

2009

*Comprehensive Annual
Financial Report*

for the fiscal year ending December 31, 2009

Plan



CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report
Year Ended December 31, 2009

Prepared by:
Management Services Department, Budget & Accounting Division

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-vi
GFOA Certificate of Achievement	vii
List of City Officials	viii
Organizational Chart	ix
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
	x-xi
MANAGEMENT'S DISCUSSION AND ANALYSIS	
	xii-xxviii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2-3
Fund Financial Statements	
Balance Sheet - Governmental Funds	4-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7-8
Reconciliation of the Changes in Fund Balances of the Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund	10-11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Neighborhood and Community Development Fund	12
Statement of Net Assets - Proprietary Funds	13
Reconciliation of Net Assets on the Statement of Net Assets for Enterprise Funds to Net Assets of Business-type Activities on the Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	15
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net Assets of Enterprise Funds to the Statement of Activities	16
Statement of Cash Flows - Proprietary Funds	17-18
Statement of Fiduciary Net Assets - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	20
Component Unit Financial Statements	
Statement of Net Assets	21-22
Statement of Activities	23-24
Notes to Financial Statements	25-54
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Funding Progress	55
Schedules of Employer Contributions	56
Notes to the Schedules of Funding Progress and the Schedules of Employer Contributions	57
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	59

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2009

TABLE OF CONTENTS - CONTINUED

	<u>PAGE</u>
FINANCIAL SECTION - CONCLUDED	
OTHER SUPPLEMENTARY INFORMATION - CONCLUDED	
Nonmajor Special Revenue Funds - Fund Descriptions	60
Combining Balance Sheet - Nonmajor Special Revenue Funds	61-62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	63-64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	65-71
Nonmajor Debt Service Funds - Fund Descriptions	72
Combining Balance Sheet - Nonmajor Debt Service Funds	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds	74
Nonmajor Capital Projects Funds - Fund Descriptions	75
Combining Balance Sheet - Nonmajor Capital Projects Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	77
Nonmajor Permanent Funds - Fund Descriptions	78
Combining Balance Sheet - Nonmajor Permanent Funds	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Permanent Funds	80
Internal Service Funds - Fund Descriptions	81
Combining Statement of Net Assets - Internal Service Funds	82-83
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	84-85
Combining Statement of Cash Flows - Internal Service Funds	86-89
Agency Fund - Fund Description	90
Statement of Changes in Assets and Liabilities - Agency Fund	91
COMPONENT UNIT FUNDS	
Brownfield Redevelopment Authority	
Balance Sheet	92
Reconciliation of the Balance Sheet to the Statement of Net Assets	93
Statement of Revenues, Expenditures, and Changes in Fund Balance	94
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	95
Local Development Finance Authority	
Balance Sheet	96
Reconciliation of the Balance Sheet to the Statement of Net Assets	97
Statement of Revenues, Expenditures, and Changes in Fund Balance	98
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	99
STATISTICAL SECTION (UNAUDITED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
Statistical Section Description	100
Financial Trends	
Net Assets by Component	101-102
Changes in Net Assets	103-106
Fund Balances - Governmental Funds	107-108
Changes in Fund Balances - Governmental Funds	109-110

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2009

TABLE OF CONTENTS - CONTINUED

	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED) - CONTINUED	
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property	111-112
Property Tax Rates - Direct and Overlapping Governments	113
Principal Property Taxpayers	114
Property Tax Levies and Collections	115
Debt Capacity	
Ratios of Outstanding Debt by Type	116
Ratios of General Bonded Debt Outstanding	117
Direct and Overlapping Governmental Activities Debt	118
Computation of Legal Debt Margin	119
Legal Debt Margin Historical Information	120
Pledged-Revenue Coverage	121-122
Demographic and Economic	
Demographic and Economic Statistics	123
Principal Employers in Kalamazoo County	124
Operating	
Full Time Equivalent City Government Employees by Function	125
Operating Indicators by Function	126-129
Capital Asset Statistics by Function	130-131
Supplementary Schedules	
Schedule of Revenues and Expenditures for Activities Related to the State Construction Code Act	132
Employees' Retirement System - Revenues by Source and Expense by Type	133
Security and Exchange Commission (SEC) Additional Disclosures	
Taxable Value	
Total Taxable Value	134
Taxable Value by Use and Class	135
Percent of Taxable Value by Use and Class	135
State Equalized Value (SEV)	
Total SEV	136
SEV by Use and Class	137
Percent of Total SEV by Use and Class	137
Maximum and Actual Tax Rates	138
Revenue Sharing from the State of Michigan	139
Receipts from Michigan Transportation Fund	140
Labor Contracts	141
Employment Statistics	142
Water Supply Franchises	143
Approximate Number of Water Supply Customers	
by Location and User Classification	144
by Location and Size of Meter or Fire Protection Line/Hydrant	145
Water Supply Ready-to-Serve Charges by Meter Location and Size	146
Water Supply Commodity Charges by Meter Location and Classification	147
History of Water System Rate Increases	148
Water Supply Volume as Pumped and Billed	149
Water Volume as Billed by Meter Location and Classification	150
Average and Peak Daily Water Supply Volume	151
Water Supply Revenue as Billed by Meter Location and Classification	152
Ten Largest Water Customers by Volume and Revenue	153

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2009

TABLE OF CONTENTS - CONCLUDED

	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED) - CONCLUDED	
Wastewater Service Agreements	154
Approximate Number of Wastewater Customers	
by Location and User Classification	155
Number of Retail Customers by Meter Size	156
Wastewater Ready-to-Serve Charges by Water Meter Location and Size	157
Wastewater Treatment Charges by Customer Classification	158
Wastewater Treatment Volume as Billed by Customer and User Classification	159
Wastewater Volume as Treated and Billed	160
Average and Peak Daily Wastewater Treatment Volume	161
Ten Largest Wastewater Customers by Wastewater	
System Revenue and Volume as Billed	162
Wastewater Treatment Revenue as Billed	
by Meter Location and Classification	163
History of Wastewater System Rate Increases	164

INTRODUCTORY SECTION



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June 24, 2010

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, 2009.

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.

Abraham-Gaffney, Certified Public Accounts, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2009. The independent auditor's report is located at the front of the financial sections of this report.

The independent audit of the financial statements of the City was part of a broader, federally-mandated "Single Audit" in conformity with the provisions of 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, 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 Office 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). Prior to July 1, 2009, the City Charter allowed property taxpayers to pay their taxes in twelve (12) monthly installments. Property taxes were budgeted in the year levied, even though they were not fully available to finance operations in the current year.

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

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 Post-employment 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, 2009, the City of Kalamazoo Employee Retirement System had 1,555 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 2009. The funded status, defined as the percentage of actuarial assets to actuarial liabilities, decreased from 146.9% in 2008 to 142.1% as of December 31, 2009, due to unfavorable asset experience.

The City also provides post-employment health care 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 entity-wide long-term liability for retiree health care is approximately \$207 million. The Annually Required Contribution (ARC) for 2009 is roughly \$19.5 million. The City contributed \$6.4 million in retiree health care expenses in 2008, leaving a net retiree health care expense of \$24.5 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 (PNC), and higher education (Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College) industries. Kalamazoo's workforce is as diverse as its economy, ranging from those skilled in manufacturing to research scientists. At the same time, enrollment in local universities and colleges exceeds 33,500 full and part-time students, creating a base of potential employees that is highly attractive to business and industry.

A long-time cultural and commercial center for the region, Kalamazoo has made tremendous strides over the past decade to revitalize its central business district. One consequence of this new investment is that downtown Kalamazoo has become a dining and entertainment hub, with much of the new activity occurring in restored historic buildings. Specific other examples of these visually stimulating, economically rewarding and employment enhancing projects include:

- The area's largest employer, Pfizer, made a \$72.4 million investment into the downtown, as a consequence of its 2009 purchase of rival Wyeth Laboratories;
- The visually attractive, \$33 million renovation of the Radisson Plaza Hotel, located in the heart of downtown;
- The public-private, \$27 million, multi-screen movie theater-parking ramp-retail/residential project;
- The recently completed \$9 million renovation of Chenery Auditorium (all privately funded);
- The \$1.7 million project by the Hinman Company to completely demolish one of their existing downtown properties and replace it with a new facility on the same site;
- The creation of a new and very successful retail incubator program throughout the downtown mall;
- The 2008 MPI Research purchase of a Pfizer downtown building with the promise of 400 new employees at that location.

There are also two major projects in process. The first is an imminent \$10,000,000 redevelopment, known as The Metropolitan Center Project, which will acquire and renovate three original downtown buildings. The result will be the addition of an estimated 22 new residential units in the upper stories and 12,000 square feet of newly renovated commercial space on the street level. All plans are focused on preserving the historic character and artifacts of those buildings while obtaining a platinum LEED certification. The second project is more distant, but still illustrative of the blend of vision and action this community has exhibited since its inception. The Arcadia Commons West project (also in the planning stage) envisions a west end major development to complement the high energy entertainment area largely complete in the eastern end of the downtown. Collectively these projects account for more than \$550 million in total new investment downtown over the past 12 years with another \$90 million in planning.

Elsewhere other recent economic development, brownfield and renaissance zone successes have been and are being nurtured throughout the City. They include:

- The relocation and expansion of Fabri-Kal Corporation's production and research and development center into the former MEAD Paper facility. This project will be completed in phases and is expected to be completed in 2015. The \$32.6 million project includes renovation and rehabilitation of a 387,360 square foot manufacturing building (and associated infrastructure) + parking and the relocation of former production operations to the renovated facility;

- Kilgore Point (the former Doubleday Printing building) reopened following an estimated \$2.7 million refurbishing;
- Construction on the new \$40 million Kalamazoo-Battle Creek International Airport terminal began in 2010 with opening ceremonies scheduled for April 2011;
- A year-long site investigation began in Spring 2009 and remained on-going at year end at the Davis Creek Business Park. Results of the investigation will permit the BRA to provide detailed construction guidance to all future firms developing facilities within the City's new Certified Business Park.;
- City redevelopment plans along the Kalamazoo River on the eastern edge of downtown officially became designated as "THE RIVER'S EDGE". The branding initiative is intended to provide a thematic focus for public actions designed to bring private investment into that part of Kalamazoo.

The promise afforded by these private and public investments is only the latest manifestation of a 2005 gift from local anonymous donors to all students who graduate from Kalamazoo Public Schools (KPS). All KPS graduates receive four years funding for college tuition and mandatory fees at Michigan community colleges and public colleges and universities. This open door to a bright future has resulted in over 2000 new students enrolled at KPS, an increase in state financial support for the district and a substantial increase in the number of firms asking about possible business locations - to enhance their capacity to attract and retain a well educated workforce. The first set of Promise recipients graduated from college in 2010. We share in their pride of accomplishment and continue to marvel at the entire Promise concept. We look forward to a bright future for Promise graduates as they establish careers and begin returning the Promise results in their home community.

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 2010 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 decided to employ a 2-year rolling budget presentation, in order to foreshorten our fiscal perspective and lengthen our budgeting perspective. We continue to utilize 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, 2008. 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 Pasty 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,

A handwritten signature in black ink, appearing to read 'K. P. Collard', written in a cursive style.

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

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, 2008

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 stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Kalamazoo
Comprehensive Annual Financial Report
Year Ended December 31, 2009

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor
Hannah J. McKinney, Vice Mayor
David Anderson
Stephanie Bell
Donald Cooney
Barbara Hamilton Miller
Terry Kuseske

CITY MANAGER

Kenneth P. Collard, ICMA-CM, P.E.

