program revenues			
Operating grants, contributions, and restricted interest	701,221	-	701,221
Net (expense) revenue	462,600	(15,537)	447,063
General revenues			
Unrestricted investment earnings	344	-	344
Change in fund balance / net assets	462,944	(15,537)	447,407
Fund balances / net assets:			
Beginning of year	109,582	100,000	209,582
End of year	\$ 572,526	\$ 84,463	\$ 656,989

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008

Net change in fund balance - governmental fund	\$ 462,944
Amounts reported in the statement of activities are different because:	
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 the governmental fund.	
Subtract: increase in the accrual of compensated absences	<u>(15,537)</u>
Change in net assets	<u><u>\$ 447,407</u></u>

CITY OF KALAMAZOO, MICHIGAN
Statement of Net Assets / Governmental Fund Balance Sheet
Brownfield Redevelopment Authority Component Unit
December 31, 2008

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 1,668,754	\$ -	\$ 1,668,754
Receivables, net:			
Notes	497,702	-	497,702
Due from other governments	55,645	-	55,645
Due from primary government	1	3,936	3,937
Taxes	265,671	-	265,671
Total assets	<u>\$ 2,487,773</u>	<u>3,936</u>	<u>2,491,709</u>
Liabilities			
Account payable	\$ 23,207	-	23,207
Accrued liabilities	4,200	-	4,200
Due to other component units	122,435	-	122,435
Due to primary government	256	-	256
Advance from primary government	497,702	-	497,702
Deferred/unearned revenue	101,326	(50,926)	50,400
Total liabilities	<u>749,126</u>	<u>(50,926)</u>	<u>698,200</u>
Fund balance / net assets			
Fund balance:			
Unreserved, undesignated	1,738,647	(1,738,647)	-
Total liabilities and fund balance	<u>\$ 2,487,773</u>		
Net assets			
Unrestricted		<u>\$ 1,793,509</u>	<u>\$ 1,793,509</u>

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Fund Balance of the
Governmental Fund to Net Assets
Brownfield Redevelopment Authority Component Unit
December 31, 2008

Fund balance - governmental fund \$ 1,738,647

Amounts reported in the statement of net assets are different because:

Because the focus of the governmental fund is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental fund, and thus are not included in fund balance.

Add: deferred notes receivable 50,926

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 revenue (expense) of certain internal service funds is allocated to the Authority and reported in the statement of activities.

Add: net operating gain from component unit activities accounted for in governmental internal service funds 3,936

Net assets \$ 1,793,509

CITY OF KALAMAZOO, MICHIGAN
Statement of Activities / Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
Brownfield Redevelopment Authority Component Unit
For the Year Ended December 31, 2008

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses	\$ 1,648,280	\$ -	\$ 1,648,280
Program revenues			
Operating grants, contributions, and restricted interest	749,286	-	749,286
Net (expense) revenue	(898,994)	-	(898,994)
General revenues			
Property taxes	655,018	803	655,821
Proceeds / gain from the sale of capital assets	2,500	-	2,500
Total general revenues	657,518	803	658,321
Change in net assets	(241,476)	803	(240,673)
Fund balances / net assets:			
Beginning of year	1,980,123	54,059	2,034,182
End of year	\$ 1,738,647	\$ 54,862	\$ 1,793,509

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Governmental Fund Revenue, Expenditures
and Changes in Fund Balance to Changes in Net Assets
Brownfield Redevelopment Authority Component Unit
For the Year Ended December 31, 2008

Net change in fund balance - governmental fund	\$ (241,476)
Amounts reported in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund, but rather are deferred to the following fiscal year.	
Add: net change in notes receivable	<u>803</u>
Change in net assets	<u><u>\$ (240,673)</u></u>

CITY OF KALAMAZOO, MICHIGAN
Statement of Net Assets / Governmental Fund Balance Sheet
Local Development Finance Authority Component Unit
December 31, 2008

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 378,450	\$ -	\$ 378,450
Taxes receivable	98,642	-	98,642
Due from primary government	-	133	133
Total assets	<u>\$ 477,092</u>	133	<u>477,225</u>
Liabilities			
Due to primary government	\$ 145,000	-	145,000
Due to other component units	90,600	-	90,600
Advance from primary government	1,589,179	-	1,589,179
Deferred revenue	48,796	(48,796)	-
Total liabilities	1,873,575	(48,796)	1,824,779
Fund balance / net assets			
Fund balance:			
Unreserved, undesignated (deficit)	(1,396,483)	1,396,483	-
Total liabilities and fund balance	<u>\$ 477,092</u>		
Net assets			
Unrestricted (deficit)	<u>\$ (1,347,554)</u>		<u>\$ (1,347,554)</u>

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Fund Balance of the
Governmental Fund to Net Assets
Local Development Finance Authority Component Unit
December 31, 2008

Fund balance (deficit) - governmental fund	\$ (1,396,483)
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Amounts reported in the statement of net assets are different because:

Because the focus of the governmental fund is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental fund, and thus are not included in fund balance.

Add: deferred notes receivable	48,796
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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 assets of certain internal service funds are allocated to the Authority and included in the statement of net assets.

Add: net assets allocated to the Authority from governmental activity internal service funds	133
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Net assets (deficit)	\$ (1,347,554)
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CITY OF KALAMAZOO, MICHIGAN
Statement of Activities / Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
Local Development Finance Authority Component Unit
For the Year Ended December 31, 2008

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses	\$ 275,141	\$ -	\$ 275,141
General revenues			
Property taxes	468,417	8,029	476,446
Change in net assets	193,276	8,029	201,305
Fund balances / net assets:			
Beginning of year	(1,589,759)	40,900	(1,548,859)
End of year	\$ (1,396,483)	\$ 48,929	\$ (1,347,554)

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Governmental Fund Revenue, Expenditures
and Changes in Fund Balance to Changes in Net Assets
Local Development Finance Authority Component Unit
For the Year Ended December 31, 2008

Net change in fund balance - governmental fund	\$ 193,276
Amounts reported in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund, but rather are deferred to the following fiscal year.	
Add: net change in deferred property taxes	<u>8,029</u>
Change in net assets	<u><u>\$ 201,305</u></u>

CITY OF KALAMAZOO, MICHIGAN
Statement of Net Assets
Metro Transit System Component Unit
December 31, 2008

	Enterprise Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,735,101	\$ -	\$ 6,735,101
Receivables, net	1,261,819	-	1,261,819
Due from primary government	-	654,398	654,398
Other assets	348,394	-	348,394
Total current assets	8,345,314	654,398	8,999,712
Noncurrent assets:			
Capital assets, net	18,977,072	-	18,977,072
Total assets	27,322,386	654,398	27,976,784
Liabilities			
Current liabilities:			
Account payable and accrued liabilities	334,854	-	334,854
Due to primary government	392,610	1,455,145	1,847,755
Unearned revenue	680,465	-	680,465
Current portion of long-term debt	37,261	-	37,261
Total current liabilities	1,445,190	1,455,145	2,900,335
Long-term liabilities:			
Due in more than one year	260,829	-	260,829
Total liabilities	1,706,019	1,455,145	3,161,164
Net assets			
Invested in capital assets	18,977,072	-	18,977,072
Unrestricted	6,639,295	(800,747)	5,838,548
Total net assets	\$ 25,616,367	\$ (800,747)	\$ 24,815,620

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Fund Net Assets of the
Enterprise Fund to Net Assets
Metro Transit System Component Unit
December 31, 2008

Fund net assets	\$ 25,616,367
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Amounts reported in the statement of net assets 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 revenue (expense) of certain internal service funds is allocated to the System and reported in the statement of activities.

Subtract: net assets (deficit) allocated to the System from governmental activity internal service funds

(800,747)

Net assets	<u>\$ 24,815,620</u>
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CITY OF KALAMAZOO, MICHIGAN
Statement of Activities and Enterprise Fund Revenue,
Expenses, and Changes in Fund Net Assets
Metro Transit System Component Unit
For the Year Ended December 31, 2008

	Enterprise Fund	Adjustments	Statement of Activities
Expenses	\$ 14,186,656	\$ 1,489,407	\$ 15,676,063
Program revenues			
Charges for services	2,604,808	-	2,604,808
Operating grants, contributions, and restricted interest	9,886,589	-	9,886,589
Capital grants and contributions	1,564,240	-	1,564,240
Total program revenues	14,055,637	-	14,055,637
Net revenue	(131,019)	(1,489,407)	(1,620,426)
General revenues			
Property taxes	1,665,641	-	1,665,641
Gain on sale of capital assets	(35,784)	35,784	-
Total general revenues	1,629,857	35,784	1,665,641
Change in net assets	1,498,838	(1,453,623)	45,215
Net assets, beginning of year	24,117,529	652,876	24,770,405
Net assets, end of year	\$ 25,616,367	\$ (800,747)	\$ 24,815,620

CITY OF KALAMAZOO, MICHIGAN
Reconciliation of Enterprise Fund Revenue, Expenses
and Changes in Fund Net Assets to the Statement of Activities
Metro Transit System Component Unit
For the Year Ended December 31, 2008

Change in net assets - enterprise fund	\$ 1,498,838
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Amounts reported 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 net revenue (expense) of certain internal service funds is allocated to the System and reported in the statement of activities.

Subtract: net operating loss from component unit activities accounted for in governmental internal service funds	(1,453,623)
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Change in net assets	\$ <u>45,215</u>
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STATISTICAL SECTION

CITY OF KALAMAZOO, MICHIGAN
Net Assets by Component
Last Six Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 107,634,804	\$ 107,099,832	\$ 105,799,049	\$ 109,408,557	\$ 114,330,019	\$ 117,057,211
Restricted	13,611,731	11,360,665	30,173,266	28,757,898	30,795,758	26,784,242
Unrestricted	19,450,183	22,618,398	13,089,868	18,356,265	15,674,572	6,069,437
Total governmental activities net assets	<u>\$ 140,696,718</u>	<u>\$ 141,078,895</u>	<u>\$ 149,062,183</u>	<u>\$ 156,522,720</u>	<u>\$ 160,800,349</u>	<u>\$ 149,910,890</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 147,019,802	\$ 145,705,440	\$ 148,221,106	\$ 152,082,594	\$ 154,384,778	\$ 154,535,045
Restricted	12,521,283	15,616,902	14,823,500	11,618,293	10,915,639	-
Unrestricted	11,151,951	12,307,683	12,425,961	13,279,738	9,931,524	21,785,289
Total business-type activities	<u>\$ 170,693,036</u>	<u>\$ 173,630,025</u>	<u>\$ 175,470,567</u>	<u>\$ 176,980,625</u>	<u>\$ 175,231,941</u>	<u>\$ 176,320,334</u>
Primary government						
Invested in capital assets, net of related debt	\$ 254,654,606	\$ 252,805,272	\$ 254,020,155	\$ 261,491,151	\$ 268,714,797	\$ 271,592,256
Restricted	26,133,014	26,977,567	44,996,766	40,376,191	41,711,397	26,784,242
Unrestricted	30,602,134	34,926,081	25,515,829	31,636,003	25,606,096	27,854,726
Total primary government net assets	<u>\$ 311,389,754</u>	<u>\$ 314,708,920</u>	<u>\$ 324,532,750</u>	<u>\$ 333,503,345</u>	<u>\$ 336,032,290</u>	<u>\$ 326,231,224</u>

The city adopted GASB 34 in 2003. Comparative statistical data preceeding 2003 is not available.