DEPUTY CITY MANAGER

Jerri Barnett-Moore

MANAGEMENT SERVICES DEPARTMENT

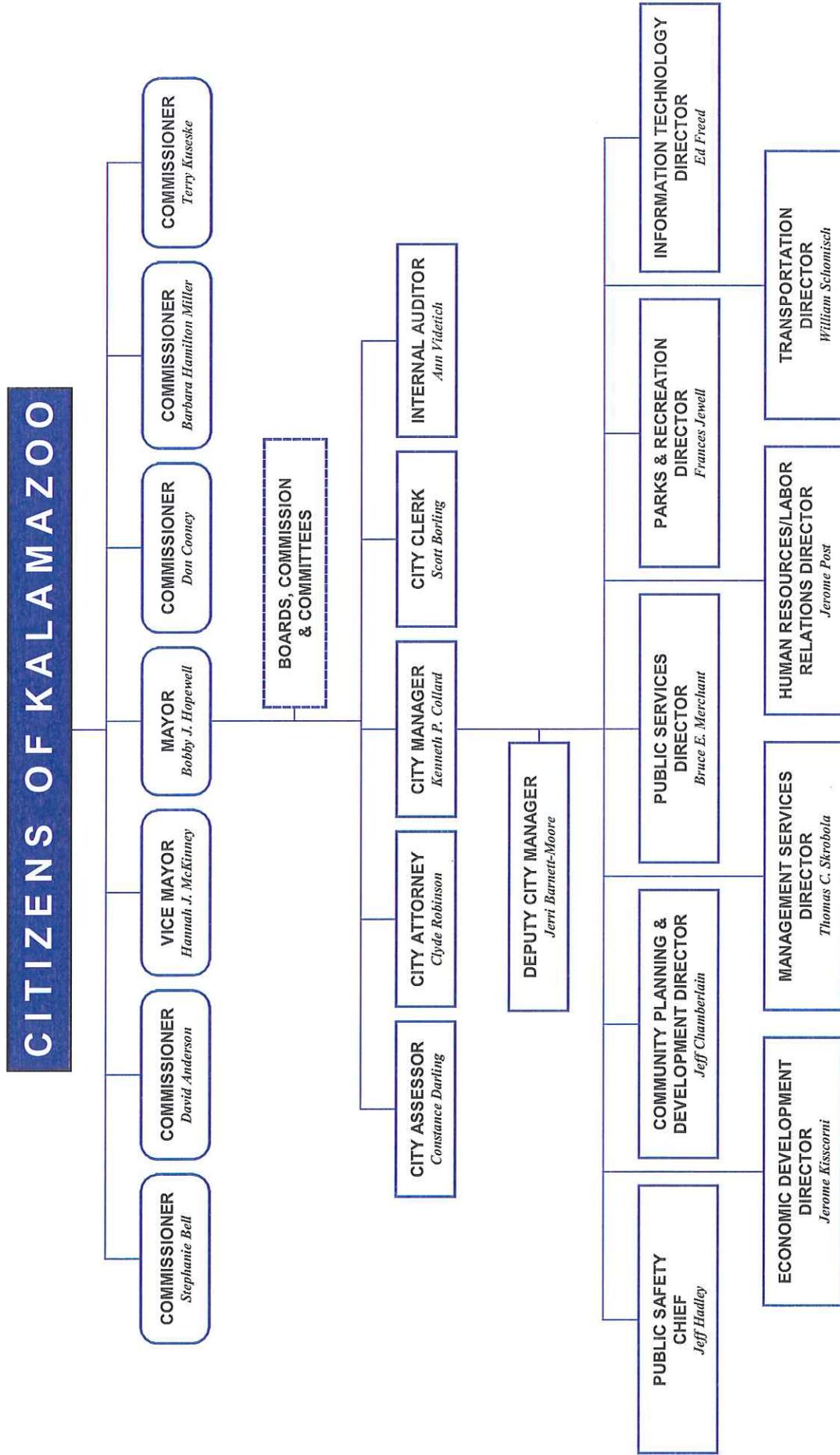
Thomas C. Skrobola, Management Services Director/CFO
Patsy Moore, Deputy Management Services Director/Comptroller
Wade Carlson, City Treasurer
Constance Darling, City Assessor
Nicholas Lam, Purchasing Director

CITY COMMISSION APPOINTEES

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

CITY OF KALAMAZOO

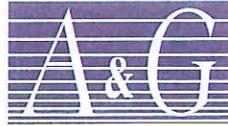
2010 Organizational Chart



FINANCIAL SECTION

Principals

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



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2009, 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 or the Kalamazoo Municipal Golf Association, which represent 10% and 3% of the assets and 20% and 4% of the revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Downtown Development Authority and the Kalamazoo Municipal Golf Association, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 provides 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2010 on our consideration of the City of Kalamazoo'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 and historical pension supplementary information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kalamazoo's basic financial statements. The introductory section, accompanying other supplementary information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 23, 2010

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, 2009. 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 \$314,361,064 (*net assets*). Of this amount, \$39,265,179 (*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 \$11,870,160 or 3.64 percent. This net increase was a combination of a \$7.7 million decrease in governmental activities net assets and a \$4.2 million decrease in business-type activity net assets;
- The City's balance of bonded debt increased by \$8.075 million during the current fiscal year. The City added \$4.585 million in General Obligation debt and \$10.27 million in revenue bonds. The City made scheduled bond principal payments totaling slightly more than \$6.78 million;
- As of the close of the 2009 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$26,693,529, an increase of \$3,567,262 in comparison of the prior year. Approximately 50.91 percent of the combined fund balances, or \$13,590,368 was available for spending at the government's discretion ("*unreserved fund balance*"). However of that amount, \$8,850,255 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) fund balance was \$9,770,890, or 18.6 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$9.8 million fund balance, \$504,585 was reserved, leaving \$9.3 million, or 17.64 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$4,740,113, or 9.7 percent of total general fund revenues and other financing sources;
- Combined business-type activities net assets decreased \$2,585,539. This included \$537 thousand decrease of net assets in the Water Fund, and a \$2.051 million decrease 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 1-3 of this report.

Fund financial statements

Management's Discussion and Analysis

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide 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 funds; neighborhood and community development special revenue funds; and the Building authority debt service fund. Data from the other sixteen (16) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 4-9 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

Management's Discussion and Analysis

uses internal service funds to account for its equipment maintenance, self-insurance, engineering services, city-wide maintenance, and printing/mail services. 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.

The basic proprietary fund financial statements can be found on pages 13-18 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 19-20 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 25-54 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 a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 55-57 of this report.

The combining statements referred to earlier in connection with non major funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 58-99 of this report.

Government-wide Financial Analysis

Management's Discussion and 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 \$314,361,064 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$259,796,267 or 82.6 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, \$15,299,618 or 4.9 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*, \$39,265,179 or 12.5 percent may be used to meet the government's ongoing obligations to citizens and creditors.

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, 2009 and December 31, 2008

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 61,340,770	\$ 63,959,290	\$ 37,754,800	\$ 25,446,075	\$ 99,095,570	\$ 89,405,365
Capital assets, net	175,929,949	177,372,814	174,597,947	176,961,164	350,527,896	354,333,978
Total assets	<u>237,270,719</u>	<u>241,332,104</u>	<u>212,352,747</u>	<u>202,407,239</u>	<u>449,623,466</u>	<u>443,739,343</u>
Long-term liabilities outstanding	81,465,373	83,367,178	36,295,757	24,180,293	117,761,130	107,547,471
Other liabilities	13,591,834	8,054,036	3,909,438	1,906,612	17,501,272	9,960,648
Total liabilities	<u>95,057,207</u>	<u>91,421,214</u>	<u>40,205,195</u>	<u>26,086,905</u>	<u>135,262,402</u>	<u>117,508,119</u>
Net assets:						
Invested in capital assets, net of related debt	116,294,415	117,057,211	143,501,852	154,535,045	259,796,267	271,592,256
Restricted	12,721,683	26,784,242	2,577,935	-	15,299,618	26,784,242
Unrestricted	13,197,414	6,069,437	26,067,765	21,785,289	39,265,179	27,854,726
Total net assets	<u>\$ 142,213,512</u>	<u>\$ 149,910,890</u>	<u>\$ 172,147,552</u>	<u>\$ 176,320,334</u>	<u>\$ 314,361,064</u>	<u>\$ 326,231,224</u>

Management's Discussion and Analysis

The government's total net assets decreased by \$11,870,160 or 3.63 percent. The net decrease in total net assets was a combination of a \$7.69 million decrease in governmental activities net assets and a \$4.17 million decrease in business-type activity net assets.

City of Kalamazoo's Changes in Net Assets For the Year Ended December 31, 2009 and 2008

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenue:						
Charges for services	\$ 6,353,762	\$ 6,143,338	\$ 30,195,122	\$ 32,856,430	\$ 36,548,884	\$ 38,999,768
Operating grants and contributions	12,915,313	12,966,562		451,421	12,915,313	13,417,983
Capital grants and contributions	21,686	151,241	2,992,894	2,959,418	3,014,580	3,110,659
General revenue:						
Property taxes	36,421,813	36,221,234		-	36,421,813	36,221,234
State shared revenues - unrestricted	8,968,211	9,985,176			8,968,211	9,985,176
Other	2,060,429	1,980,722	387,328	42,110	2,447,757	2,022,832
Total revenue	66,741,214	67,448,273	33,575,344	36,309,379	100,316,558	103,757,652
Expenses:						
General government	8,832,654	11,449,623		-	8,832,654	11,449,623
Public safety	43,227,907	37,207,556		-	43,227,907	37,207,556
Community and economic development	6,715,422	7,505,930		-	6,715,422	7,505,930
Parks and Recreation	6,803,283	2,099,090		-	6,803,283	2,099,090
Public works	6,223,881	5,508,637		-	6,223,881	5,508,637
Streets	2,564,334	11,776,466		-	2,564,334	11,776,466
Interest on long-term debt	2,792,089	2,957,164		-	2,792,089	2,957,164
Wastewater		-	21,734,385	20,584,823	21,734,385	20,584,823
Water		-	13,940,310	14,686,137	13,940,310	14,686,137
Other		-	48,684	49,291	48,684	49,291
Total expenses	77,159,570	78,504,466	35,723,379	35,320,251	112,882,949	113,824,717
(Decrease) Increase in net assets before transf	(10,418,356)	(11,056,193)	(2,148,035)	989,128	(12,566,391)	(10,067,065)
Transfers (out) in	(455,622)	(97,939)	455,622	97,939	-	-
Change in net assets	(10,873,978)	(11,154,132)	(1,692,413)	1,087,067	(12,566,391)	(10,067,065)
Net assets - beginning, as restated	153,087,490	161,065,022	173,839,965	175,231,941	326,927,455	336,296,963
Net assets - end of year	\$ 142,213,512	\$ 149,910,890	\$ 172,147,552	\$ 176,320,334	\$ 314,361,064	\$ 326,231,224

Governmental activities

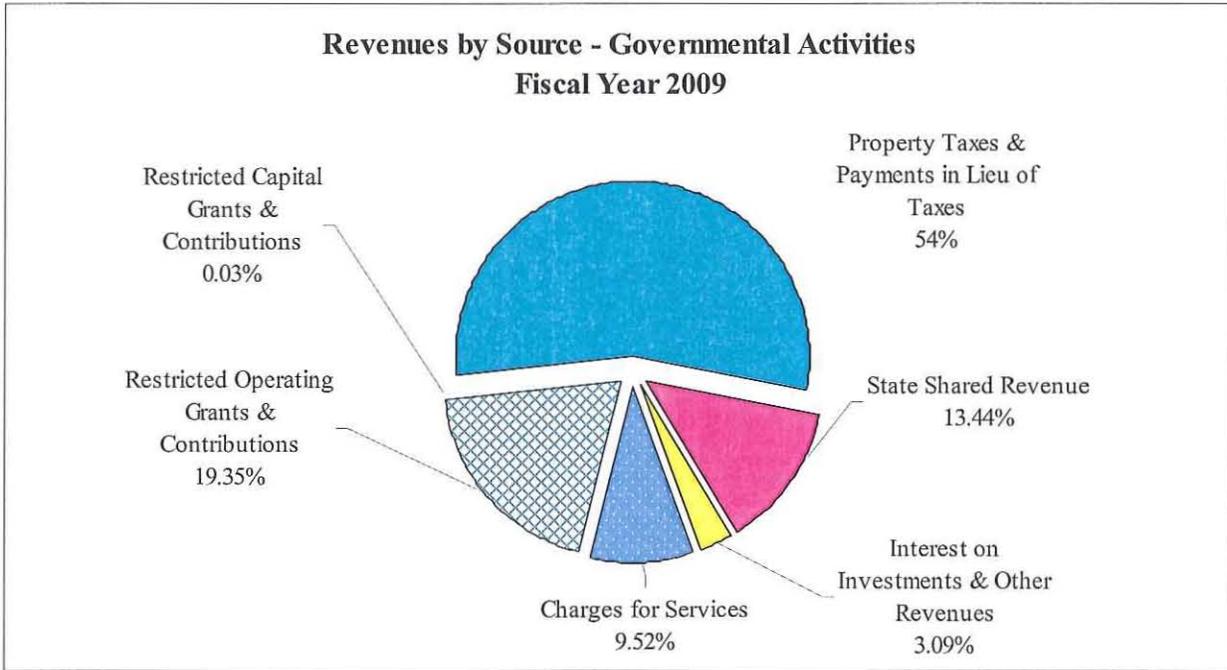
Governmental activities decreased the City's net assets \$10.87 million.

GAAP requires that the City show a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. The total Actuarially Accrued Liability (AAL) of \$215 million for Other Post Employment Benefits has been amortized to an Annually Required Contribution (ARC) of roughly \$18.9 million for 2009. After crediting current payments for retiree health care of \$6.8 million, a net OPEB expense of \$12.1 million is spread amongst the various activities shown above.

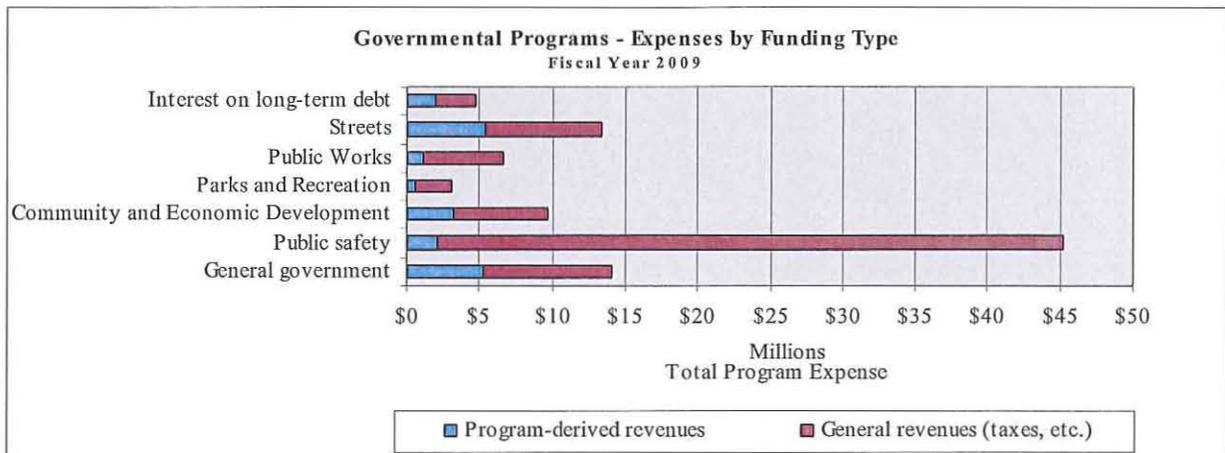
While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and/or by intergovernmental

Management's Discussion and Analysis

aid. In total, for fiscal year 2009, 61 percent 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.



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.



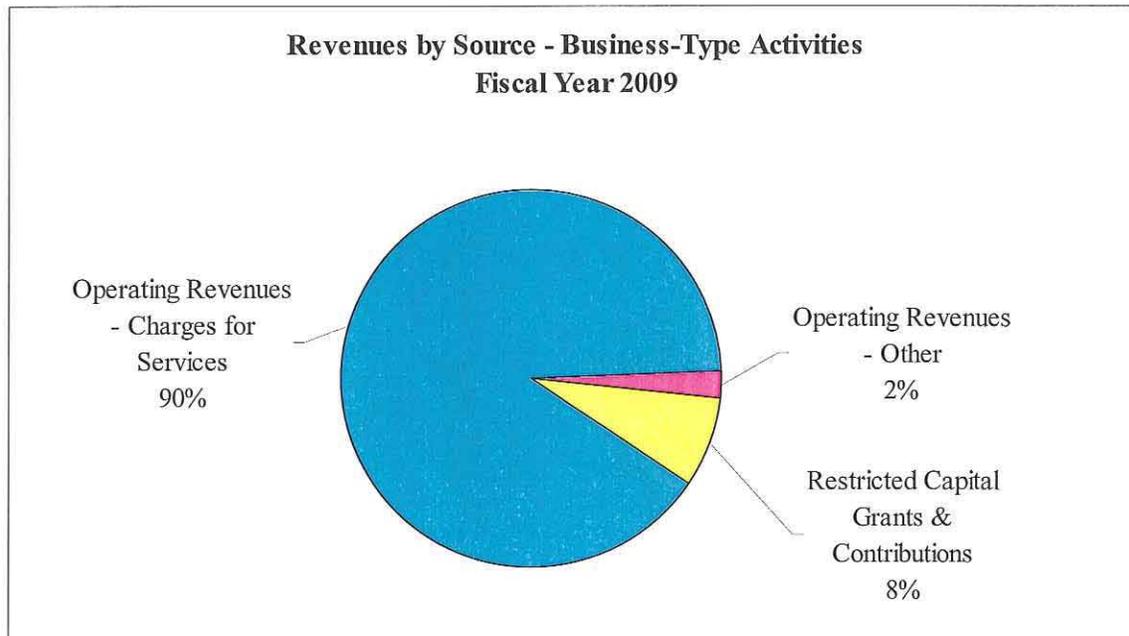
Business-type activities

Management's Discussion and Analysis

Business-type activities decreased the City's net assets by \$1.7 million. The key elements of this increase are as follows:

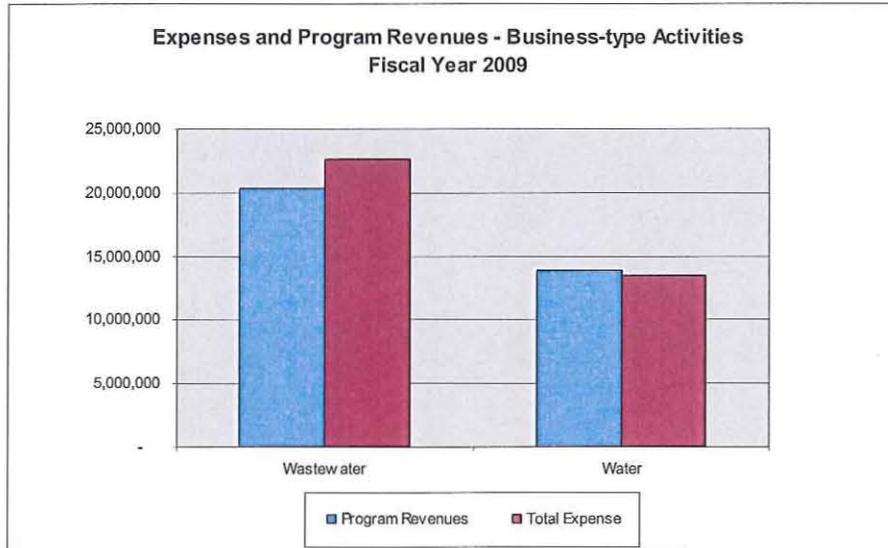
- There was a decrease in operating revenue of \$2.9 million for the Wastewater system. This was primarily driven by "true-up" recoveries of \$608 thousand in 2009, as compared to \$3.9 million in 2008. The true up recovery is legally required to fully realize cost recovery from the wastewater system users;
- Capital contributions represented significant revenue source for the Wastewater system during the current fiscal year, increasing net assets by \$1.9 million;
- Capital contributions of \$1 million represented a major revenue source for the Water system during the current fiscal year, however overall assets decreased by \$537 thousand.

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.



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.

Management's Discussion and Analysis



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 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 \$26,693,259 an increase of \$3,567,262 in comparison of the prior year. Approximately 40 percent of the combined fund balances, or \$10,563,305, was available for spending at the government's discretion ("*unreserved fund balance*"). However of that amount, \$7,914,654 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.

General Fund

Management's Discussion and Analysis

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, \$4,526,272 for 2009, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principals (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 percent of total general fund revenues and other financing sources. The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) fund balance was \$9,770,890, or 18.6 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$9.8 million fund balance, \$504,585 was reserved, leaving \$9.3 million, or 17.64 percent of budgetary revenues and other financing sources.

The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$2,648,651 or 4.9 percent of total general fund revenues and other financing sources. This was a \$1,026,087 increase from 2008 and resulted from a planned increase of fund balance for 2009 in accordance with the Fiscal Year 2009 Adopted Budget, and the Five-Year Fiscal Plan.

Budgetary-basis revenues and other financing sources came in \$1,820,570 less than the amended budget. Expenditures and other financing uses were \$1,680,028 below budget, resulting in the unfavorable variance of \$140,542.

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 2009, the fund balance decreased from \$741,672 to \$667,595. This difference was caused by a decrease in allocations for the federal funded block grant program.

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 \$48,270 to \$48,127. The fund balance is comprised of accumulated interest earnings and bond proceeds, which will be used to offset debt service payments in 2010.

Management's Discussion and Analysis

Other (Non-major) Governmental Funds

During the year, the combined fund balance for the City's non-major governmental funds increased from \$18,117,434, to \$20,732,829. The \$20.7 million fund balance is attributable to capital improvement projects funds (\$5.8 million), special revenue funds (\$9.2 million) and endowments held for recreational and cemetery perpetual care purposes (\$5.6 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 \$17.59 million as of December 31, 2009. The fund had a decrease in total net assets for the year of \$2,051,537.

The Wastewater Fund experienced an operating loss of \$3,996,558 due to inflationary increases in expenses, depreciation and a decrease in "true-up" recoveries of \$608 thousand in 2009, as compared to \$3.9 million in 2008. The true up recovery is legally required to fully realize cost recovery from the wastewater system users. This was offset by \$1,969,425 of contributed capital to the system.

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; and the Emergency Capital Reserve should be at least equal to the prior year's depreciation expense. As of December 31, 2009, 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 \$5,100,387 as of December 31, 2009. The fund had a decrease in total net assets for the year of \$537,103.

The Water Fund experienced an operating loss of \$1,080,874, due to inflationary increases in expenses and depreciation. This was offset by \$1,023,469 of contributed capital to the system and \$825,000 in transfers.

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, 2009, the Operating Reserves were at or above the minimum levels. The Emergency Capital Reserve is required to be at least equal to the prior

Management's Discussion and Analysis

year's depreciation expense. As of December 31, 2009, the water fund did not have sufficient available resources for this reserve.

Other Enterprise Funds

During the year, the combined net assets for the City's non-major proprietary funds increased by \$3,101 to \$142,518. The City Market (farmers' market) Fund represents the entire net asset balance, the unrestricted portion (not invested in fixed assets) being \$63,970.

General Fund Budgetary Highlights

During the year, there was a \$182,607 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 \$144,333 from 2008 under the City's budgetary policies were re-appropriated in 2009;
- Mid year budget reductions from various departments in the amount of \$235,168;
- Increases due to outside funding sources in the amount of \$159,042;
- Other various operation increases of \$144,400.