CITY OF KALAMAZOO, MICHIGAN
Changes in Net Assets
Last Six Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 6,275,945	\$ 5,354,674	\$ 5,307,982	\$ 6,491,807	\$ 3,370,219	\$ 11,449,623
Public safety	31,128,037	32,320,014	30,897,982	29,898,894	31,437,072	37,207,556
Economic development	1,048,265	982,743	902,612	527,345	522,649	1,220,954
Community development and planning	5,587,120	7,676,008	6,363,525	5,051,199	5,162,836	6,284,976
Parks	844,727	1,039,470	905,279	894,120	1,171,824	234,262
Recreation	1,904,491	1,670,349	1,583,015	1,855,689	1,921,507	1,864,828
Public works	6,720,951	6,240,100	5,532,502	5,255,159	6,015,033	5,508,637
Streets	6,543,652	6,883,911	7,085,322	6,636,399	13,354,094	11,776,466
Interest on long-term debt	2,489,721	2,582,855	3,119,829	3,091,454	2,986,121	2,957,164
Total governmental activities expenses	<u>62,542,909</u>	<u>64,750,124</u>	<u>61,698,048</u>	<u>59,702,066</u>	<u>65,941,355</u>	<u>78,504,466</u>
Business-type activities:						
Wastewater	20,109,707	19,904,896	20,770,198	20,370,767	20,240,292	20,584,823
Water	10,982,741	10,936,547	11,392,060	11,875,242	13,819,287	14,686,137
Other	192,711	195,459	1,119,540	40,649	44,672	49,291
Total business-type activities expenses	<u>31,285,159</u>	<u>31,036,902</u>	<u>33,281,798</u>	<u>32,286,658</u>	<u>34,104,251</u>	<u>35,320,251</u>
Total primary government expenses	<u>93,828,068</u>	<u>95,787,026</u>	<u>94,979,846</u>	<u>91,988,724</u>	<u>100,045,606</u>	<u>113,824,717</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	2,598,972	2,746,278	2,507,300	2,988,396	2,797,940	3,953,991
Community development and planning	1,574,513	1,560,806	2,985,821	1,166,367	1,748,885	1,456,602
Other	1,008,671	1,012,056	1,003,322	1,085,864	1,310,053	732,745
Operating grants and contributions	15,874,688	16,811,523	18,002,937	13,439,433	15,685,545	12,966,562
Capital grants and contributions	90,690	532,334	479,577	393,565	661,968	151,241
Total governmental activities program revenues	<u>21,147,534</u>	<u>22,662,997</u>	<u>24,978,957</u>	<u>19,073,625</u>	<u>22,204,391</u>	<u>19,261,141</u>
Business-type activities:						
Charges for services:						
Wastewater	19,582,578	19,266,485	18,424,157	17,996,945	15,941,791	21,201,437
Water	8,010,662	8,284,199	8,914,883	10,933,129	11,774,026	11,604,749
Other	115,912	136,499	32,560	45,611	45,071	50,244
Operating grants and contributions	327,609	236,315	1,422,097	1,010,733	962,170	451,421
Capital grants and contributions	5,717,560	5,674,667	6,316,121	3,618,003	3,965,417	2,959,418
Total business-type activities program revenues	<u>33,754,321</u>	<u>33,598,165</u>	<u>35,109,818</u>	<u>33,604,421</u>	<u>32,688,475</u>	<u>36,267,269</u>
Total primary government program revenues	<u>54,901,855</u>	<u>56,261,162</u>	<u>60,088,775</u>	<u>52,678,046</u>	<u>54,892,866</u>	<u>55,528,410</u>
Net (Expense) Revenue						
Governmental activities	(41,395,375)	(42,087,127)	(36,719,091)	(40,628,441)	(43,736,964)	(59,243,325)
Business-type activities	2,469,162	2,561,263	1,828,020	1,317,763	(1,415,776)	947,018
Total primary government net expense	<u>(38,926,213)</u>	<u>(39,525,864)</u>	<u>(34,891,071)</u>	<u>(39,310,678)</u>	<u>(45,152,740)</u>	<u>(58,296,307)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
General revenues:						
Property taxes	30,937,165	31,803,955	33,066,650	35,148,859	35,263,246	36,221,234
Grants and contributions not restricted to specific programs	11,436,571	10,499,478	10,461,886	10,967,559	10,243,913	10,548,626
Unrestricted investment earnings	488,519	513,444	1,119,704	1,757,763	2,038,489	1,382,472
Gain on sale of assets	80,533	27,753	-	-	-	-
Contributions to permanent funds	55,275	35,020	54,139	44,577	36,458	34,800
Transfers- internal activities	(32,000)	(319,342)	-	-	432,487	(97,939)
Total governmental activities	<u>42,966,063</u>	<u>42,560,308</u>	<u>44,702,379</u>	<u>47,918,758</u>	<u>48,014,593</u>	<u>48,089,193</u>
Business-type activities:						
Grants and contributions not restricted to specific programs	5,035	29,593	(8,646)	8,645	7,390	1,326
Unrestricted investment earnings	15,276	15,085	16,454	36,799	41,592	3,590
Gain on sale of assets	14,912	11,706	4,714	146,851	50,597	38,520
Transfers - internal activities	32,000	319,342	-	-	(432,487)	97,939
Special item - loss on sale of capital assets/inventory	(4,218,681)	-	-	-	-	-
Total business-type activities	<u>(4,151,458)</u>	<u>375,726</u>	<u>12,522</u>	<u>192,295</u>	<u>(332,908)</u>	<u>141,375</u>
Total primary government	<u>38,814,605</u>	<u>42,936,034</u>	<u>44,714,901</u>	<u>48,111,053</u>	<u>47,681,685</u>	<u>48,230,568</u>
Change in Net Assets						
Governmental activities	1,570,688	473,181	7,983,288	7,290,317	4,277,629	(11,154,132)
Business-type activities	(1,682,296)	2,936,989	1,840,542	1,510,058	(1,748,684)	1,088,393
Total primary government	<u>\$ (111,608)</u>	<u>\$ 3,410,170</u>	<u>\$ 9,823,830</u>	<u>\$ 8,800,375</u>	<u>\$ 2,528,945</u>	<u>\$ (10,065,739)</u>

The city adopted GASB 34 in 2003. Comparative statistical data preceding 2003 is not available.

CITY OF KALAMAZOO, MICHIGAN
Fund Balances of Governmental Funds
Last Six Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008
General fund						
Reserved	\$ 243,823	\$ 117,087	\$ 584,441	\$ 600,835	\$ 673,046	\$ 756,760
Unreserved	4,091,213	2,053,381	2,772,957	5,554,688	4,617,629	3,461,861
Total general fund	<u>\$ 4,335,036</u>	<u>\$ 2,170,468</u>	<u>\$ 3,357,398</u>	<u>\$ 6,155,523</u>	<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>
All other governmental funds						
Reserved	\$ 7,613,117	\$ 8,864,237	\$ 11,659,071	\$ 9,177,854	\$ 12,935,798	\$ 9,410,736
Unreserved, reported in:						
Special revenue funds	5,335,006	9,100,034	3,714,325	4,006,455	4,141,477	4,241,786
Debt service funds	206,447	175,966	407,306	248,595	210,130	124,551
Capital project funds	2,661,899	5,743,562	5,152,200	7,897,735	3,751,120	3,934,958
Permanent funds	1,693,125	2,189,177	2,249,232	2,610,660	2,658,294	1,195,345
Total all other governmental funds	<u>\$ 17,509,594</u>	<u>\$ 26,072,976</u>	<u>\$ 23,182,134</u>	<u>\$ 23,941,299</u>	<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>

The increase in the total fund balance of the general fund in 2006 is explained in the Management's Discussion and Analysis.

The city adopted GASB 34 in 2003. Comparative statistical data preceeding 2003 in not available.

CITY OF KALAMAZOO, MICHIGAN
Changes in Fund Balances of Governmental Funds
Last Six Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008
Revenues						
Property taxes and special assessments	\$ 30,187,060	\$ 31,059,692	\$ 32,472,148	\$ 34,508,937	\$ 35,199,103	\$ 35,569,119
Licenses and permits	1,797,321	1,972,128	2,187,748	1,937,580	2,077,407	1,951,085
Intergovernmental revenue	21,477,998	22,951,771	22,062,498	20,120,520	21,082,782	20,762,621
Charges for services	1,009,499	1,520,621	1,362,100	1,599,259	1,417,088	1,582,665
Fines and forfeits	220,918	313,457	412,643	241,075	288,650	279,435
Interest and dividends	707,975	919,177	1,545,668	2,132,582	2,224,888	1,515,625
Net investment earnings	1,188,778	662,985	293,975	660,122	(22,516)	(1,858,775)
Rental of facilities	2,473,297	2,440,467	2,407,576	2,803,567	3,085,849	2,991,882
Contributions	-	-	-	-	116,384	1,191,357
Other revenue	7,110,905	6,358,129	7,076,876	7,580,521	7,533,864	5,504,788
Total revenues	<u>66,173,751</u>	<u>68,198,427</u>	<u>69,821,232</u>	<u>71,584,163</u>	<u>73,003,499</u>	<u>69,489,802</u>
Expenditures						
Current Expenditures:						
General government	9,454,312	9,290,156	8,588,226	8,988,625	9,556,594	10,291,380
Public safety	30,164,964	31,422,767	30,677,808	30,547,482	33,513,942	33,718,520
Economic development	1,315,177	1,183,684	1,039,477	565,017	555,013	1,140,393
Community development and planning	5,614,165	7,735,233	6,362,662	5,127,485	5,188,258	5,781,064
Parks and recreation	2,503,219	2,824,267	2,540,006	2,587,159	2,971,644	2,820,672
Public works	1,368,157	1,357,049	1,292,281	1,143,920	1,280,681	1,459,732
Cemeteries	393,555	413,008	571,613	555,138	435,500	476,035
Solid waste	2,018,457	2,296,871	2,109,015	2,239,957	2,379,594	2,537,699
Streets	3,167,739	3,432,117	3,647,201	9,580,546	9,753,458	8,040,933
Other	-	-	92,747	169,271	50,000	-
Debt service:						
Principal	5,149,510	5,060,999	13,754,076	5,067,709	5,206,300	4,997,000
Interest and fiscal charges	2,537,353	2,503,431	3,315,456	2,912,669	2,930,686	2,932,497
Capital outlay	9,531,293	7,790,172	18,582,210	5,125,701	5,692,545	5,264,042
Total expenditures	<u>73,217,901</u>	<u>75,309,754</u>	<u>92,572,778</u>	<u>74,610,679</u>	<u>79,514,215</u>	<u>79,459,967</u>
Excess (deficiency) of revenues over expenditures	<u>(7,044,150)</u>	<u>(7,111,327)</u>	<u>(22,751,546)</u>	<u>(3,026,516)</u>	<u>(6,510,716)</u>	<u>(9,970,165)</u>
Other financing sources (uses)						
Transfers in	8,190,472	9,119,874	10,466,647	10,001,607	11,474,277	8,280,263
Transfers out	(8,102,193)	(8,275,022)	(9,634,221)	(10,758,458)	(11,041,790)	(8,378,202)
Proceeds from the sale of capital assets	29,566	21,293	1,896,539	36,705	274,136	32,020
Issuance of long-term debt	1,940,000	12,735,000	18,145,000	7,110,000	4,715,000	4,165,000
Bond premium (discount)	147	-	173,669	23,732	(20,235)	9,587
Total other financing sources (uses)	<u>2,057,992</u>	<u>13,601,145</u>	<u>21,047,634</u>	<u>6,413,586</u>	<u>5,401,388</u>	<u>4,108,668</u>
Net change in fund balances	<u>\$ (4,986,158)</u>	<u>\$ 6,489,818</u>	<u>\$ (1,703,912)</u>	<u>\$ 3,387,070</u>	<u>\$ (1,109,328)</u>	<u>\$ (5,861,497)</u>
Debt service as a percentage of noncapital expenditures	13.7%	12.6%	30.0%	13.0%	12.4%	11.3%

The city adopted GASB 34 in 2003. Comparative statistical data preceeding 2003 is not available.