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, 2009, totaled \$350.2 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; water, wastewater, and storm sewer systems; vehicles and equipment; park facilities; roads; highways; and bridges. Net capital assets decreased \$1.4 million, or 0.8 percent for governmental activities while net business-type activity net assets decreased \$2.4 million, or 1.3 percent, for business-type activities.

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

- Water system upgrades totaling \$3.7 million;
- Wastewater system upgrades totaling \$1.7 million;
- Public Works improvements totaling \$275 thousand, including City Hall energy efficiency improvement projects;
- Information Technology equipment purchases totaling \$720 thousand;

Management's Discussion and Analysis

- Public Safety vehicle totaling \$278 thousand and \$476 thousand in facility improvements;
- Parks upgrades in the amount of \$741 thousand;
- Construction, reconstruction, or widening of streets and sidewalks in the amount of \$2.3 million.

Additional information on the City's capital assets, including detailed changes from 2009, can be found in Note F on pages 39-43 of this report.

**City of Kalamazoo's Capital Assets
(net of depreciation) for year end**

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$29,870,787	\$29,758,986	\$ 2,979,463	\$ 2,979,463	\$ 32,850,250	\$ 32,738,449
Building & Improvements	38,529,783	39,394,163	52,876,342	53,443,329	\$ 91,406,125	92,837,492
Land Improvements	7,740,929	1,776,658	5,061,861	5,434,093	\$ 12,802,790	7,210,751
Machinery & Equipment	3,479,045	3,593,551	13,848,134	15,041,192	\$ 17,327,179	18,634,743
Vehicles	2,441,925	2,911,104	1,007,488	1,303,714	\$ 3,449,413	4,214,818
Infrastructure	87,597,186	89,135,954	95,225,000	96,539,523	\$ 182,822,186	185,675,477
Intangible Assets	-	-	980,896	1,163,790	\$ 980,896	1,163,790
Construction in Progress	6,270,294	10,802,398	2,618,763	1,056,060	\$ 8,889,057	11,858,458
Total	\$175,929,949	177,372,814	174,597,947	176,961,164	\$ 350,527,896	\$ 354,333,978

Long-term debt

The City's balance of bonded debt increased by \$8.075 million during the current fiscal year. The City added \$4.585 million in General Obligation debt and \$10.27 million in revenue bonds. The City made scheduled bond principal payments totaling slightly more than \$6.78 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, 2009 is \$49.59 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, 2009 is \$9.735 million for governmental activities and \$31.490 million for business activities.

Management's Discussion and Analysis

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. The balance of outstanding special assessment bonds as of December 31, 2009 is \$185 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 was retired in 2009.

Compensated Absences

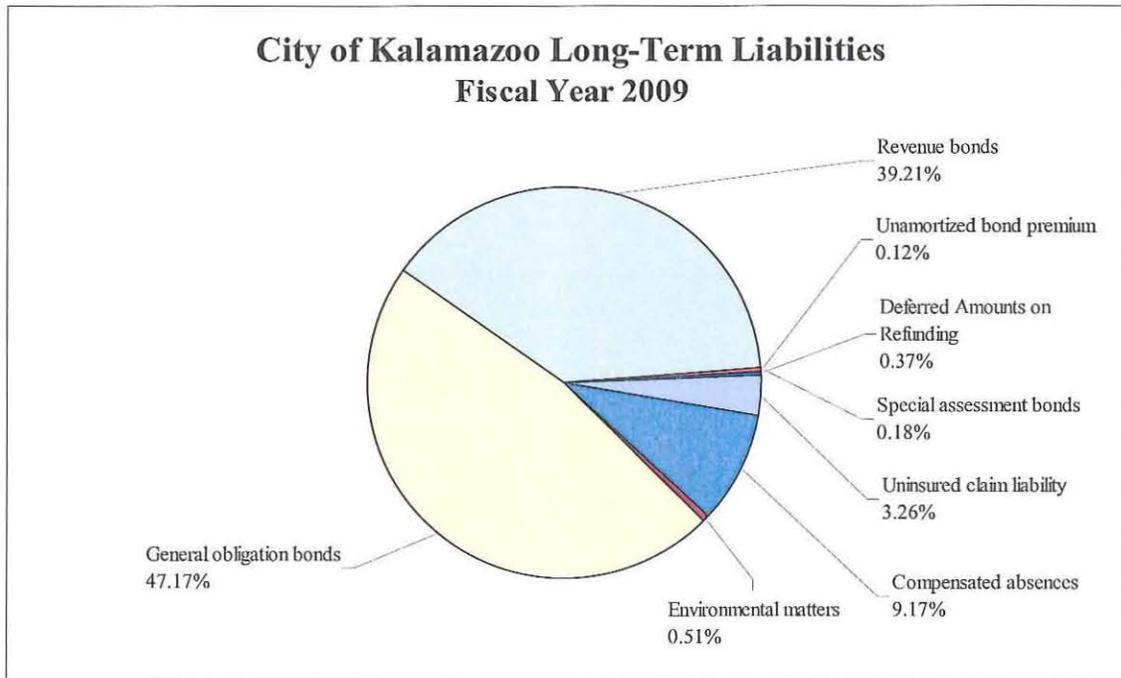
The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2009 is \$9.646 million.

Management's Discussion and Analysis

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, 2009. The estimated liability to the City is \$3.970 million.

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



Additional information on the City's long-term debt, including comparisons by category to 2007, can be found in note disclosures on pages 43-48.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies as of December 31, 2009.

	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

Management's Discussion and Analysis

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 percent 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.

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 over \$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 obliterated millions of jobs and trillions of dollars of wealth across the country has severely impacted the automakers located in Michigan. The State of Michigan has lost a meager 3.2 percent of its General Fund revenue compared to their revenue estimating conference estimates. This seems to be a sign of bottoming out. The City could realistically stand to lose as much as half a million or gain half a million under two scenarios of State Shared Revenues for the General Fund by the end of FY 2011 based on internal estimates and recent tax collection experiences at the State of Michigan Treasury Department.

Additionally, global capital markets were hammered by losses exceeding 50 percent in 2008. In 2009, a steep slide of an additional \$90 million of market value losses left the Pension Trust Fund at around \$280 million of market asset value as of March 1st. However, the market has recovered dramatically, and as of December 31, 2009, the Pension Trust Fund was at \$448 million of market value of assets, or about 24 percent higher than it was on January 1, 2009. The City has not had to make a budgetary contribution to the Pension system since 1997 and if positive market performance continues, future contributions may be unnecessary.

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.

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

Management's Discussion and Analysis

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 2010 budget maintains basic services and infrastructure, economic growth, neighborhood and community development, affordable housing and expansion of the resource base.

The 2010 fiscal year budget decreases operational General Fund spending by 4.66 percent from fiscal year 2009 amended budget, despite contractual wage increases and the escalating cost of health care, while transferring a significant amount, \$2.85 million for capital project needs, including \$1.95 million for CIP and Local Streets and an additional \$900 thousand in operating transfers to local streets. Additionally, the City will use \$800 thousand of the \$1.65 million of budget stabilization reserves.

For fiscal year 2010, the ending fund balance is budgeted to come in at 16.3 percent of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2010, including the Metro Transit millage, which was renewed 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/CFO, at 241 W. South Street, Kalamazoo, Michigan 49007.

BASIC FINANCIAL STATEMENTS

City of Kalamazoo

STATEMENT OF NET ASSETS

December 31, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,641,268	\$ 17,152,538	\$ 27,793,806	\$ 2,964,714
Cash and cash equivalents, restricted	2,062,963	2,577,935	4,640,898	2,720,306
Investments	7,166,460	2,160,528	9,326,988	1,662,172
Investments with agents	2,038,002	-	2,038,002	-
Current portion of receivables	10,217,214	6,266,445	16,483,659	2,358,668
Internal balances	(2,844,452)	2,844,452	-0-	-
Due from other governmental units	8,530,257	49,591	8,579,848	1,306,427
Inventories	268,194	704,496	972,690	295,216
Prepays	89,423	49,019	138,442	20,854
Assets held for resale	400,246	-	400,246	-
Total current assets	38,569,575	31,805,004	70,374,579	11,328,357
Noncurrent assets				
Advance to other governmental units	3,407,125	198,925	3,606,050	-
Investments	11,267,270	5,079,850	16,347,120	4,893,746
Deferred charges	741,372	671,021	1,412,393	17,933
Noncurrent portion of receivables	7,355,428	-	7,355,428	1,757,107
Capital assets not being depreciated	36,141,081	5,598,226	41,739,307	2,240,122
Capital assets, net of accumulated depreciation	139,788,868	168,999,721	308,788,589	20,270,719
Total noncurrent assets	198,701,144	180,547,743	379,248,887	29,179,627
TOTAL ASSETS	237,270,719	212,352,747	449,623,466	40,507,984
LIABILITIES				
Current liabilities				
Accounts payable	1,478,468	1,107,382	2,585,850	5,272,582
Accrued payroll	1,073,895	-	1,073,895	-
Accrued interest payable	683,767	310,785	994,552	117,984
Other accrued liabilities	1,253,791	-	1,253,791	58,064
Deposits payable	1,062,848	604,987	1,667,835	-
Due to other governmental units	345,662	18,738	364,400	1,579,198
Unearned revenue	(79,757)	-	(79,757)	1,357,661
Current portion of compensated absences	986,373	219,330	1,205,703	40,765
Current portion of long-term debt	5,132,165	1,648,216	6,780,381	367,160
Current portion of uninsured claim liability	1,654,622	-	1,654,622	-
Total current liabilities	13,591,834	3,909,438	17,501,272	8,793,414
Noncurrent liabilities				
Advance from other governmental units	-	-	-0-	3,606,050
Noncurrent portion of compensated absences	6,904,611	1,535,742	8,440,353	285,357
Noncurrent portion of long-term debt	55,043,181	29,447,879	84,491,060	1,922,896
Noncurrent portion of uninsured claim liability	1,775,869	-	1,775,869	-
Net other post-employment benefits obligation	17,741,712	5,312,136	23,053,848	1,430,037
Total noncurrent liabilities	81,465,373	36,295,757	117,761,130	3,638,290
TOTAL LIABILITIES	95,057,207	40,205,195	135,262,402	12,431,704
NET ASSETS				
Invested in capital assets, net of related debt	116,294,415	143,501,852	259,796,267	21,194,335
Restricted				
Nonexpendable	5,615,430	-	5,615,430	-
Expendable, restricted for:				
Major and local street projects	3,738,731	-	3,738,731	-
Solid waste program	1,788,852	-	1,788,852	-
Neighborhood and community development	494,153	-	494,153	-
Capital improvements	-	2,577,935	2,577,935	-
Other purposes	1,084,517	-	1,084,517	-
Unrestricted	13,197,414	26,067,765	39,265,179	3,275,895
TOTAL NET ASSETS	\$ 142,213,512	\$ 172,147,552	\$ 314,361,064	\$ 24,470,230

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 8,832,654	\$ 5,094,411	\$ 90,196	\$ -
Public safety	43,227,907	170,933	1,836,844	21,686
Public works	6,715,422	99,639	603,148	-
Streets	6,803,283	1,690	5,808,300	-
Community and economic development	6,223,881	642,866	2,532,417	-
Parks and recreation	2,564,334	344,223	176,491	-
Interest on long-term debt	2,792,089	-	1,867,917	-
Total governmental activities	77,159,570	6,353,762	12,915,313	21,686
Business-type activities				
Wastewater	21,734,385	18,220,534	-	1,969,425
Water	13,940,310	11,922,529	-	1,023,469
Other	48,684	52,059	-	-
Total business-type activities	35,723,379	30,195,122	-0-	2,992,894
Total primary government	<u>\$ 112,882,949</u>	<u>\$ 36,548,884</u>	<u>\$ 12,915,313</u>	<u>\$ 3,014,580</u>
Component units				
Downtown Development Authority	\$ 6,389,181	\$ 2,623,228	\$ -	\$ 242,855
Economic Development Corporation	180,852	-	85,254	-
Brownfield Redevelopment Authority	1,146,630	-	147,874	-
Local Development Finance Authority	273,924	-	-	-
Metro Transit	15,994,307	2,592,127	9,264,388	3,879,794
Kalamazoo Municipal Golf Association	1,271,354	1,259,691	-	-
Total component units	<u>\$ 25,256,248</u>	<u>\$ 6,475,046</u>	<u>\$ 9,497,516</u>	<u>\$ 4,122,649</u>

General revenues
 Property taxes
 State shared revenues - unrestricted
 Investment earnings
 Reimbursements
 Gain on disposal of capital assets
 Miscellaneous
 Transfers

Total general revenues and transfers

CHANGE IN NET ASSETS

Restated net assets, beginning of the year

Net assets, end of the year

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,648,047)	\$ -	\$ (3,648,047)	\$ -
(41,198,444)	-	(41,198,444)	-
(6,012,635)	-	(6,012,635)	-
(993,293)	-	(993,293)	-
(3,048,598)	-	(3,048,598)	-
(2,043,620)	-	(2,043,620)	-
(924,172)	-	(924,172)	-
(57,868,809)	-0-	(57,868,809)	-0-
-	(1,544,426)	(1,544,426)	-
-	(994,312)	(994,312)	-
-	3,375	3,375	-
-0-	(2,535,363)	(2,535,363)	-0-
(57,868,809)	(2,535,363)	(60,404,172)	-0-
-	-	-0-	(3,523,098)
-	-	-0-	(95,598)
-	-	-0-	(998,756)
-	-	-0-	(273,924)
-	-	-0-	(257,998)
-	-	-0-	(11,663)
-0-	-0-	-0-	(5,161,037)
36,421,813	-	36,421,813	4,458,779
8,968,211	-	8,968,211	-
1,999,482	165,786	2,165,268	139,158
-	-	-0-	68,781
-	41,767	41,767	-
60,947	179,775	240,722	262,503
(455,622)	455,622	-0-	-
46,994,831	842,950	47,837,781	4,929,221
(10,873,978)	(1,692,413)	(12,566,391)	(231,816)
153,087,490	173,839,965	326,927,455	24,702,046
\$ 142,213,512	\$ 172,147,552	\$ 314,361,064	\$ 24,470,230

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2009

	General	Neighborhood and Community Development	Building Authority Debt Service
ASSETS			
Cash and cash equivalents	\$ 77,108	\$ 597,036	\$ 48,646
Cash and cash equivalents - restricted	-	-	-
Investments	5,475,586	-	-
Investments with agents	-	-	-
Receivables			
Accounts	1,520,341	60,932	-
Interest	388	90	-
Special assessments	11,932	-	-
Taxes	7,194,990	-	-
Notes	172,925	6,297,826	-
Due from other funds	1,311,853	2,135	-
Due from other governmental units	498,065	113,295	5,188,375
Advances to other funds	340,000	-	-
Advances to other governmental units	-	-	-
Prepays	88,673	-	-
Assets held for resale	-	400,246	-
	<u>\$ 16,691,861</u>	<u>\$ 7,471,560</u>	<u>\$ 5,237,021</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 535,026	\$ 70,813	\$ -
Accrued liabilities	90,369	-	-
Due to other funds	4,064,628	268,803	519
Due to other governmental units	78,968	23,786	-
Advances from other funds	-	-	-
Deposits payable	13,900	79,212	-
Deferred revenue	6,664,262	6,361,351	5,188,375
	<u>11,447,153</u>	<u>6,803,965</u>	<u>5,188,894</u>
FUND BALANCES			
Reserved for:			
Prepays	88,673	-	-
Encumbrances	75,922	667,595	-
Advances	340,000	-	-
Cemetery perpetual care	-	-	-
Recreational activities	-	-	-
Noncurrent notes receivable	-	-	-
Debt-financed projects	-	-	-
Unreserved			
Designated for subsequent years' expenditures, reported in:			
General fund	2,091,462	-	-
Capital projects funds	-	-	-
Undesignated, reported in:			
General fund	2,648,651	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	48,127
Capital projects funds	-	-	-
	<u>5,244,708</u>	<u>667,595</u>	<u>48,127</u>
TOTAL FUND BALANCES	<u>\$ 5,244,708</u>	<u>\$ 667,595</u>	<u>\$ 48,127</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,691,861</u>	<u>\$ 7,471,560</u>	<u>\$ 5,237,021</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,786,613	\$ 9,509,403
2,062,963	2,062,963
5,791,684	11,267,270
1,946,340	1,946,340
738,513	2,319,786
7,385	7,863
66,709	78,641
478,430	7,673,420
884,677	7,355,428
940,246	2,254,234
1,670,512	7,470,247
3,662	343,662
3,407,125	3,407,125
-	88,673
-	400,246
<u>\$ 26,784,859</u>	<u>\$ 56,185,301</u>
\$ 506,923	\$ 1,112,762
74,582	164,951
2,894,983	7,228,933
238,839	341,593
3,662	3,662
969,736	1,062,848
1,363,305	19,577,293
<u>6,052,030</u>	<u>29,492,042</u>
-	88,673
2,778,822	3,522,339
3,410,787	3,750,787
3,691,533	3,691,533
1,923,897	1,923,897
100,000	100,000
25,662	25,662
-	2,091,462
935,601	935,601
-	2,648,651
4,874,600	4,874,600
79,815	127,942
<u>2,912,112</u>	<u>2,912,112</u>
<u>20,732,829</u>	<u>26,693,259</u>
<u>\$ 26,784,859</u>	<u>\$ 56,185,301</u>

City of Kalamazoo

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

December 31, 2009

Total fund balance - governmental funds \$ 26,693,259

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

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

The cost of capital assets is	\$ 301,964,266	
Accumulated depreciation is	<u>(128,015,337)</u>	
Capital assets, net		173,948,929

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		19,674,650
--	--	------------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in the governmental activities in the government-wide statement of net assets.

Net assets of governmental activities accounted for in governmental activities internal service funds	7,845,069	
Net assets allocated to business-type activities from governmental activities internal service funds	(2,284,862)	
Net assets allocated to component units from governmental activities internal service funds	<u>684,347</u>	6,244,554

Costs associated with the issuance of long-term debt are expended in the funds, but are capitalized and amortized over the life of the debt in the statement of net assets.		741,372
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	(59,510,000)	
Environmental matters liability	(539,812)	
Unamortized deferred amounts on debt issuance	(125,534)	
Accrued interest payable	(683,767)	
Compensated absences	(7,555,373)	
Net other post-employment benefits obligation	<u>(16,674,766)</u>	(85,089,252)

Net assets of governmental activities \$ 142,213,512

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2009

	General	Neighborhood and Community Development	Building Authority Debt Service
REVENUES			
Taxes	\$ 35,348,023	\$ -	\$ -
Licenses and permits	1,770,824	-	-
Intergovernmental	10,348,824	2,018,557	-
Charges for services	5,057,751	27,450	-
Fines and forfeits	40,578	-	-
Interest and rents	767,772	3,337	2,929,700
Net investment earnings	-	-	-
Other	449,209	3,405	131,730
TOTAL REVENUES	53,782,981	2,052,749	3,061,430
EXPENDITURES			
Current			
General government	6,971,576	-	-
Public safety	33,664,661	-	-
Public works	1,616,504	-	-
Streets	-	-	-
Community and economic development	2,879,579	2,126,826	-
Parks and recreation	2,475,396	-	-
Other	2,590,843	-	-
Debt service			
Principal	-	-	2,855,000
Interest and fiscal charges	108,335	-	1,794,773
Capital outlay	-	-	-
TOTAL EXPENDITURES	50,306,894	2,126,826	4,649,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,476,087	(74,077)	(1,588,343)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Bond premium	-	-	-
Bond original issue discount	-	-	-
Transfers in	500,000	-	1,588,200
Transfers out	(2,950,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,450,000)	-0-	1,588,200
NET CHANGE IN FUND BALANCES	1,026,087	(74,077)	(143)
Fund balances, beginning of year	4,218,621	741,672	48,270
Fund balances, end of year	<u>\$ 5,244,708</u>	<u>\$ 667,595</u>	<u>\$ 48,127</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,649,837	\$ 37,997,860
-	1,770,824
6,783,333	19,150,714
204,787	5,289,988
286,177	326,755
288,975	3,989,784
1,207,786	1,207,786
1,115,043	1,699,387
<u>12,535,938</u>	<u>71,433,098</u>
328,909	7,300,485
745,192	34,409,853
2,369,024	3,985,528
6,530,863	6,530,863
577,966	5,584,371
122,952	2,598,348
-	2,590,843
2,390,000	5,245,000
893,781	2,796,889
1,869,810	1,869,810
<u>15,828,497</u>	<u>72,911,990</u>
(3,292,559)	(1,478,892)
4,585,000	4,585,000
25,434	25,434
(64,280)	(64,280)
6,683,872	8,772,072
(5,322,072)	(8,272,072)
<u>5,907,954</u>	<u>5,046,154</u>
2,615,395	3,567,262
18,117,434	23,125,997
<u>\$ 20,732,829</u>	<u>\$ 26,693,259</u>

City of Kalamazoo

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

Net change in fund balances - total governmental funds **\$ 3,567,262**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 4,298,025	
Depreciation expense	<u>(5,842,569)</u>	
Excess of depreciation expense over capital outlay		(1,544,544)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,583,698)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain internal service funds are included in the governmental activities.

Interest revenue recorded in governmental activity		
internal service funds	134,580	
Gain on sale of capital assets recorded in governmental		
activity internal service funds	15,756	
Operating income allocated to governmental activities		
from the internal service funds	<u>(1,490,257)</u>	(1,339,921)

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.

Deferred charges for bond issuance costs	70,989	
Amortization of deferred charges	<u>(51,463)</u>	
Excess of deferred charges over amortization		19,526

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

Bond proceeds	(4,585,000)	
Debt principal retirement	<u>5,245,000</u>	660,000

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

Decrease in deferred amounts on debt issuance	46,010	
Decrease in accrued interest payable	9,098	
(Increase) in accrued compensated absences	(1,198,253)	
Decrease in environmental matters liability	47,011	
(Increase) in net other post-employment benefits obligation	<u>(8,556,469)</u>	<u>(9,652,603)</u>

Change in net assets of governmental activities **\$ (10,873,978)**

See accompanying notes to financial statements.