CITY OF KALAMAZOO, MICHIGAN
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
1999	\$ 1,016,391,380	\$ 237,632,548	\$ 43,084,950	\$ 1,297,108,878	21.5667	\$ 2,673,281,256	48.5%
2000	1,034,261,518	229,137,050	32,650,000	1,296,048,568	21.5667	2,964,880,756	43.7%
2001	1,090,113,040	238,143,600	32,089,500	1,360,346,140	21.5667	3,076,324,910	44.2%
2002	1,175,434,380	238,009,950	15,096,550	1,428,540,880	21.9205	3,219,520,360	44.4%
2003	1,213,441,494	244,276,534	35,442,050	1,493,160,078	21.9205	3,404,210,728	43.9%
2004	1,274,216,408	219,353,550	36,821,197	1,530,391,155	22.1405	3,546,183,600	43.2%
2005	1,330,662,249	213,784,700	33,929,243	1,578,376,192	22.1405	3,657,698,240	43.2%
2006	1,393,452,901	225,841,898	23,178,428	1,642,473,227	21.9049	3,841,553,300	42.8%
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205	3,952,364,600	43.4%
2008	1,502,840,795	218,611,900	31,002,494	1,752,455,189	21.8205	4,016,038,212	43.6%

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

Note: Property in the city is reassessed annually. State statute requires all taxable property to be assessed at 50% of the market value, except certain facilities which are granted exemption certificates under Act 198, Public Acts of Michigan. This Act was designed to provide a stimulus in the form of tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities. However, Proposal A limits the increase of the taxable value to 5% or the Consumer Price Index, whichever is lower. The rates are per \$1,000 of assessed value.

- (A) Taxable values include adjustments to the final adopted assessment roll due to Tax Tribunal Judgments, Board of Review decision: and other adjustments affecting the assessment roll or the tax levy as of December 31, 2006. These values do not reflect adjustment for real estate taxes cancelled through foreclosure, or personal property taxes cancelled by the Circuit Court. These adjustments increased the 2006 roll by \$693,581.

CITY OF KALAMAZOO, MICHIGAN
Property Tax Rates
Direct and Overlapping Governments
Last Ten Years

Year ended December 31	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Trans- portation	Total City Millage (A)	Kalamazoo Public Schools (B)	County	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
1999	19.2705	1.3000	0.9962	21.5667	21.0500	6.1400	6.0000	3.0416	2.8152	3.9583	64.5718	46.5718
2000	19.2705	1.3000	0.9962	21.5667	21.0500	6.1400	6.0000	3.0416	2.8151	3.9583	64.5717	46.5717
2001	19.2705	1.3000	0.9962	21.5667	22.0800	6.1400	6.0000	3.0416	2.8151	3.9853	65.6287	47.6017
2002	19.2705	1.6500	1.0000	21.9205	22.2000	6.1362	6.0000	3.0416	2.8139	3.9583	66.0705	48.0705
2003	19.2705	1.6500	1.0000	21.9205	22.2000	6.1362	5.0000	3.0416	2.8139	3.9583	65.0705	47.0705
2004	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	3.0416	2.8135	3.9583	66.2901	48.2901
2005	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	4.5416	2.8135	3.9583	67.7901	49.7901
2006	19.1606	1.7500	0.9943	21.9049	23.3500	6.5862	6.0000	4.5416	2.8135	3.9583	69.1545	51.1545
2007	19.2705	1.5500	1.0000	21.8205	23.3500	6.7162	6.0000	4.5416	2.8135	3.9583	69.2001	51.2001
2008	19.2705	1.5500	1.0000	21.8205	23.3500	6.3312	6.0000	4.8316	2.8135	3.9583	69.1051	51.1051

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

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Kalamazoo. Not all overlapping rates apply to all City of Kalamazoo property owners (e.g., the rates for special districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the special district). Tax rates are expressed as a dollar for each \$1,000 of taxable property value.

- (A) The City's Downtown Development Authority levies an additional \$1.9638 for each \$1,000 of Taxable Value within the City's Downtown Development District
- (B) Kalamazoo Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the millage rates for the fiscal year ended December 31, 2007 ranged from 20.7000 to 25.0000 for each \$1,000 of Taxable Value. The total tax rates for property owners in these other school districts would differ accordingly.
- (C) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or entity. Homestead also includes certain agricultural property, registered life care facilities, and property owned by a cooperative housing corporation and occupied as a Homestead.

CITY OF KALAMAZOO, MICHIGAN
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Industry	2008					1999 (C)		
		Taxable Value of Property			Rank	(B) Percent of Total	Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Pfizer Corporation / Pharmacia & Upjohn	Pharmaceuticals	\$ 114,870,313	\$ -	\$ 114,870,313	1	6.61%	\$ 153,161,625		11.50%
Catalyst Development	Real Estate	33,436,648	-	33,436,648	2	1.92%			0.00%
Consumer's Energy / Consumer's Power Company	Utility	27,794,773	-	27,794,773	3	1.60%	30,475,600		2.29%
Graphic Packaging	Paper Products	26,684,876	571,300	27,256,176	4	1.57%	40,576,800		3.05%
James S. Smith Trust	Rental Properties	12,726,000	-	12,726,000	5	0.73%	11,548,200		0.87%
Bronson Hospital	Health Care	11,326,766	-	11,326,766	6	0.65%			0.00%
Lifecare (Friendship Village)	Retirement Community	10,738,205	-	10,738,205	7	0.62%	8,382,450		0.63%
American Greetings	Paper Products	10,626,370	-	10,626,370	8	0.61%	5,911,525		0.44%
TVO Candlewyck Apartments	Residential Development	10,005,600	-	10,005,600	9	0.58%	6,977,750		0.52%
Cytec Industries	Chemical Manufacturing	7,449,375	1,612,101	9,061,476	10	0.52%	8,625,000		0.65%
		<u>\$ 265,658,926</u>	<u>\$ 2,183,401</u>	<u>\$ 267,842,327</u>		<u>15.42%</u>	<u>\$ 265,658,950</u>		<u>19.94%</u>

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

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

(B) The City's total taxable value of \$1,737,126,792 for the year ending December 31, 2008 includes the taxable value of property granted tax abatement under Act 198 and board adjustments. See Table 5 for data on taxable values.

(C) Values are the basis for the 1999 Assessment Roll and the 1999 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,332,101,625.

CITY OF KALAMAZOO, MICHIGAN
Property Tax Levies and Collections
General Property Tax Levy
Last Ten Years

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B) Collection Subsequent to the Year of Tax Levy	Total Collections	Percent of Total Collections to Tax Levy
1999	\$ 24,914,469	\$ 22,061,411	88.55%	\$ 3,067,483	\$ 25,128,894	100.86%
2000	25,377,040	22,249,362	87.68%	2,842,318	25,091,680	98.88%
2001	25,991,265	22,719,024	87.41%	3,124,936	25,843,960	99.43%
2002	27,445,059	24,051,078	87.63%	3,203,525	27,254,603	99.31%
2003	28,564,486	24,665,670	86.35%	3,136,928	27,802,598	97.33%
2004	29,254,361	25,195,702	86.13%	3,454,686	28,650,388	97.94%
2005	30,161,957	25,828,635	85.63%	3,904,067	29,732,702	98.58%
2006	31,072,288	26,574,222	85.52%	3,745,501	30,319,723	97.58%
2007	32,696,370	27,691,394	84.69%	4,118,436	31,809,830	97.29%
2008	33,392,209	28,058,610	84.03%	-	28,058,610	84.03%

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

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

(B) Reflects collections through December 31, 2008

CITY OF KALAMAZOO, MICHIGAN
Ratios of Outstanding Debt by Type
Last Ten Years

Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (B)
	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts			
1999	\$ 35,935,000	\$ 9,720,000	\$ 3,179,772	\$ 670,000	\$ 1,000,000	\$ 24,335,000	\$ 463,000	\$ 75,302,772	3.47%	\$ 938
2000	35,810,000	11,640,000	3,290,378	625,000	750,000	22,060,000	382,000	74,557,378	3.48%	966
2001	37,520,000	10,505,000	2,899,955	575,000	500,000	21,055,000	296,000	73,350,955	3.32%	951
2002	36,320,000	11,575,000	2,425,594	525,000	-	20,850,000	204,000	71,899,594	3.15%	932
2003	35,065,000	10,120,000	1,831,084	475,000	-	30,010,000	105,000	77,606,084	3.29%	1,006
2004	40,740,000	12,925,000	970,085	425,000	-	23,885,000	-	78,945,085	3.26%	1,023
2005	46,940,000	11,395,000	736,009	380,000	-	22,690,000	-	82,141,009	3.32%	1,065
2006	50,920,000	9,805,000	433,300	335,000	-	23,735,000	-	85,228,300	3.29%	1,105
2007	48,070,000	12,480,000	167,000	285,000	-	24,215,000	-	85,217,000	3.40%	1,173
2008	48,765,000	11,090,000	80,000	235,000	-	22,755,000	-	82,925,000	3.31%	1,142

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

(A) Special assessment bonds were issued in 1999.

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

CITY OF KALAMAZOO, MICHIGAN
Ratios of General Bonded Debt Outstanding
Last Ten Years

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
1999	\$ 36,935,000	\$ 2,835	\$ 36,932,165	1.38%	\$ 460
2000	36,560,000	3,524	36,556,476	1.23%	473.87
2001	31,560,000	181	31,559,819	1.03%	409.10
2002	36,320,000	1,000	36,319,000	1.13%	470.79
2003	35,065,000	795	35,064,205	1.03%	454.52
2004	40,740,000	258	40,739,742	1.15%	528.09
2005	46,940,000	245,300	46,694,700	1.28%	605.28
2006	50,920,000	89,319	50,830,681	1.32%	658.90
2007	48,070,000	46,450	48,023,550	1.22%	661.14
2008	48,765,000	48,270	48,716,730	1.21%	670.69

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

- (A) The net assets of the special assessment debt service fund are not available to general obligation bonds and are excluded from the amounts available in debt service funds.
- (B) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property at Table 4 for property value data.
- (C) Population data can be found in the Schedule of Demographic and Economic Statistics at Table 14.