City of Kalamazoo

General Fund

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

Year Ended December 31, 2009

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 33,814,981	\$ 33,814,981	\$ 33,570,803	\$ (244,178)
Licenses and permits	1,959,700	1,959,700	1,770,824	(188,876)
Intergovernmental	11,377,944	11,377,944	10,348,824	(1,029,120)
Charges for services	5,150,206	5,150,206	5,057,751	(92,455)
Fines and forfeits	44,500	44,500	40,578	(3,922)
Interest and rents	1,186,500	1,186,500	767,772	(418,728)
Other	272,500	292,500	449,209	156,709
TOTAL REVENUES	53,806,331	53,826,331	52,005,761	(1,820,570)
EXPENDITURES				
Current				
General government				
Commission	88,365	163,365	148,009	15,356
Manager	852,626	829,396	759,251	70,145
Attorney	893,530	906,776	879,922	26,854
Clerk				
Administration	273,908	273,908	213,260	60,648
Election	141,653	141,653	135,221	6,432
Records management	255,895	255,895	250,959	4,936
Internal audit	92,643	92,643	88,261	4,382
Human resources	870,068	827,068	791,027	36,041
Management services department				
Accounting	1,153,210	1,064,701	1,083,726	(19,025)
Assessor	691,574	714,474	644,609	69,865
Treasurer	984,242	950,742	950,547	195
Purchasing	465,940	465,940	460,906	5,034
Building maintenance	578,118	578,118	565,878	12,240
Total general government	7,341,772	7,264,679	6,971,576	293,103
Public safety				
Administration	940,757	940,757	1,037,796	(97,039)
Training	957,149	1,021,922	833,231	188,691
K-Vet drug enforcement	1,641,250	1,641,250	1,456,444	184,806
Operations division	20,276,465	20,276,465	19,913,590	362,875
Criminal investigations	3,801,389	3,801,389	3,767,221	34,168
Service division	6,969,535	7,079,577	6,656,379	423,198
Total public safety	34,586,545	34,761,360	33,664,661	1,096,699
Public works				
Forestry, creek, and environmental inspections	829,616	986,463	901,697	84,766
Sidewalks and pedestrian mall maintenance	631,295	631,295	714,807	(83,512)
Total public works	1,460,911	1,617,758	1,616,504	1,254

City of Kalamazoo

General Fund

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

Year Ended December 31, 2009

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Community development	\$ 649,998	\$ 566,468	\$ 577,472	\$ (11,004)
Code administration	1,862,432	1,870,157	1,842,508	27,649
Planning	469,112	469,112	459,599	9,513
Total community and economic development	2,981,542	2,905,737	2,879,579	26,158
Parks and recreation				
Parks maintenance	1,195,459	1,181,618	1,187,797	(6,179)
Recreation	1,363,318	1,353,505	1,287,599	65,906
Total recreation and culture	2,558,777	2,535,123	2,475,396	59,727
Nondepartmental				
Street lighting	1,028,917	1,028,917	1,186,935	(158,018)
Downtown Development Authority	265,000	353,560	169,269	184,291
Brownfield Redevelopment Authority	100,000	100,000	50,000	50,000
Other	1,405,851	1,344,788	1,184,639	160,149
Debt service	75,000	75,000	108,335	(33,335)
Total nondepartmental	2,874,768	2,902,265	2,699,178	203,087
TOTAL EXPENDITURES	51,804,315	51,986,922	50,306,894	1,680,028
EXCESS OF REVENUES OVER EXPENDITURES	2,002,016	1,839,409	1,698,867	(140,542)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-0-
Transfers out	(2,950,000)	(2,950,000)	(2,950,000)	-0-
OTHER FINANCING SOURCES (USES)	(2,450,000)	(2,450,000)	(2,450,000)	-0-
NET CHANGE IN FUND BALANCE	(447,984)	(610,591)	(751,133)	(140,542)
Fund balance, beginning of year	10,522,113	10,522,113	10,522,113	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 10,074,129</u>	<u>\$ 9,911,522</u>	9,770,980	<u>\$ (140,542)</u>
Accounting basis difference			(4,526,272)	
Fund balance, end of year (GAAP basis)			<u>\$ 5,244,708</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Neighborhood and Community Development Fund

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

Year Ended December 31, 2009

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,577,519	\$ 4,486,629	\$ 2,018,557	\$ (2,468,072)
Charges for services	-	-	27,450	27,450
Interest	-	-	3,337	3,337
Other	-	-	3,405	3,405
TOTAL REVENUES	1,577,519	4,486,629	2,052,749	(2,433,880)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	93,000	116,740	78,467	38,273
Housing services	782,044	787,294	679,237	108,057
Community Development Block Grant	51,187	2,446,587	822,948	1,623,639
Emergency shelter	81,381	182,902	76,599	106,303
Housing rehabilitation	-	-	13,793	(13,793)
HOME	662,907	1,156,478	455,782	700,696
TOTAL EXPENDITURES	1,670,519	4,690,001	2,126,826	2,563,175
NET CHANGE IN FUND BALANCE	(93,000)	(203,372)	(74,077)	(129,295)
Fund balance, beginning of year	741,672	741,672	741,672	-0-
Fund balance, end of year	<u>\$ 648,672</u>	<u>\$ 538,300</u>	<u>\$ 667,595</u>	<u>\$ 129,295</u>

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2009

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 8,415,112	\$ 6,926,697	\$ 63,077	\$ 15,404,886	\$ 2,879,517
Cash and cash equivalents - restricted	456,528	2,121,407	-	2,577,935	-
Investments	2,160,528	-	-	2,160,528	-
Investments with agents	-	-	-	-0-	91,662
Receivables					
Customers	3,848,028	2,372,303	2,358	6,222,689	-
Interest	4,952	-	-	4,952	-
Special assessment	38,804	-	-	38,804	-
Other	-	-	-	-0-	137,504
Due from other funds	3,086,231	1,622,532	226	4,708,989	8,879,039
Due from other governmental units	27,416	19,742	-	47,158	378,096
Inventories	403,577	274,325	-	677,902	294,788
Prepays	36,031	12,988	-	49,019	750
Total current assets	18,477,207	13,349,994	65,661	31,892,862	12,661,356
Noncurrent assets					
Advance to other governmental units	198,925	-	-	198,925	-
Investments	5,079,850	-	-	5,079,850	7,166,460
Deferred charges	159,832	511,189	-	671,021	-
Capital assets not being depreciated	1,682,667	3,915,559	-	5,598,226	-
Capital assets, net of accumulated depreciation	79,697,953	88,071,848	78,548	167,848,349	3,132,392
Total noncurrent assets	86,819,227	92,498,596	78,548	11,548,022	10,298,852
TOTAL ASSETS	105,296,434	105,848,590	144,209	211,289,233	22,960,208
LIABILITIES					
Current liabilities					
Accounts payable	792,123	248,866	30	1,041,019	432,069
Accrued payroll	-	-	-	-0-	1,073,895
Other accrued liabilities	-	-	-	-0-	1,088,840
Accrued interest payable	41,851	268,934	-	310,785	-
Deposit payable	-	604,987	-	604,987	-
Due to other funds	1,228,708	2,497,872	957	3,727,537	4,885,792
Due to other governmental units	6,705	12,033	-	18,738	4,069
Unearned revenue	-	-	-	-0-	17,600
Current portion of compensated absences	136,852	77,643	34	214,529	46,753
Current portion of long-term debt	328,966	1,319,250	-	1,648,216	-
Current portion of uninsured claim liability	-	-	-	-0-	1,654,622
Total current liabilities	2,535,205	5,029,585	1,021	7,565,811	9,203,640
Noncurrent liabilities					
Advance from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	957,959	543,506	670	1,502,135	327,266
Noncurrent portion of long-term debt	5,425,184	24,022,695	-	29,447,879	-
Net other post-employment benefits obligation	2,709,060	2,385,548	-	5,094,608	1,284,474
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,775,869
Total noncurrent liabilities	9,092,203	26,951,749	670	36,044,622	3,727,609
TOTAL LIABILITIES	11,627,408	31,981,334	1,691	43,610,433	12,931,249
NET ASSETS					
Invested in capital assets, net of related debt	75,626,470	66,645,462	78,548	142,350,480	3,132,392
Restricted for capital improvements	456,528	2,121,407	-	2,577,935	-
Unrestricted	17,586,028	5,100,387	63,970	22,750,385	6,896,567
TOTAL NET ASSETS	\$ 93,669,026	\$ 73,867,256	\$ 142,518	\$ 167,678,800	\$ 10,028,959

See accompanying notes to financial statements.

City of Kalamazoo

RECONCILIATION OF NET ASSETS ON THE STATEMENT OF NET ASSETS FOR ENTERPRISE FUNDS TO NET ASSETS OF BUSINESS-TYPE ACTIVITIES ON THE STATEMENT OF NET ASSETS

December 31, 2009

Total net assets - total enterprise funds **\$ 167,678,800**

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

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in the business-type activities in the government-wide statement of net assets.

Net assets of business-type activities accounted for in the business-type activity internal service fund	\$ 2,183,890	
Net assets allocated to business-type activities from governmental activity internal service funds	<u>2,284,862</u>	<u>4,468,752</u>
Net assets of business-type activities		<u><u>\$ 172,147,552</u></u>

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2009

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
OPERATING REVENUES					
Charges for services	\$ 18,220,534	\$ 11,922,529	\$ 52,059	\$ 30,195,122	\$ 29,001,026
Other	82,395	96,170	1,210	179,775	-
TOTAL OPERATING REVENUES	18,302,929	12,018,699	53,269	30,374,897	29,001,026
OPERATING EXPENSES					
Operation and maintenance	17,932,573	10,500,491	46,419	28,479,483	8,144,013
Risk management	-	-	-	-0-	19,109,327
Depreciation	4,366,914	3,002,881	3,960	7,373,755	959,284
TOTAL OPERATING EXPENSES	22,299,487	13,503,372	50,379	35,853,238	28,212,624
OPERATING INCOME (LOSS)	(3,996,558)	(1,484,673)	2,890	(5,478,341)	788,402
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	155,562	6,710	211	162,483	137,883
Gain (loss) on sale of capital assets	(8,474)	1,746	-	(6,728)	64,251
Amortization of:					
Deferred charges	(8,434)	(29,583)	-	(38,017)	-
Bond defeasance expenses	-	(45,582)	-	(45,582)	-
Bond premiums	-	7,906	-	7,906	-
Interest expense and fiscal charges	(163,058)	(842,096)	-	(1,005,154)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(24,404)	(900,899)	211	(925,092)	202,134
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(4,020,962)	(2,385,572)	3,101	(6,403,433)	990,536
CAPITAL CONTRIBUTIONS	1,969,425	1,023,469	-	2,992,894	-
TRANSFERS IN	-	825,000	-	825,000	659,114
TRANSFERS OUT	-	-	-	-0-	(1,984,114)
CHANGE IN NET ASSETS	(2,051,537)	(537,103)	3,101	(2,585,539)	(334,464)
Restated net assets, beginning of year	95,720,563	74,404,359	139,417	170,264,339	10,363,423
Net assets, end of year	<u>\$ 93,669,026</u>	<u>\$ 73,867,256</u>	<u>\$ 142,518</u>	<u>\$ 167,678,800</u>	<u>\$ 10,028,959</u>

See accompanying notes to financial statements.

City of Kalamazoo

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

Net change in net assets - total enterprise funds **\$ (2,585,539)**

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 to individual funds. A portion of the net revenue (expense) of the certain internal service funds are reported with business-type activities.

Net expense of business-type activities accounted for in the business-type activity internal service fund	\$ (228,646)	
Net revenue allocated to business-type activities from governmental activity internal service funds	<u>1,121,772</u>	<u>893,126</u>
Change in net assets of business-type activities		<u><u>\$ (1,692,413)</u></u>

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 20,966,480	\$ 11,693,162	\$ 51,311	\$ 32,710,953	\$ -
Cash received from interfund services provided	303,484	595,138	(31)	898,591	30,316,784
Cash paid to suppliers	(10,375,535)	(5,128,075)	(13,695)	(15,517,305)	(2,829,893)
Cash paid to employees	(5,070,976)	(3,684,347)	(23,244)	(8,778,567)	(2,735,755)
Cash paid for employees benefits	(787,835)	(556,733)	(11,007)	(1,355,575)	(20,914,562)
Cash paid for interfund services provided	(290,757)	-	-	(290,757)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,744,861	2,919,145	3,334	7,667,340	3,836,574
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	825,000	-	825,000	659,114
Transfers out	-	-	-	-0-	(1,984,114)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-0-	825,000	-0-	825,000	(1,325,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	1,969,425	1,023,469	-	2,992,894	-
Bond refunding costs	(92,910)	(165,540)	-	(258,450)	-
Purchases of capital assets	(1,702,338)	(3,672,240)	-	(5,374,578)	(728,504)
Proceeds from sale of capital assets	20,685	1,746	-	22,431	66,673
Interest paid	(161,610)	(859,743)	-	(1,021,353)	-
Proceeds from bond issuance	2,585,000	7,685,000	-	10,270,000	-
Payments on borrowings	(220,000)	(1,315,000)	-	(1,535,000)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,398,252	2,697,692	-0-	5,095,944	(661,831)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(7,240,378)	-	-	(7,240,378)	(7,258,122)
Interest received	154,460	6,710	211	161,381	137,883
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,085,918)	6,710	211	(7,078,997)	(7,120,239)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,195	6,448,547	3,545	6,509,287	(5,270,496)
Cash and cash equivalents, beginning of year	8,814,445	2,599,557	59,532	11,473,534	8,150,013
Cash and cash equivalents, end of year	<u>\$ 8,871,640</u>	<u>\$ 9,048,104</u>	<u>\$ 63,077</u>	<u>\$ 17,982,821</u>	<u>\$ 2,879,517</u>

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2009

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (3,996,558)	\$ (1,484,673)	\$ 2,890	\$ (5,478,341)	\$ 788,402
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,366,914	3,002,881	3,960	7,373,755	959,284
(Increase) decrease in receivables	2,691,067	(318,053)	(1,958)	2,371,056	1,249,514
(Increase) decrease in due from other funds	278,484	433,574	(226)	711,832	163,307
(Increase) in due from other governmental units	(27,416)	(4,160)	-	(31,576)	(83,339)
Decrease in advance to other governmental units	25,000	-	-	25,000	-
(Increase) decrease in prepaids	10,663	(8,921)	-	1,742	23,869
(Increase) decrease in inventories	25,947	38,833	-	64,780	(6,986)
Increase (decrease) in accounts payable	251,328	(94,310)	(375)	156,643	66,256
(Decrease) in accrued liabilities	-	-	(2)	(2)	(204,835)
Increase (decrease) in due to other funds	(290,757)	161,564	195	(128,998)	58,291
(Decrease) in due to other governmental units	(2,105)	(2,475)	-	(4,580)	(72,015)
(Decrease) in deposits payable	(100)	(3,324)	-	(3,424)	-
Increase (decrease) in compensated absences	22,271	(25,907)	(1,150)	(4,786)	8,675
(Decrease) in uninsured claim liability	-	-	-	-0-	(398,323)
Increase in other post-employment benefits obligation	1,390,123	1,224,116	-	2,614,239	1,284,474
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,744,861	\$ 2,919,145	\$ 3,334	\$ 7,667,340	\$ 3,836,574

Note: The City also adjusted the value of deferred charges and long-term debt for the normal annual amortization of deferred charges and other amounts associated with the issuance of long-term debt.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2009

	Employees' Retirement System Pension Trust	General Private Purpose Trust	Tax Collector's Agency Fund
ASSETS			
Cash and cash equivalents	\$ 4,004,011	\$ 76,188	\$ 12,669,558
Investments	445,995,175	-	-
Receivables			
Interest and dividends	1,053,296	-	-
Taxes	-	-	35,246,548
	<u>451,052,482</u>	<u>76,188</u>	<u>\$ 47,916,106</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	84,934	-	\$ -
Due to other governmental units	41,447	-	47,915,731
Due to individuals and agencies	-	52,278	375
	<u>126,381</u>	<u>52,278</u>	<u>\$ 47,916,106</u>
TOTAL LIABILITIES			
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 450,926,101</u>	<u>\$ 23,910</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended December 31, 2009

	Employees' Retirement System Pension Trust	General Private Purpose Trust
ADDITIONS TO NET ASSETS		
Investment income		
Change in fair value of investments	\$ 89,871,167	\$ -
Interest and dividends	8,957,555	59
	<hr/>	<hr/>
Total investment income	98,828,722	59
Less investment expense	(1,117,171)	-
	<hr/>	<hr/>
Net investment income	97,711,551	59
Contributions		
Plan members	1,689,006	-
Other	-	7,835
	<hr/>	<hr/>
Total contributions	1,689,006	7,835
	<hr/>	<hr/>
TOTAL ADDITIONS TO NET ASSETS	99,400,557	7,894
DEDUCTIONS FROM NET ASSETS		
Benefits	16,439,540	-
Refunds of contributions	223,634	-
Administrative expense	503,139	-
	<hr/>	<hr/>
TOTAL DEDUCTIONS FROM NET ASSETS	17,166,313	-0-
	<hr/>	<hr/>
CHANGE IN PLAN NET ASSETS	82,234,244	7,894
Net assets, beginning of year	368,691,857	16,016
	<hr/>	<hr/>
Net assets, end of year	\$ 450,926,101	\$ 23,910
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET ASSETS

December 31, 2009

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 142,967	\$ 434,029	\$ 966,341
Cash and cash equivalents - restricted	2,720,306	-	-
Investments	-	-	-
Accounts receivable	176,921	-	281,917
Taxes receivable	940,926	-	-
Notes receivable	-	88,226	513,716
Due from other governmental units	-	156,726	3,936
Inventories	-	-	-
Prepays	-	-	-
Total current assets	<u>3,981,120</u>	<u>678,981</u>	<u>1,765,910</u>
Noncurrent assets			
Investments	-	-	878,971
Deferred charges	-	-	-
Noncurrent portion of notes receivable	-	1,757,107	-
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	<u>194,232</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>252,394</u>	<u>1,757,107</u>	<u>878,971</u>
TOTAL ASSETS	<u>4,233,514</u>	<u>2,436,088</u>	<u>2,644,881</u>
LIABILITIES			
Current liabilities			
Accounts payable	4,495,130	-	65,413
Accrued liabilities	7,540	-	-
Accrued interest payable	79,290	-	-
Due to other governmental units	-	40,570	106,323
Advances from other governmental units	-	1,745,333	446,538
Unearned revenue	71,864	-	6,805
Current portion of compensated absences	-	2,163	-
Current portion of long-term debt	<u>218,281</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>4,872,105</u>	<u>1,788,066</u>	<u>625,079</u>
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	15,143	-
Noncurrent portion of long-term debt	813,431	-	-
Net other post-employment benefits obligation	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>813,431</u>	<u>15,143</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>5,685,536</u>	<u>1,803,209</u>	<u>625,079</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	194,232	-	-
Unrestricted	<u>(1,646,254)</u>	<u>632,879</u>	<u>2,019,802</u>
Total net assets (deficit)	<u>\$ (1,452,022)</u>	<u>\$ 632,879</u>	<u>\$ 2,019,802</u>

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total Component Units
\$ 412,494	\$ 928,023	\$ 80,860	\$ 2,964,714
-	-	-	2,720,306
-	1,662,172	-	1,662,172
84,589	88,925	18,375	650,727
-	165,073	-	1,105,999
-	-	-	601,942
133	1,145,632	-	1,306,427
-	295,216	-	295,216
-	13,750	7,104	20,854
497,216	4,298,791	106,339	11,328,357
-	4,014,775	-	4,893,746
-	-	17,933	17,933
-	-	-	1,757,107
-	2,085,478	96,482	2,240,122
-	18,977,967	1,098,520	20,270,719
-0-	25,078,220	1,212,935	29,179,627
497,216	29,377,011	1,319,274	40,507,984
-	560,614	151,425	5,272,582
-	-	50,524	58,064
-	-	38,694	117,984
258,724	1,173,581	-	1,579,198
1,414,179	-	-	3,606,050
-	1,140,672	138,320	1,357,661
-	38,602	-	40,765
-	-	148,879	367,160
1,672,903	2,913,469	527,842	12,399,464
-	270,214	-	285,357
-	-	1,109,465	1,922,896
-	1,430,037	-	1,430,037
-0-	1,700,251	1,109,465	3,638,290
1,672,903	4,613,720	1,637,307	16,037,754
-	21,063,445	(63,342)	21,194,335
(1,175,687)	3,699,846	(254,691)	3,275,895
\$ (1,175,687)	\$ 24,763,291	\$ (318,033)	\$ 24,470,230

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Downtown Development Authority	\$ 6,389,181	\$ 2,623,228	\$ -	\$ 242,855
Economic Development Corporation	180,852	-	85,254	-
Brownfield Redevelopment Authority	1,146,630	-	147,874	-
Local Development Finance Authority	273,924	-	-	-
Metro Transit	15,994,307	2,592,127	9,264,388	3,879,794
Kalamazoo Municipal Golf Association	1,271,354	1,259,691	-	-
TOTAL COMPONENT UNITS	\$ 25,256,248	\$ 6,475,046	\$ 9,497,516	\$ 4,122,649

General revenues
 Property taxes
 Investment earnings
 Reimbursements
 Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

Restated net assets (deficit), beginning of year

Net assets (deficit), end of year

Net (Expense) Revenues and Changes in Net Assets

Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total Component Units
\$ (3,523,098)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,523,098)
-	(95,598)	-	-	-	-	(95,598)
-	-	(998,756)	-	-	-	(998,756)
-	-	-	(273,924)	-	-	(273,924)
-	-	-	-	(257,998)	-	(257,998)
-	-	-	-	-	(11,663)	(11,663)
(3,523,098)	(95,598)	(998,756)	(273,924)	(257,998)	(11,663)	(5,161,037)
2,843,337	-	1,169,651	445,791	-	-	4,458,779
21,087	707	16,168	-	101,153	43	139,158
-	68,781	-	-	-	-	68,781
221,273	2,000	39,230	-	-	-	262,503
3,085,697	71,488	1,225,049	445,791	101,153	43	4,929,221
(437,401)	(24,110)	226,293	171,867	(156,845)	(11,620)	(231,816)
(1,014,621)	656,989	1,793,509	(1,347,554)	24,920,136	(306,413)	24,702,046
<u>\$ (1,452,022)</u>	<u>\$ 632,879</u>	<u>\$ 2,019,802</u>	<u>\$ (1,175,687)</u>	<u>\$ 24,763,291</u>	<u>\$ (318,033)</u>	<u>\$ 24,470,230</u>

NOTES TO FINANCIAL STATEMENTS

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalamazoo is the county seat for Kalamazoo County, Michigan, and has a population of approximately 77,145. The City is home to Western Michigan University and Kalamazoo College.

The City has seven City Commissioners who are selected at large, on a non-partisan basis, every two (2) years. The Commission appoints and directs the activities of the City Manager, Attorney, Clerk, Assessor, and Internal Auditor. The Commission also appoints boards and commissions to serve as advisors to the Commission.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Kalamazoo (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

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

3. Discretely Presented Component Units

With the exception of the Kalamazoo Municipal Golf Association, the governing bodies of all of the City's discretely presented component units are appointed by the Mayor of the City of Kalamazoo with the approval of the City Commission.

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

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

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

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2009.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

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

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

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, 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, green fees and membership fees, and one of the three City ex-officio members must approve any proposal to expend money for any purpose.

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

Downtown Development Authority
141 East Michigan Avenue
Kalamazoo, MI 49007

Economic Development Corporation
241 West South Street
Kalamazoo, MI 49007

Metro Transit System
530 South Rose
Kalamazoo, MI 49007

Kalamazoo Municipal Golf Association
4200 Lovers Lane
Kalamazoo, MI 49007

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of 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.

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

FUND FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Neighborhood and Community Development Fund is used to account for a variety of federal awards programs, including Community Development Block Grant, housing development, rental assistance, and several other programs.
- c. The Building Authority Debt Service Fund is used to account for the debt service activity of the Kalamazoo Building Authority, which consists of the collection of lease payments from the Downtown Development Authority and from the general public for facilities improvements and the subsequent debt service expenditures related to the outstanding Building Authority debt issues.

The City reports the following major enterprise funds:

- a. The Wastewater Fund is used to account for the operations and maintenance required to provide sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges, federal and state grants, and contributions from other municipalities and customers. The Wastewater Fund also accounts for capital additions and improvements to the system and retirement of revenue bonds.
- b. The Water Fund is used to account for the operations and maintenance of the water supply system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.