CITY OF KALAMAZOO, MICHIGAN
Direct and Overlapping Governmental Activities Debt
As of December 31, 2008

Overlapping:

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 11,261,000	14.87%	\$ 1,674,511
Kalamazoo School District	126,611,000	60.18%	76,194,500
Parchment School District	33,755,000	1.03%	347,677
Portage School District	139,570,000	1.47%	2,051,679
Kalamazoo County	37,046,372	20.84%	7,720,464
Kalamazoo Inter. Sch Dist	24,675,000	22.51%	5,554,343
Kalamazoo Library District	6,595,000	57.08%	3,764,426
Total overlapping debt	<u>\$ 379,513,372</u>		<u>\$ 97,307,600</u>

Direct:

	<u>Gross Debt</u>	<u>Self- Supporting (A)</u>	<u>Net Direct Debt</u>
General obligation bonds:			
Building Authority	\$ 33,360,000	\$ 24,449,350	\$ 8,910,650
Downtown Development	4,620,000	4,620,000	-
Capital improvement	10,785,000	-	10,785,000
Revenue bonds:			
Michigan Transportation Fund	11,090,000	11,090,000	-
Special assessment bonds	235,000	235,000	-
Installment purchase contracts	80,000	11,000	69,000
Total direct debt	<u>\$ 60,170,000</u>	<u>\$ 40,405,350</u>	<u>\$ 19,764,650</u>

Total net direct and overlapping debt of governmental activities\$ 117,072,250

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

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

(A) Self-Supporting debt obligations are to be repaid through sources other than the City's general property tax revenues.

CITY OF KALAMAZOO, MICHIGAN
Legal Debt Margin Information
Computation of Legal Debt Margin
December 31, 2008

State Equalized Value (A)	
Ad valorem property	\$ 1,973,015,306
Tax abated property	16,225,300
	<u>1,989,240,606</u>
Total State Equalized Value (SEV)	\$ 1,989,240,606
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	10.0%
	<u>10.0%</u>
Legal Limitation	\$ 198,924,061
Debt Obligations of the Primary Government (B)	\$ 82,925,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	(22,755,000)
Michigan Transportation Fund Bonds	(11,090,000)
Special Assessment Bonds	(235,000)
	<u>(34,080,000)</u>
Total Debt of the City Subject to Limitation	48,845,000
LEGAL DEBT MARGIN	\$ 150,079,061

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

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

(A) State equalized assessed property values are assessed at December 31, 2005 for the basis of the year ending December 31, 2006 tax levy. See supplemental Schedule of State Equalized Value at Table 22 for property value data.

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

CITY OF KALAMAZOO, MICHIGAN
Legal Debt Margin Historical Information
Last Ten Years

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
1999	\$ 147,357,950	\$ 39,577,772	\$ 107,780,178	26.9%
2000	150,699,450	39,482,378	111,217,072	26.2%
2001	154,204,477	40,715,956	113,488,521	26.4%
2002	160,757,278	38,699,595	122,057,683	24.1%
2003	170,336,373	36,321,084	134,015,289	21.3%
2004	176,969,170	41,415,085	135,554,085	23.4%
2005	182,904,652	47,676,009	135,228,643	26.1%
2006	191,839,442	51,535,300	140,304,142	26.9%
2007	195,978,550	48,237,000	147,741,550	24.6%
2008	198,924,061	48,845,000	150,079,061	24.6%

Source:

City of Kalamazoo, Management Services Department, Accounting Division

CITY OF KALAMAZOO, MICHIGAN
Pledged-Revenue Coverage
Last Ten Years

Governmental Activities:

Michigan Transportation Revenue Bonds (A)						
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage	
		Principal	Interest	Total		
1999	\$ 5,107,161	\$ 910,453	\$ 573,719	\$ 1,484,172	3.44	
2000	4,378,739	940,000	584,653	1,524,653	2.87	
2001	5,283,656	1,135,000	610,791	1,745,791	3.03	
2002	5,079,877	1,230,000	554,849	1,784,849	2.85	
2003	5,313,674	1,455,000	502,143	1,957,143	2.72	
2004	5,568,127	1,515,000	512,153	2,027,153	2.75	
2005	5,316,925	1,530,000	529,523	2,059,523	2.58	
2006	5,278,013	1,590,000	466,840	2,056,840	2.57	
2007	5,245,597	1,185,000	400,901	1,585,901	3.31	
2008	5,017,964	1,390,000	540,732	1,930,732	2.60	

Special Assessment Bonds (B)						
Year	Special Assessment Collections	Debt Service			Coverage	
		Principal	Interest	Total		
1999	\$ 110,015	\$ 10,000	\$ 9,244	\$ 19,244	5.72	
2000	78,968	45,000	33,146	78,146	1.01	
2001	57,171	50,000	32,824	82,824	0.69	
2002	67,990	50,000	29,175	79,175	0.86	
2003	74,553	50,000	25,976	75,976	0.98	
2004	43,503	50,000	23,447	73,447	0.59	
2005	52,539	45,000	21,241	66,241	0.79	
2006	61,480	45,000	19,210	64,210	0.96	
2007	50,887	50,000	17,139	67,139	0.76	
2008	18,848	50,000	14,380	64,380	0.29	

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

(B) Special assessment bonds were issued in 1999.

CITY OF KALAMAZOO, MICHIGAN
Pledged-Revenue Coverage, Concluded
Last Ten Years

Business-type Activities

Wastewater System Revenue Bonds							
Year	Revenues (C)	Direct Operating Expense (B)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
1999	\$ 19,468,532	\$ 14,776,483	\$ 4,692,049	\$ 1,535,000	\$ 448,330	\$ 1,983,330	2.37
2000	20,051,449	15,193,703	4,857,746	1,675,000	370,045	2,045,045	2.38
2001	19,095,217	15,546,031	3,549,186	270,000	108,568	378,568	9.38
2002	18,047,797	16,018,129	2,029,668	170,000	209,035	379,035	5.35
2003	19,689,923	15,480,424	4,209,499	175,000	203,680	378,680	11.12
2004	19,165,678	16,537,269	2,628,409	180,000	197,993	377,993	6.95
2005	19,604,929	15,825,509	3,779,420	185,000	191,783	376,783	10.03
2006	18,644,955	15,751,408	2,893,547	195,000	185,123	380,123	7.61
2007	16,468,896	15,206,082	1,262,814	200,000	177,810	377,810	3.34
2008	17,491,460	13,736,903	3,754,557	210,000	170,010	380,010	9.88

Water System Revenue Bonds							
Year	Revenues (C)	Direct Operating Expense (B)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
1999	\$ 9,810,609	\$ 6,808,040	\$ 3,002,569	\$ 570,000	\$ 1,054,259	\$ 1,624,259	1.85
2000	9,804,250	6,945,196	2,859,054	600,000	1,024,231	1,624,231	1.76
2001	9,937,764	7,334,374	2,603,390	630,000	992,193	1,622,193	1.60
2002	10,664,599	7,547,334	3,117,265	665,000	796,662	1,461,662	2.13
2003	9,716,990	7,435,078	2,281,912	785,000	554,405	1,339,405	1.70
2004	9,926,656	7,281,642	2,645,013	940,000	800,314	1,740,314	1.52
2005	11,248,538	7,376,725	3,871,813	1,010,000	890,428	1,900,428	2.04
2006	11,304,497	7,909,955	3,394,542	1,050,000	845,568	1,895,568	1.79
2007	11,988,244	9,002,540	2,985,704	1,000,000	809,620	1,809,620	1.65
2008	11,624,631	8,909,554	2,715,077	1,250,000	956,272	2,206,272	1.23

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

(C) Includes charges for services, operating revenues, and interest earned, excluding grant revenues and interest earned on construction bond monies.

(D) Includes operations, amortization of bond issuance costs, and other expenses, excluding expenses associated with grant revenues.

CITY OF KALAMAZOO, MICHIGAN
Demographic and Economic Statistics
Last Ten Years

Fiscal Year	(A) Population	(B) Per Capita Income	Personal Income	(A) Median Age	(D) School Enrollment	(E) Unemployment Rate
1999	80,277	\$ 27,024	\$ 2,169,405,648	26.8	11,305	4.0%
2000	77,145	27,809	2,145,325,305	26.1	11,212	4.2%
2001	77,145	28,626	2,208,352,770	26.1	16,124	5.7%
2002	77,145	29,590	2,282,720,550	26.1	16,195	7.6%
2003	77,145	30,534	2,355,545,430	26.1	15,859	7.6%
2004	77,145	31,411	2,423,201,595	26.1	15,019	7.9%
2005	77,145	32,089	2,475,505,905	26.1	15,285	7.2%
2006	77,145	33,568	2,589,603,360	26.1	15,800	7.2%
2007	72,637	34,526	2,507,865,062	26.1	15,150	7.6%
2008	72,637	34,526	2,507,865,062	26.2	16,688	8.9%

Data Sources:

- (A) Bureau of the Census 1990 Population Report for the 1998 to 1999 population data. Bureau of the Census 2000 Population Report for the 2000 to 2007 population data. Bureau of the Census estimates for 2008 not available.
- (B) Bureau of Economic Analysis for 1998 to 2007 data, as updated April, 2009. Updated 2008 data is not yet available.
- (D) City of Kalamazoo, Management Services Department. Data summarized from contacting individual public and private school systems in the City. Kalamazoo Public Schools represents the largest school district in the City, with a total enrollment of 11,536 in 2007.
- (E) Michigan Department of Labor and Economic Growth - Office of Labor Market Information, as updated May, 2007. See the Schedule of Employment Statistics at Table 27 for employment data.

Note: Population and median age are based on the most current available census data. Personal income information is an estimate based on the per capita income of the Kalamazoo County. Unemployment rate information is an unadjusted annual rate for the City of Kalamazoo as included in Table 27. School enrollment is based on student counts in February 2007.

CITY OF KALAMAZOO, MICHIGAN
Principal Employers in Kalamazoo County
Current Year and Nine Years Ago

Company	Principal Product or Service	2008			1999		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Borgess Health Alliance / Borgess Medical Center	Health Care	4,642	1	3.7%	2,410	5	1.9%
Western Michigan University	Education	4,045	2	3.2%	3,200	2	2.6%
Bronson Healthcare Group / Bronson Methodist Hospital	Health Care	3,729	3	3.0%	2,800	4	2.2%
Pfizer Corporation / Pharmacia and Upjohn, Inc.	Pharmaceuticals	3,200	4	2.6%	5,200	1	4.1%
Kalamazoo Public Schools	Education	2,200	5	1.8%	2,200	6	1.8%
Stryker Corporation	Medical Equipment	1,792	6	1.4%	900	10	0.7%
National City Bank / First of America Bank	Banking Services	1,600	7	1.3%	2,922	3	2.3%
Meijer, Inc.	Retail	1,306	8	1.0%	2,100	7	1.7%
Portage Public Schools	Education	1,229	9	1.0%	-	-	0.0%
Summit Polymers	Auto Supply-Interior Trim	1,230	10	1.0%	-	-	0.0%
Kalamazoo Valley Comm Col	Education	1,076	11	0.9%	844	12	0.7%
Kalamazoo County	Government	1,065	12	0.9%	1,000	8	0.8%
Total		27,114		21.8%	23,576		18.8%

Sources:

Kalamazoo Regional Chamber of Commerce, updated April '08
Michigan Department of Labor and Economic Growth - Office of Labor Market Information

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

- (A) The approximate number of employees represents only full time employees. The Economic Development department obtained data from contacting major employers in the area.
- (B) Percentage of employment from major employers is based on the total labor force for Kalamazoo-Portage Metropolitan Statistical Area (MSA) as employees above are not limited to residents of the City of Kalamazoo. The Kalamazoo-Portage MSA total labor force of 175,941 in 2006 and 162,024 in 1997 were obtained from the Michigan Department of Labor and Economic Growth - Office of Labor Market Information.

CITY OF KALAMAZOO, MICHIGAN
Full-time Equivalent City Government Employees by Function
Last Six Years

Function/Program	Full-time Equivalent Employees (A)					
	2003	2004	2005	2006	2007	2008
General government	80	79	75	74	74	74
Public safety	307	308	301	296	301	301
Economic development	6	6	7	7	6	6
Community development and planning	44	43	42	41	40	40
Parks and recreation	26	26	20	20	19	19
Public works	52	52	44	44	50	49
Streets	27	27	28	28	33	33
Wastewater	97	97	112	111	103	90
Water	95	95	88	88	85	85
Total	<u>734</u>	<u>733</u>	<u>717</u>	<u>709</u>	<u>711</u>	<u>697</u>

Source: City of Kalamazoo, Human Resources Dept.

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

Comparative statistical data by governmental function is not available for years preceeding 2003.

CITY OF KALAMAZOO
Operating Indicators by Function
Last Four Years

	Year			
	2005	2006	2007 (B)	2008 (A)
General Government:				
Assessors:				
Number of real property parcels	24,331	24,404	24,404	24,756
Cost to assess real property - per parcel	\$16.84	\$16.21	\$16.21	\$17.29
Revenue gained per real property parcel for new development	\$11.65	\$11.37	\$11.37	\$26.04
Number of personal property accounts	3,244	3,030	3,030	3,184
Cost to assess personal property - per parcel	\$31.67	\$38.38	\$38.38	\$38.18
New personal property accounts	235	270	270	150
Treasury:				
Percent of City operation tax collected at year end	86%	85%	85%	86%
Average rate of return on investments	3.19%	4.85%	4.95%	3.37%
Public Safety:				
Fire safety:				
Number of residential fires/Number of fatal fires	156/1	103/1	120 / 1	140/1
Number of fire inspections completed	2,700	2,700	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):				
Number of investigations	844	933	979	1,020
Number of arrests (includes warrants)	1,151	923	724	735
Operations:				
Number of calls for service	86,477	88,259	93,444	98,594
Number of persons arrested	9,145	10,580	9,850	9,223
Traffic citations issued	33,537	34,262	35,070	28,335
Traffic accidents / OUIL Arrests	3,473 / 293	3,479 / 240	3,123 / 312	3,217 / 359
Economic development:				
Number of tax exempt acres redeveloped	21.22	6.35	1.2	5.3
Private investment leveraged / jobs created	\$9,683,000	\$34,218 / 101	\$3,100,000 / 50	\$43,666,630 / 497
New taxable value added to the City	\$836,247	\$13,623,641	\$812,500	\$10,916,407
Community development and planning:				
Number of housing inspections	N/A	14,491	14,828	15,000
Number of rental units inspected/reinspected	12,470	13,000	N/A	N/A
Number of rental units certified	8,134	7,245	N/A	N/A
Zoning enforcement actions	174	240	245	245
Number of persons impacted by housing-related grant award activities	18,625	2,277	820	836
Parks and recreation:				
Number of park reservations and public events	135	190	190	196
Number of family programs	14	14	14	12
Number of people served through family programs	9,700	10,425	10,425	7,311
Number of youth development programs	37	43	43	56
Number of people served through youth development programs	9,000	9,230	9,230	9,520
Number of youth served through grant programs	6,900	13,265	-	-

CITY OF KALAMAZOO
Operating Indicators by Function, Concluded
Last Four Years

	Year			
	2005	2006	2007 (B)	2008 (A)
Public works:				
Number of sidewalk repairs	127	127	127	105
Volume of leaves collected (cubic yards)	67,879	67,879	67,879	70,000
Volume of material recycled (tons)	2,831	2,224	2,224	2,375
Number of housing units participating in recycling activities	20,000	20,000	20,000	21,000
Volume of solid waste collected (cubic yards)	9,972	9,972	9,972	10,000
Streets:				
Number of repairs on major streets	185	185	105	125
Value of Repairs per staff hour on major streets	\$298	\$298	\$326	\$323
Number of repairs on local streets	482	482	307	383
Value of Repairs per staff hour on local streets	\$252	\$252	\$226	\$286
Water:				
Cubic meters of water billed (millions)	22.7	22.8	22.8	24.5
Average operating cost to produce one cubic meter of water	\$0.451	\$0.438	\$0.438	\$0.433
Number of utility bills mailed	238,689	225,961	225,961	229,842
Wastewater:				
Cubic meters of wastewater treated (millions)	36.0	36.0	36.0	36.3
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442	\$0.442	\$0.456
Number of sanitary main line stoppages	14	14	26	14

Source: City of Kalamazoo, 2009 Proposed Budget

- (A) 2008 data is projected in conjunction with the City of Kalamazoo 2009 proposed budget procedures. Actual data is not currently available.
- (B) 2007 data has been updated from estimated to actual numbers

Comparative statistical data by governmental function is not available for years preceding 2005.

CITY OF KALAMAZOO, MICHIGAN
Capital Asset Statistics by Function
Last Four Years

Function/Program	Year			
	2005	2006	2007	2008
General government:				
Administration buildings	1	1	1	1
Vehicles	2	6	8	8
Parking lots	7	7	7	7
Parking ramps	3	3	3	3
Public safety:				
Public safety headquarters building	1	1	1	1
Public safety stations	7	7	7	7
Training facility	1	1	1	1
Vehicles	193	194	193	198
Community development and planning:				
Vehicles	25	25	26	27
Parks and recreation:				
Administration building	1	1	1	1
Youth development center	1	1	1	1
Acreage of parks:				
Mini-parks	8.9	8.9	8.9	8.9
Neighborhood parks and playgrounds	111.5	111.5	111.5	111.5
Major community parks	728.5	728.5	728.5	728.5
Open green space and preserves	137.0	137.0	137.0	137.0
Number of parks:				
Mini-parks	9	9	9	9
Neighborhood parks and playgrounds	14	14	14	14
Major community parks	8	8	8	8
Open green space and preserves	17	17	17	17
Festival site	1	1	1	1
Farmers market	1	1	1	1
Cemeteries	2	2	2	2
Swimming pool	1	1	1	1
Beach	1	1	1	1
Golf courses	3	3	3	3
Vehicles	2	2	2	2
Public works:				
Gravel pit	1	1	1	1
Salt storage building	-	1	1	1
Streets:				
Local streets (miles)	166.29	166.29	166.29	166.29
Major streets (miles)	82.39	82.39	82.39	82.39
Traffic signals	135	135	135	135

CITY OF KALAMAZOO, MICHIGAN
Capital Asset Statistics by Function, Concluded
Last Four Years

Function/Program	Year			
	2005	2006	2007	2008
Wastewater:				
Sanitary sewers (miles)	291	293	293	293
Storm sewers mains (miles)	187.5	187.5	187.5	187.5
Number of lift stations maintained	52	52	54	54
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5
Water:				
Water facility	1	1	1	1
Storage stations	8	8	8	8
Pumping stations	18	18	18	18
Booster/bleeder stations	13	13	13	13
Water mains (miles)	665	665	665	665
Wells in Service	103	103	99	99
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80
Internal service:				
Public works equipment (A)				
Utility and other vehicles	84	95	93	90
Public utilities equipment (B)				
Utility and other vehicles	102	120	136	136

Sources: Various city departments.

Note: No capital asset indicators are available for the economic development function.

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

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

Comparative statistical data by governmental function is not available for years preceeding 2005.

CITY OF KALAMAZOO, MICHIGAN
Schedule of Revenues and Expenditures
For Activities Related to the State Construction Code Act
Michigan Public Act 245
For the Year Ending December 31, 2008

REVENUES:		
Building Permits	\$	326,842
Electrical Permits		97,026
Mechanical Permits		102,572
Plumbing Permits		54,798
Other Permits & License Fees		65,018
TOTAL REVENUES	\$	646,256
EXPENDITURES:		
Wages, Salaries and Benefits		495,252
Supplies		6,035
Services		63,323
Administrative Overhead*		71,249
TOTAL EXPENDITURES		635,859
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	\$	<u>10,397</u>

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

CITY OF KALAMAZOO, MICHIGAN
Employees' Retirement System
Revenue by Source and Expenses by Type
Last Ten Years

Revenue by Source					
Year Ended December 31	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
1999	\$ 1,632,579	\$ -	-	\$ 48,075,425	\$ 49,708,004
2000	1,464,329	-	-	9,692,656	11,156,985
2001	1,421,887	-	-	5,455,410	6,877,297
2002	1,472,060	-	-	(33,506,436)	(32,034,376)
2003	1,477,702	-	-	91,757,266	93,234,968
2004	1,517,175	-	-	56,524,988	58,042,163
2005	1,458,491	-	-	32,199,000	33,657,492
2006	1,518,785	-	-	66,454,372	67,973,157
2007	1,599,967	-	-	10,662,101	12,262,068
2008	1,723,718	-	-	(135,688,146)	(133,964,428)

Expenses by Type				
Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
1999	\$ 9,651,489	\$ 347,015	\$ 342,280	\$ 10,340,784
2000	9,787,860	388,328	281,804	10,457,992
2001	11,125,036	350,335	321,125	11,796,496
2002	10,941,864	370,572	216,108	11,528,544
2003	12,206,053	373,945	184,431	12,764,429
2004	13,400,871	381,913	154,161	13,936,945
2005	13,421,166	474,191	305,481	14,200,838
2006	14,256,358	435,034	109,250	14,800,642
2007	15,800,304	479,032	125,963	16,405,299
2008	15,719,908	477,130	246,526	16,443,564

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

**CITY OF KALAMAZOO, MICHIGAN
Taxable Value
Last Five Years**

TOTAL TAXABLE VALUE

Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
2003	2004	2004	\$ 1,491,444,525	\$ 37,257,246	\$ 1,528,701,771	2.19%
2004	2005	2005	1,544,579,241	33,836,143	1,578,415,384	3.25%
2005	2006	2006	1,614,675,385	23,178,428	1,637,853,813	3.77%
2006	2007	2007	1,685,212,099	15,504,261	1,700,716,360	3.84%
2007	2008	2008	1,719,463,219	15,674,097	1,735,137,316	2.02%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2007 (3)					\$	22,491.90

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

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2007, the Taxable Value of the property located in the Zone totaled \$4,567,307.

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

(3) Based on the City's 2000 census of 77,145

TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31				
	2004	2005	2006	2007	2008
Use					
Commercial	\$ 507,767,772	\$ 534,014,385	\$ 567,815,005	\$ 591,866,114	\$ 589,583,943
Industrial	309,894,785	300,634,764	284,054,454	281,518,175	289,483,928
Residential	711,039,214	743,766,235	785,984,354	827,332,071	856,069,445
	<u>\$ 1,528,701,771</u>	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>
Class					
Real	\$ 1,296,480,721	\$ 1,351,560,784	\$ 1,406,290,065	\$ 1,470,085,410	\$ 1,511,176,716
Personal	232,221,050	226,854,600	231,563,748	230,630,950	223,960,600
	<u>\$ 1,528,701,771</u>	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31				
	2004	2005	2006	2007	2008
Use					
Commercial	33.22%	33.83%	34.67%	34.80%	33.98%
Industrial	20.27%	19.05%	17.34%	16.55%	16.68%
Residential	46.51%	47.12%	47.99%	48.65%	49.34%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class					
Real	84.81%	85.63%	85.86%	86.44%	87.09%
Personal	15.19%	14.37%	14.14%	13.56%	12.91%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

CITY OF KALAMAZOO, MICHIGAN
State Equalized Valuation
Last Five Years

Total State Equalized Value (SEV)

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem SEV Value (1)	Abated SEV Value (2)	Total SEV Value	Percent Increase
2003	2004	2004	\$ 1,732,394,900	\$ 37,296,800	\$ 1,769,691,700	3.89%
2004	2005	2005	1,795,070,620	33,975,900	1,829,046,520	3.35%
2005	2006	2006	1,895,004,224	23,390,200	1,918,394,424	4.88%
2006	2007	2007	1,943,943,350	15,842,150	1,959,785,500	2.16%
2007	2008	2008	1,973,015,306	16,225,300	1,989,240,606	1.50%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2007 (3)					\$	25,785.74

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2007, the SEV of the property located in the Zone totaled \$5,462,400.

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

(3) Based on the City's 2000 census of 77,145

Total SEV by Use and Class

	Years Ended December 31				
	2004	2005	2006	2007	2008
Use					
Commercial	\$ 576,772,600	\$ 593,461,785	\$ 648,762,947	\$ 656,955,700	\$ 655,406,800
Industrial	316,876,700	271,393,700	291,139,765	288,315,850	297,254,500
Residential	876,042,400	930,215,135	983,096,900	1,014,513,950	1,036,579,306
	<u>\$ 1,769,691,700</u>	<u>\$ 1,795,070,620</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>
Class					
Real	\$ 1,538,229,150	\$ 1,578,198,420	\$ 1,690,650,764	\$ 1,729,154,550	\$ 1,765,280,006
Personal	231,462,550	216,872,200	232,348,848	230,630,950	223,960,600
	<u>\$ 1,769,691,700</u>	<u>\$ 1,795,070,620</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>

Percent of Total SEV by Use and Class

	Years Ended December 31				
	2004	2005	2006	2007	2008
Use					
Commercial	32.59%	33.06%	33.74%	33.52%	32.95%
Industrial	17.91%	15.12%	15.14%	14.71%	14.94%
Residential	49.50%	51.82%	51.12%	51.77%	52.11%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class					
Real	86.92%	87.92%	87.92%	88.23%	88.74%
Personal	13.08%	12.08%	12.08%	11.77%	11.26%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

CITY OF KALAMAZOO, MICHIGAN
Maximum and Actual Tax Rates
December 31, 2008

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction (A)	Maximum Allowable Millage	Actual Millage Levied
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	3.0000	0.9635	2.8906	1.5500
Mass Transportation	1.0000	0.0000	1.0000	1.0000
	<u>24.0000</u>		<u>23.1611</u>	<u>21.8205</u>

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

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

CITY OF KALAMAZOO, MICHIGAN
Revenue Sharing Payments from the State of Michigan
Last Five Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Constitutional	\$ 5,067,393	\$ 5,250,646	\$ 5,270,861	\$ 5,205,102	\$ 6,645,230
Statutory	<u>5,245,601</u>	<u>5,082,985</u>	<u>4,920,760</u>	<u>4,719,644</u>	<u>3,339,946</u>
Total payments received	10,312,994	10,333,631	10,191,621	9,924,746	9,985,176
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>-</u>
Net revenue sharing	<u>\$ 10,069,811</u>	<u>\$ 10,090,448</u>	<u>\$ 9,948,438</u>	<u>\$ 9,681,563</u>	<u>\$ 9,985,176</u>
% of General Fund revenue (2)	21.3%	20.4%	18.8%	18.3%	18.7%

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

- (1) Prior to 2008, the City received revenue sharing payments on behalf of the Kalamazoo Library, Parchment Library, Metro Transit, and Downtown Development Authority. No such payments were received in 2008.
- (2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues.

CITY OF KALAMAZOO, MICHIGAN
Receipts from the Michigan Transportation Fund
Last Five Years

		Years Ended December 31				
		2004	2005	2006	2007	2008
<u>Cash Basis</u>						
Major Streets	\$	4,363,410	4,163,652	4,145,499	4,100,045	4,444,710
Local Streets		1,219,380	1,164,396	1,159,416	1,146,604	1,193,602
	\$	<u>5,582,790</u>	<u>5,328,048</u>	<u>5,304,915</u>	<u>5,246,649</u>	<u>5,638,312</u>
		Years Ended December 31				
		2004	2005	2006	2007	2008
<u>Accrual Basis</u>						
Major Streets	\$	4,351,527	4,154,921	4,124,532	4,099,179	3,912,153
Local Streets		1,216,600	1,162,004	1,153,481	1,146,418	1,105,811
	\$	<u>5,568,127</u>	<u>5,316,925</u>	<u>5,278,013</u>	<u>5,245,597</u>	<u>5,017,964</u>

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

CITY OF KALAMAZOO, MICHIGAN
Labor Contracts
December 31, 2008

<u>Bargaining Unit</u>	<u>Membership</u>	<u>Contract Expiration Date</u>
American Federation of State, County and Municipal Employees	149	October 2, 2011
Kalamazoo Municipal Employees Association	119	December 31, 2011
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	51	December 31, 2009
Kalamazoo Police Officers Association (Officers and Detectives)	215	December 31, 2009
Amalgamated Transit Union (Bus Drivers and Mechanics)	94	February 13, 2007*
<u>Non-Union</u>	<u>163</u>	<u>Not Applicable</u>
Total Employees	<u><u>791</u></u>	

Source: City of Kalamazoo, Human Resources

*In process of negotiation at December 31, 2008

CITY OF KALAMAZOO, MICHIGAN
Employment Statistics
Last Ten Years

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
1999	40,930	1,688	42,618	4.0%	4,897,000	192,000	5,089,000	3.8%
2000	37,838	1,648	39,486	4.2%	4,953,000	190,000	5,143,000	3.7%
2001	37,207	2,257	39,464	5.7%	4,876,000	268,000	5,144,000	5.2%
2002	36,289	2,964	39,253	7.6%	4,725,000	315,000	5,040,000	6.3%
2003	36,167	2,964	39,131	7.6%	4,681,000	358,000	5,039,000	7.1%
2004	36,395	3,126	39,521	7.9%	4,695,000	356,000	5,051,000	7.0%
2005	37,135	2,869	40,004	7.2%	4,726,000	346,000	5,072,000	6.8%
2006	37,464	2,902	40,366	7.2%	4,730,000	351,000	5,081,000	6.9%
2007	37,412	3,082	40,494	7.6%	4,668,000	378,000	5,046,000	7.5%
2008	36,738	3,571	40,309	8.9%	4,519,000	416,000	4,935,000	8.4%

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

Note: Unemployment data represents annual averages not adjusted for seasonal changes. 1997-2005 data is updated to reflect current labor data available.

CITY OF KALAMAZOO, MICHIGAN

**WATER SUPPLY SYSTEM
Water Supply Franchises**

<u>Franchisor</u>	<u>Effective Date</u>	<u>Year of Renewal</u>
Comstock Township	23-Dec-64	1994*
Cooper Township	18-Nov-68	1998*
Kalamazoo Township	30-Jan-70	2000*
Oshtemo Township	8-Feb-65	1995*
Pavilion Township	18-Nov-68	1998*
City of Portage (1)	28-May-74	2004*
City of Portage (1)	21-Apr-80	2010
City of Portage (1)	10-Jul-89	2019
Richland Township	28-Feb-72	2002*
Richland Village	26-Jul-76	2006*
Texas Township	11-Dec-67	1997*

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

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

(1) The City of Portage has three agreements due to the addition of new service areas at different times.

CITY OF KALAMAZOO, MICHIGAN

WATER SUPPLY SYSTEM

Approximate Number of Water Supply Customers
by Location and User Classification
Last Five Years

<u>Customer Location and Classification</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:					
Residential	18,102	18,101	18,094	18,295	18,220
Commercial / Industrial	4,907	4,973	5,040	5,257	5,256
Total City	<u>23,009</u>	<u>23,074</u>	<u>23,134</u>	<u>23,552</u>	<u>23,476</u>
Out City:					
Residential	14,970	15,393	15,889	16,863	17,095
Commercial / Industrial	4,198	4,226	4,510	4,738	4,781
Total Out City	<u>19,168</u>	<u>19,619</u>	<u>20,399</u>	<u>21,601</u>	<u>21,876</u>
Total System:					
Residential	33,072	33,494	33,983	35,158	35,315
Commercial / Industrial	9,105	9,199	9,550	9,995	10,037
Total System	<u><u>42,177</u></u>	<u><u>42,693</u></u>	<u><u>43,533</u></u>	<u><u>45,153</u></u>	<u><u>45,352</u></u>

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

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

CITY OF KALAMAZOO, MICHIGAN

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

<u>Meter Location and Size</u>	<u>2007</u>	<u>2008</u>
City:		
5/8" - 3/4"	16,627	16,497
1"	2,354	2,362
1 1/2"	261	258
2"	1,052	1,057
3"	187	189
4"	268	275
6"	18	25
8"	6	9
Total City	<u>20,773</u>	<u>20,672</u>
Out City:		
5/8" - 3/4"	8,836	8,716
1"	8,097	8,310
1 1/2"	341	347
2"	905	923
3"	120	120
4"	117	214
6"	29	42
8"	11	29
Total Out City	<u>18,456</u>	<u>18,701</u>
Total Meters	<u>39,229</u>	<u>39,373</u>
<u>Location and Size of Fire Protection Line/Hydrant</u>		
City:		
4"	172	176
6"	145	147
8"	81	80
10"	1	1
Hydrants	2,380	2,400
Total City	<u>2,779</u>	<u>2,804</u>
Out City:		
4"	161	160
6"	89	91
8"	65	67
10"	4	4
Hydrants	2,826	2,853
Total Out City	<u>3,145</u>	<u>3,175</u>
Total Fire Protection	<u>5,924</u>	<u>5,979</u>
Total Service Connections	<u>45,153</u>	<u>45,352</u>

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

CITY OF KALAMAZOO, MICHIGAN

WATER SUPPLY SYSTEM
Water Supply Ready-to-Serve Charges by Meter Location and Size
Last Five Years

<u>Meter Location and Size</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 11.93	\$ 14.92	\$ 16.35	\$ 17.93	\$ 17.93
1" Meter	14.86	18.84	20.87	23.11	23.11
1-1/2" Meter	17.78	22.75	25.40	28.29	28.29
2" Meter	25.83	33.51	37.85	42.54	42.54
City (Monthly Billed Accounts):					
5/8" Meter	7.06	8.40	8.80	9.30	9.30
1" Meter	8.03	9.71	10.31	11.02	11.02
1-1/2" Meter	9.01	11.01	11.82	12.75	12.75
2" Meter	11.69	14.60	15.97	17.50	17.50
3" Meter	31.43	41.01	46.53	52.47	52.47
4" Meter	38.75	50.79	57.85	65.43	65.43
6" Meter	55.81	73.62	84.25	95.65	95.65
8" Meter	75.31	99.70	114.43	130.19	130.19
City (Monthly Fire Protection Charge):					
4" Detector Check	15.94	15.57	15.27	16.34	16.34
6" Detector Check	19.82	19.45	19.02	21.02	21.02
8" Detector Check	27.28	27.29	26.56	30.28	30.28
10" Detector Check	54.00	59.87	57.14	66.31	66.31
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	14.62	18.61	24.18	27.40	27.40
1" Meter	18.62	23.99	31.84	36.36	36.36
1-1/2" Meter	22.62	29.38	39.50	45.33	45.33
2" Meter	33.63	44.20	60.57	69.99	69.99
Out City (Monthly Billed Accounts):					
5/8" Meter	7.95	9.63	11.41	12.45	12.45
1" Meter	9.29	11.42	13.97	15.44	15.44
1-1/2" Meter	10.62	13.22	16.52	18.43	18.43
2" Meter	14.29	18.16	23.54	26.65	26.65
3" Meter	41.30	54.52	75.26	87.18	87.18
4" Meter	51.30	67.99	94.41	109.60	109.60
6" Meter	74.64	99.41	139.10	161.90	161.90
8" Meter	101.31	135.33	190.17	221.68	221.68
Out City (Monthly Fire Protection Charge):					
4" Detector Check	25.30	26.92	26.98	28.33	28.33
6" Detector Check	31.09	33.30	32.92	35.63	35.63
8" Detector Check	42.12	45.82	44.50	49.89	49.89
10" Detector Check	79.80	93.28	87.38	102.99	102.99
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

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

CITY OF KALAMAZOO, MICHIGAN

WATER SUPPLY SYSTEM

Water Supply Commodity Charges by Meter

Location and Classification (1)

Last Five Years

<u>Meter Location and Classification</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:					
Residential	\$ 0.261	\$ 0.212	\$ 0.195	\$ 0.197	\$ 0.197
Multifamily	0.174	0.144	0.138	0.139	0.139
Commercial/Industrial	0.206	0.169	0.166	0.168	0.168
Fire Protection - First 15 M3	0.206	0.169	0.166	0.168	0.168
Fire Protection - Over 15 M3	0.618	0.507	0.498	0.504	0.504
Seasonal Uses	0.442	0.345	0.327	0.329	0.329
Out City:					
Residential	0.457	0.479	0.460	0.444	0.444
Multifamily	0.300	0.317	0.310	0.300	0.300
Commercial/Industrial	0.354	0.373	0.368	0.356	0.356
Fire Protection - First 15 M3	0.354	0.373	0.368	0.356	0.356
Fire Protection - Over 15 M3	1.062	1.119	1.104	1.068	1.068
Seasonal Uses	0.854	0.892	0.894	0.867	0.867

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

(1) per cubic meter

CITY OF KALAMAZOO, MICHIGAN

**WATER SUPPLY SYSTEM
History of System Rate Increases**

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

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

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

CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
Water Supply Volume as Pumped and Billed (1)
Last Five Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Pumped	25,794,132	27,341,264	25,118,117	28,089,780	25,787,182
Billed	<u>22,715,384</u>	<u>24,137,318</u>	<u>22,879,533</u>	<u>23,937,831</u>	<u>22,381,271</u>
Unaccounted (2)	<u><u>3,078,748</u></u>	<u><u>3,203,946</u></u>	<u><u>2,238,584</u></u>	<u><u>4,151,949</u></u>	<u><u>3,405,911</u></u>
Unaccounted as a Percent of Pumped (3)	<u>11.94%</u>	<u>11.72%</u>	<u>8.91%</u>	<u>14.78%</u>	<u>13.21%</u>

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

- (1) Measured in Cubic Meters
- (2) Unaccounted water volume is due primarily to the flushing of lines, pressure releases during routine maintenance and, to a diminishing degree, line loss and slow meters. As part of its quality control efforts, the City routinely flushes transmission lines.
- (3) From 2000 to 2002 the number of main breaks averaged approximately 78 per year. In 2003, the number of main breaks totaled 103, an increase of 32.1% over the average. The unusually large number of breaks attributed to the higher percentage of unaccounted water for the year.

CITY OF KALAMAZOO, MICHIGAN

WATER SUPPLY SYSTEM
Water Volume as Billed by Meter
Location and Classification
Last Five Years

<u>Meter Location and Classification</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:					
Residential	4,702,932	4,776,832	4,482,863	4,634,794	4,351,103
Multifamily	2,057,123	2,013,828	1,936,672	1,902,117	1,896,895
Commercial/Industrial	6,375,474	6,434,460	6,296,658	5,970,700	5,537,070
Fire Protection	13,226	2,020	5,849	1,786	8,067
Seasonal Uses (1)	427,194	564,031	482,159	618,513	570,924
Total City	<u>13,575,949</u>	<u>13,791,171</u>	<u>13,204,201</u>	<u>13,127,910</u>	<u>12,364,059</u>
Out City:					
Residential	4,999,192	5,799,993	5,398,303	6,234,057	5,700,057
Multifamily	1,542,022	1,621,964	1,546,052	1,580,616	1,654,052
Commercial/Industrial	2,206,978	2,355,603	2,279,672	2,418,745	2,173,597
Fire Protection	6,734	7,296	13,799	2,903	4,343
Seasonal Uses (1)	384,509	561,291	437,506	573,600	485,163
Total Out City	<u>9,139,435</u>	<u>10,346,147</u>	<u>9,675,332</u>	<u>10,809,921</u>	<u>10,017,212</u>
Total System:					
Residential	9,702,124	10,576,825	9,881,166	10,868,851	10,051,160
Multifamily	3,599,145	3,635,792	3,482,724	3,482,733	3,550,947
Commercial/Industrial	8,582,452	8,790,063	8,576,330	8,389,445	7,710,667
Fire Protection	19,960	9,316	19,648	4,689	12,410
Seasonal Uses (2)	811,703	1,125,322	919,665	1,192,113	1,056,087
Total System	<u>22,715,384</u>	<u>24,137,318</u>	<u>22,879,533</u>	<u>23,937,831</u>	<u>22,381,271</u>

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

(1) Water volume is measured in cubic meters.

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

(3) A correction was made in 2000 that related to water volume that occurred in 1999. This correction exceeded the volume for 2000 and caused the net water volume for the year to appear as negative.

CITY OF KALAMAZOO, MICHIGAN
WATER SUPPLY SYSTEM
Average and Peak Daily Water Supply Volume (1)
Last Five Years

	2004	2005	2006	2007	2008
Average Daily Water Supply	18.620	19.791	18.181	20.330	18.660
Peak Daily Water Supply	32.868	35.964	30.461	41.075	31.376
Peak as a Percent of Average	176.52%	181.72%	167.54%	202.04%	168.15%

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

(1) Measured in millions of gallons per day.

CITY OF KALAMAZOO, MICHIGAN
WATER SUPPLY SYSTEM
Water Supply Revenue as Billed by Meter
Location and Classification
Last Five Years

<u>Meter Location and Classification</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:					
Residential	\$ 2,105,124	\$ 2,077,008	\$ 2,032,474	\$ 2,097,359	\$ 2,142,163
Multifamily	480,151	440,957	428,355	432,173	441,404
Commercial/Industrial	1,585,398	1,428,144	1,377,491	1,361,340	1,318,086
Fire Protection	114,634	108,050	110,313	117,994	125,011
Seasonal Uses	227,223	240,876	207,027	258,873	248,337
Total City	<u>4,512,530</u>	<u>4,295,035</u>	<u>4,155,660</u>	<u>4,267,739</u>	<u>4,275,001</u>
Out City:					
Residential	\$ 3,166,987	\$ 3,970,922	\$ 4,107,645	\$ 4,660,011	\$ 4,570,675
Multifamily	576,265	668,041	689,119	711,823	753,250
Commercial/Industrial	941,205	1,094,782	1,128,341	1,210,311	1,139,639
Fire Protection	121,082	149,582	158,730	147,035	164,881
Seasonal Uses	358,216	509,619	457,896	558,552	488,823
Total Out City	<u>5,163,755</u>	<u>6,392,946</u>	<u>6,541,731</u>	<u>7,287,732</u>	<u>7,117,268</u>
Total System:					
Residential	\$ 5,272,111	\$ 6,047,930	\$ 6,140,119	\$ 6,757,370	\$ 6,712,838
Multifamily	1,056,416	1,108,998	1,117,474	1,143,996	1,194,654
Commercial/Industrial	2,526,603	2,522,926	2,505,832	2,571,651	2,457,725
Fire Protection	235,716	257,632	269,043	265,029	289,892
Seasonal Uses	585,439	750,495	664,923	817,425	737,160
Total System	<u>\$ 9,676,285</u>	<u>\$ 10,687,981</u>	<u>\$ 10,697,391</u>	<u>\$ 11,555,471</u>	<u>\$ 11,392,269</u>

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

CITY OF KALAMAZOO, MICHIGAN
WATER SUPPLY SYSTEM
Ten Largest Water Customers by Volume and Revenue
Year Ended December 31, 2008

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Water Volume (cubic meters)</u>	<u>Percent of Total (1)</u>	<u>Water Revenue</u>	<u>Percent of Total (2)</u>
Western Michigan University	Higher Education	893,980	4.0%	\$ 154,275	1.4%
Graphic Packaging	Paper Products	629,310	2.8%	149,228	1.3%
Pfizer Corporation	Pharmaceuticals	372,850	1.7%	99,436	0.9%
Kalsec Inc.	Food Grade Flavoring	224,338	1.0%	87,552	0.8%
Pavilion Estates	Mobile Home Park	119,490	0.5%	55,206	0.5%
Borgess Medical Center	Hospital	291,687	1.3%	53,272	0.5%
Concord Place Apartments	Apartment Complex	153,840	0.7%	51,361	0.5%
Occidental Development	Real Estate Development	153,971	0.7%	46,613	0.4%
Kalamazoo Public Schools	Education	84,640	0.4%	43,692	0.4%
Bronson Methodist Hospital	Hospital	209,510	0.9%	42,745	0.4%
		<u>3,133,616</u>	<u>14.0%</u>	<u>\$ 783,380</u>	<u>6.9%</u>

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

(1) Based on water volume of 22,381,271 cubic meters.

(2) Based on Water System billed revenue of \$11,392,269.

CITY OF KALAMAZOO, MICHIGAN

**WASTEWATER SYSTEM
Wastewater Service Agreements**

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

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

- (1) Served by a retail service agreement.
(2) Served by a wholesale service agreement.

CITY OF KALAMAZOO, MICHIGAN

WASTEWATER SYSTEM

**Approximate Number of Wastewater Customers
by Location and User Classification
Last Five Years**

<u>Customer Location and Classification</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Retail Customers</u>					
<i>In-City Retail Customers</i>					
Residential	16,724	16,693	16,699	16,622	16,527
Commercial	2,815	2,932	2,908	2,814	2,797
Industrial	153	152	165	179	174
Sub-Total	<u>19,692</u>	<u>19,777</u>	<u>19,772</u>	<u>19,615</u>	<u>19,498</u>
<i>Out-City Retail Customers</i>					
Residential	8,259	8,486	8,876	9,235	9,438
Commercial	1,265	1,378	1,411	1,431	1,449
Industrial	49	46	47	52	55
Sub-Total	<u>9,573</u>	<u>9,910</u>	<u>10,334</u>	<u>10,718</u>	<u>10,942</u>
Total Retail Customers	<u>29,265</u>	<u>29,687</u>	<u>30,106</u>	<u>30,333</u>	<u>30,440</u>
<u>Wholesale Customers</u>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	7	6	8	8	8
Septage Haulers	20	21	8	8	8
Sub-Total	<u>37</u>	<u>37</u>	<u>26</u>	<u>26</u>	<u>26</u>
<u>Flat Rate Customers</u>	<u>1,412</u>	<u>1,442</u>	<u>1,434</u>	<u>1,505</u>	<u>1,511</u>
Total Sewer Customers	<u>30,714</u>	<u>31,166</u>	<u>31,566</u>	<u>31,864</u>	<u>31,977</u>

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

CITY OF KALAMAZOO, MICHIGAN
WASTEWATER SYSTEM
Number of Retail Customers by Meter Size
Last Five Years

<u>Meter Size</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
5/8" - 3/4"	22,561	22,475	22,410	22,489	22,112
1"	4,449	4,746	5,208	5,395	5,845
1-1/2"	385	421	443	450	449
2"	1,466	1,598	1,596	1,558	1,579
3"	260	288	293	278	281
4"	132	146	139	139	139
6"	12	13	17	24	35
	<u>29,265</u>	<u>29,687</u>	<u>30,106</u>	<u>30,333</u>	<u>30,440</u>

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

CITY OF KALAMAZOO, MICHIGAN

WASTEWATER SYSTEM
Wastewater Ready to Serve Charges by
Water Meter Location and Size
Last Five Years

<u>Meter Location and Size</u>	<u>2003-2006 (1)</u>		<u>2007 (2)</u>		<u>2008 (3)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>
City:						
5/8"	\$ 6.87	\$ 8.00	\$ 7.08	\$ 7.87	\$ 5.76	\$ 6.53
3/4"	6.93	8.17	7.11	7.99	5.79	6.65
1"	7.10	8.68	7.23	8.35	5.91	7.00
1-1/2"	7.33	9.36	7.40	8.83	6.06	7.46
2"	7.94	11.23	7.84	10.16	6.49	8.75
3"	12.53	24.96	11.07	19.86	9.65	18.21
4"	14.22	30.05	12.27	23.46	10.81	21.72
6"	18.18	41.93	15.07	31.85	13.54	29.90
Out City:						
5/8"	\$ 7.50	\$ 11.30	\$ 7.57	\$ 10.63	\$ 6.43	\$ 9.65
3/4"	7.69	11.88	7.72	11.09	6.59	10.14
1"	8.26	13.59	8.18	12.47	7.07	11.58
1-1/2"	9.02	15.87	8.79	14.31	7.72	13.52
2"	11.11	22.14	10.48	19.37	9.49	18.84
3"	26.51	68.34	22.89	56.51	22.55	58.00
4"	32.21	85.45	27.48	70.36	27.39	72.51
6"	45.53	125.37	38.20	102.52	38.67	106.36

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

(1) Rate change effective April 30, 2004.

(2) Rate change effective July 1, 2007.

(3) Rate change effective March 1, 2008.

CITY OF KALAMAZOO, MICHIGAN
WASTEWATER SYSTEM
Wastewater Treatment Charges by Customer Classification (1)
Last Five Years

Fiscal Years Ended December 31	In-City Retail Customers	Out-City Retail Customers	Wholesale Municipal Customers	City of Galesburg (2)	Septage Haulers	In-City Dewatering Customers	Out-City Dewatering Customers
2003-2006 (3)	0.288	0.561	0.312	0.351	27.978	0.261	0.574
2007 (4)	0.308	0.637	0.378	0.406	33.514	0.283	0.648
2008 (5)	0.315	0.680	0.408	0.439	34.842	0.288	0.692

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

- (1) Per cubic meter
- (2) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.
- (3) Rate change effective April 30, 2004.
- (4) Rate change effective July 1, 2007.
- (5) Rate change effective March 1, 2008

CITY OF KALAMAZOO, MICHIGAN

WASTEWATER SYSTEM

Wastewater Treatment Volume as Billed by

Customer and User Classification (1)

Last Five Years

	2004	2005	2006	2007	2008
Retail Customers					
Residential	6,075,815	5,940,966	5,539,562	5,600,859	5,410,919
Commercial	8,158,941	8,393,078	8,265,253	8,370,324	8,073,068
Industrial	1,734,399	1,896,469	1,674,535	1,548,037	1,360,888
Sub-Total	15,969,155	16,230,513	15,479,350	15,519,220	14,844,875
Wholesale Customers					
Industries	6,238,942	6,052,304	5,047,683	4,589,025	4,602,014
Wholesale Municipal	8,126,901	8,096,596	8,047,185	8,309,205	8,504,167
Dewatering Accounts	124,769	176,306	224,917	200,886	476,339
Septage Haulers	12,559	10,173	14,109	11,457	3,202
Sub-Total	14,503,171	14,335,379	13,333,894	13,110,573	13,585,722
Total Wastewater Billed	30,472,326	30,565,892	28,813,244	28,629,793	28,430,597

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

(1) Measured in Cubic Meters.

CITY OF KALAMAZOO, MICHIGAN
WASTEWATER SYSTEM
Wastewater Volume as Treated and Billed (1)
Last Five Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Metered Wastewater Volume	36,075,759	36,859,197	33,119,030	32,744,521	36,205,564
Wastewater Consumption as Billed	<u>30,472,326</u>	<u>30,565,892</u>	<u>28,813,244</u>	<u>28,629,792</u>	<u>28,430,597</u>
Difference (2)	<u>5,603,433</u>	<u>6,293,305</u>	<u>4,305,786</u>	<u>4,114,729</u>	<u>7,774,967</u>
Difference as a % of Metered Wastewater Volume	15.5%	17.1%	13.0%	12.6%	21.5%

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

(1) Measured in Cubic Meters.

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

CITY OF KALAMAZOO, MICHIGAN
WASTEWATER SYSTEM
Average and Peak Daily Wastewater Treatment Volume (1)
Last Five Years

	2004	2005	2006	2007	2008
Average Daily Sewage Disposal Volume	26.0	26.7	24.0	23.7	26.1
Peak Daily Sewage Disposal Volume	33.6	42.7	39.5	29.3	69.3
Peak as a Percent of Average	129.23%	159.93%	164.72%	123.63%	265.52%

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

(1) Measured in millions of gallons per day.

CITY OF KALAMAZOO, MICHIGAN
WASTEWATER SYSTEM
Ten Largest Customers
by Wastewater System Revenue and Volume as Billed
Year Ended December 31, 2008

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
Pfizer	Pharmaceuticals	3,451,315	12.1%	\$ 504,548	\$ 2,599,701	\$ 3,104,249	18.2%
City of Portage	Municipality	6,122,451	21.5%	2,464,168	-	2,464,168	14.4%
Graphic Packaging	Paper Products	1,150,699	4.0%	65,381	908,660	974,041	5.7%
Kalsec	Food Grade Flavorings	81,301	0.3%	32,904	526,782	559,686	3.3%
Gull Lake Sewer Authority District	Municipality	839,150	3.0%	338,314	-	338,314	2.0%
Hazelton	Research	60,864	0.2%	24,633	225,649	250,282	1.5%
Cytec	Chemicals	264,307	0.9%	26,036	207,470	233,506	1.4%
Western Michigan University	Higher Education	511,714	1.8%	211,965	-	211,965	1.2%
Mattawan	Municipality	486,643	1.7%	196,118	-	196,118	1.1%
JR7 (Graphic Packaging)	Paper Products	62,278	0.2%	6,137	113,239	119,376	0.7%
		<u>13,030,722</u>	<u>45.8%</u>	<u>\$ 3,870,204</u>	<u>\$ 4,581,501</u>	<u>\$ 8,451,705</u>	<u>49.6%</u>

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

(1) Based on wastewater treatment volume of 28,430,597 cubic meters.

(2) Based on Wastewater System billed revenue of \$17,054,779

CITY OF KALAMAZOO, MICHIGAN

WASTEWATER SYSTEM
Wastewater Revenue as Billed
by Meter Location and Classification
Last Five Years

<u>Meter Location and Classification</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:					
Residential	\$ 1,674,809	\$ 1,654,702	\$ 1,602,182	\$ 1,643,988	\$ 1,574,910
Commercial	1,836,798	1,829,068	1,739,142	1,776,627	1,723,460
Industrial	163,914	175,900	179,884	158,754	144,878
Industrial Monitored	820,588	868,508	549,187	408,036	492,099
Contract	919,462	907,089	901,480	873,332	974,042
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	12,224	38,524	32,942	32,718	63,764
Total City	<u>5,427,795</u>	<u>5,473,791</u>	<u>5,004,817</u>	<u>4,893,455</u>	<u>4,973,153</u>
Out City:					
Residential	\$ 1,887,708	\$ 1,923,100	\$ 1,818,635	\$ 1,915,832	\$ 2,031,765
Commercial	1,488,569	1,728,051	1,845,624	2,062,267	2,280,209
Industrial	105,912	112,742	87,990	116,366	76,495
Industrial Monitored	902,925	993,519	1,054,791	806,888	1,032,009
Contract	4,653,742	5,975,185	3,472,315	2,847,662	3,104,871
Municipalities	2,365,379	2,533,583	2,512,287	2,871,259	3,427,048
Septage Haulers	305,516	284,542	395,402	341,267	107,444
Dewatering	35,088	5,821	16,791	10,306	21,785
Total Out City	<u>11,744,839</u>	<u>13,556,543</u>	<u>11,203,835</u>	<u>10,971,847</u>	<u>12,081,626</u>
Total System:					
Residential	\$ 3,562,517	\$ 3,577,802	\$ 3,420,817	\$ 3,559,820	\$ 3,606,675
Commercial	3,325,367	3,557,119	3,584,766	3,838,894	4,003,669
Industrial	269,826	288,642	267,874	275,120	221,373
Industrial Monitored	1,723,513	1,862,027	1,603,978	1,214,924	1,524,108
Contract	5,573,204	6,882,274	4,373,795	3,720,994	4,078,913
Municipalities	2,365,379	2,533,583	2,512,287	2,871,259	3,427,048
Septage Haulers	305,516	284,542	395,402	341,267	107,444
Dewatering	47,312	44,345	49,733	43,024	85,549
Total System	<u>\$ 17,172,634</u>	<u>\$ 19,030,334</u>	<u>\$ 16,208,652</u>	<u>\$ 15,865,302</u>	<u>\$ 17,054,779</u>

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

CITY OF KALAMAZOO, MICHIGAN

**WASTEWATER SYSTEM
History of System Rate Increases**

<u>Date Increase Effective</u>	<u>Percent Increase</u>
March 2, 1987	2.40%
January 1, 1991	-7.50%
March 15, 1999	0.00%
July 1, 2001	4.00%
April 30, 2004	6.75%
July 1, 2007	20.00%
March 1, 2008	5.00%

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

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