Additionally, the City reports the following fund types:

- a. Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.
- b. Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Capital projects funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
- d. Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.
- e. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.
- f. Internal service 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 employee benefits, the City's self insurance program, information technology, facility maintenance, equipment, and certain public works activities.
- g. The pension trust 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

- h. The private purpose trust fund accounts for 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.
- i. The agency fund accounts for taxes collected and distributed to other governments in an agency capacity.

5. Measurement Focus

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

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

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

6. Basis of Accounting

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

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

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

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 City has elected not to follow subsequent private-sector guidance.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - concluded

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

7. Budgets and Budgetary Accounting

The City adopts a formal budget for the general and special revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplate expenditures for the following calendar year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The City Manager is authorized to transfer budgeted amounts between expenditure control accounts within a department as long as 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.

8. Cash, Cash Equivalents, and Investments

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

Investments are reported at fair value. Investments consist of pension fund securities, mutual funds, and U.S. government securities with an original maturity of over 90 days.

9. Receivables

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

10. Inventories

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Prepays

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

12. Capital Assets

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

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

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

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

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

13. Compensated Absences

Amounts of vested or accumulated vacation leave and compensated time are accrued in the government-wide and proprietary fund financial statements. 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 is estimated will be taken as "termination leave" prior to retirement.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. Bond premiums and discounts, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Long-Term Obligations - Concluded

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

15. Deferred and Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

The statement of net assets reports unearned revenue for resources that have been received, but not yet earned.

16. Property Taxes

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

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

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for waste collection. For the year ended December 31, 2009, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2009 levy for property within the City was \$1,716,496,933.

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.

Prior to July 1, 2009, taxpayers could 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 of a portion of those taxes were due and collected more than 60 days after December 31, 2008, they were not susceptible to accrual for the year ended December 31, 2008. Accordingly, those amounts were recognized as revenue in the year ending December 31, 2009. Beginning July 1, 2009, taxpayers may elect to pay their tax bills in 6 equal installments beginning on July 1.

For budgeting purposes, the taxes levied in the current year are intended to finance the operations of the current year. Therefore, the Schedules of Revenues, Expenditures and Changes in Fund Balance - 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

17. Advances to Other Funds/Governmental Units

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

18. Interfund Transactions

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

The Internal Service Funds record charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

19. Reserved and Designated Fund Balances

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the City has set aside for specific purposes.

20. Restricted Net Assets

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

21. Federal Programs

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

22. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Guarantee Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts. This program is scheduled to end on December 31, 2010. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM)

Deposits

There is a custodial credit risk related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2009, the carrying amount of the City's deposits was \$51,099,317 and the bank balance was \$50,173,660. The financial statements include \$7,220 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of December 31, 2009, the City accounts were insured by the FDIC for \$41,164,858 and the amount of \$9,008,802 was uninsured and uncollateralized.

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

Investments

As of December 31, 2009, the carrying amounts and market values for the investments are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>Standard & Poor's Rating</u>	<u>Weighted Average Maturity</u>
U.S. Treasury Securities	\$ 3,016,170	\$ 3,016,170	9 %	AAA	383 days
Federal Home Loan Bank	13,163,162	13,163,162	41	AAA	504 days
Federal National Mortgage Association	4,023,927	4,023,927	13	AAA	184 days
Federal Home Loan Mortgage Corporation	8,063,603	8,063,603	25	AAA	331 days
Equity mutual funds	<u>3,722,097</u>	<u>3,722,097</u>	12	Not Rated	N/A
TOTAL REPORTING ENTITY	<u>\$ 31,988,959</u>	<u>\$ 31,988,959</u>			

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM) - CONCLUDED

Custodial Credit Risk of Deposits

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

As permitted by State statutes, the City has placed monies for investment with the Kalamazoo Community Foundation (KCF) and Michigan Municipal Risk Management Authority (MMRMA). These monies, amounting to \$1,946,340 and \$91,662, respectively, as of December 31, 2009, are pooled with other KCF funds and MMRMA funds and invested at the discretion of KCF and MMRMA, which for purposes of the City essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk of Investments

Custodial credit risk, which is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2009, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk

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

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2009, the City investment in the U.S. Treasury Securities and U.S. Agencies investments were rated AAA by Standard and Poor's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

EMPLOYEES' RETIREMENT SYSTEM

Deposits

The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets include cash and short-term investments in 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, 2009 was \$4,004,011, of which the insured amount was \$1,000,009. The remaining balance of \$3,004,002 was uninsured and uncollateralized.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The System's Investment Committee is responsible for recommending to the City Commission the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries and other fiduciaries utilized by the System. The City Commission is responsible for approving the recommendations of the Investment Committee. All investment decisions are subject to Michigan law and the investment policy established by the City Commission.

The System's investments are held in ten (10) portfolios administered by five (5) investment managers. Following is a summary of the System's investments as of December 31, 2009:

U.S. treasuries	\$ 57,692,675
U.S. agencies	11,465,296
Municipal securities	754,260
Corporate bonds	39,659,081
Collateralized mortgage obligations	3,238,361
Equity mutual funds	323,612,931
Real estate mutual funds	<u>9,572,571</u>
Total investments	<u>\$ 445,995,175</u>

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's trust department in the System's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk.

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2009, the System's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

Credit Risk - concluded

<u>Standard & Poor's</u>	<u>U.S. Agencies</u>	<u>Municipal Securities</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ 7,392,216	\$ -	\$ 9,752,511	\$ 1,590,373
AA	774,676	620,996	6,437,365	-
A	-	133,264	14,734,852	-
BBB	-	-	6,120,380	-
Not rated	<u>3,298,404</u>	<u>-</u>	<u>2,613,973</u>	<u>1,647,988</u>
	<u>\$11,465,296</u>	<u>\$ 754,260</u>	<u>\$39,659,081</u>	<u>\$ 3,238,361</u>
 <u>Moody's</u>				
AAA	\$ 7,555,776	\$ -	\$ 8,524,807	\$ 2,808,938
AA	774,675	620,996	7,080,522	-
A	-	133,264	13,226,798	-
BAA	-	-	7,374,407	-
Not rated	<u>3,134,845</u>	<u>-</u>	<u>3,452,547</u>	<u>429,423</u>
	<u>\$11,465,296</u>	<u>\$ 754,260</u>	<u>\$39,659,081</u>	<u>\$ 3,238,361</u>

Concentration of Credit Risk

The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At December 31, 2009, the System's investments were within that range.

The System's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of December 31, 2009, the System's equity holdings accounted for 72.6% of the total investment portfolio; the System's holdings in real estate were 2.15% at December 31, 2009.

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The System's investment policy does not address interest rate risk. As of December 31, 2009, maturities of the System's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. treasuries	\$ 57,692,675	\$ 11,149,496	\$ 900,529	\$ 45,642,650
U.S. agencies	11,465,296	1,796,705	5,545,535	4,123,056
Municipal securities	754,260	-	-	754,260
Corporate bonds	39,659,081	16,420,826	7,636,678	15,601,577
Collateralized mortgage obligations	<u>3,238,361</u>	<u>254,924</u>	<u>860,512</u>	<u>2,122,925</u>
	<u>\$ 112,809,673</u>	<u>\$ 29,621,951</u>	<u>\$ 14,943,254</u>	<u>\$ 68,244,468</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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

EMPLOYEES' RETIREMENT SYSTEM - CONCLUDED

Derivatives

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

The portfolios managed by Jennison Associates utilize U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2009, the System had receivable futures contracts with a fair value of \$17,711 and payable futures contracts with a fair value of \$12,672. A cumulative gain on futures contracts amounting to \$353,533 has been recognized by the System through December 31, 2009. As of that date, a net receivable balance of \$23,255 has been reported in interest and dividends receivable.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2009:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 27,793,806	\$ 2,964,714	\$ 16,749,757	\$ 47,508,277
Cash and cash equivalents - restricted	4,640,898	2,720,306	-	7,361,204
Investments	25,674,108	6,555,918	445,995,175	478,225,201
Investments with agents	<u>2,038,002</u>	<u>-</u>	<u>-</u>	<u>2,038,002</u>
	<u>\$ 60,146,814</u>	<u>\$ 12,240,938</u>	<u>\$ 462,744,932</u>	<u>\$ 535,132,684</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2009, are as follows:

Due to General Fund from:	
Neighborhood and Community Development Fund	\$ 14,386
Building Authority Debt Service Fund	519
Wastewater Fund	137,595
Water Fund	183,042
Nonmajor governmental funds	253,298
Nonmajor enterprise fund	738
Internal service funds	<u>722,275</u>
	<u>\$ 1,311,853</u>
Due to Neighborhood and Community Development Fund from:	
General Fund	<u>\$ 2,135</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

Due to Wastewater Fund from:	
General Fund	\$ 6,929
Water Fund	1,498,012
Nonmajor governmental funds	798,369
Internal service funds	<u>782,921</u>
	<u>\$ 3,086,231</u>
Due to Water Fund from:	
General Fund	\$ 27,884
Wastewater Fund	383,131
Nonmajor governmental funds	29,175
Internal service funds	<u>1,182,342</u>
	<u>\$ 1,622,532</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 273,862
Nonmajor governmental funds	637,543
Internal service funds	<u>28,841</u>
	<u>\$ 940,246</u>
Due to nonmajor enterprise fund from:	
General Fund	<u>\$ 226</u>
Due to internal service funds from:	
General Fund	\$ 3,753,592
Neighborhood and Community Development Fund	254,417
Wastewater Fund	707,982
Water Fund	816,818
Nonmajor governmental funds	1,176,598
Nonmajor enterprise fund	219
Internal service funds	<u>2,169,413</u>
	<u>\$ 8,879,039</u>

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

NOTE D: ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2009:

Advance from General Fund to:	
Internal service funds	<u>\$ 340,000</u>
Advance from nonmajor governmental funds to:	
Nonmajor governmental funds	<u>\$ 3,662</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE D: ADVANCES RECEIVABLE AND PAYABLES - CONCLUDED

The advance to the internal service fund (Insurance and Benefit Fund) from the General Fund was made for the purpose of financing electronic payroll transfers. The advance to the nonmajor governmental fund (Local Streets Fund) from the nonmajor governmental fund (Capital Improvements Projects Fund) was made for the purpose of financing special assessment projects.

NOTE E: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Internal service funds	<u>\$ 500,000</u>
Transfers to Building Authority Debt Service Fund from:	
Nonmajor governmental funds	<u>\$ 1,588,200</u>
Transfers to Water Fund from:	
Internal service funds	<u>\$ 825,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,950,000
Nonmajor governmental funds	<u>3,733,872</u>
	<u>\$ 6,683,872</u>
Transfers to internal service funds from:	
Internal service funds	<u>\$ 659,114</u>

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

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

Primary Government

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 29,758,986	\$ 111,801	\$ -	\$ 29,870,787
Construction in progress	<u>10,802,398</u>	<u>3,961,902</u>	<u>(8,494,006)</u>	<u>6,270,294</u>
Subtotal	40,561,384	4,073,703	(8,494,006)	36,141,081

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Governmental activities - concluded				
Capital assets being depreciated				
Land improvements	\$ 3,970,189	\$ 6,237,513	\$ -	\$ 10,207,702
Building and improvements	50,048,387	92,985	-	50,141,372
Vehicles	11,686,241	276,966	(448,260)	11,514,947
Machinery and equipment	11,954,143	744,979	(17,144)	12,681,978
Infrastructure	<u>189,866,875</u>	<u>2,085,889</u>	<u>-</u>	<u>191,952,764</u>
Subtotal	267,525,835	9,438,332	(465,404)	276,498,763
Less accumulated depreciation for:				
Land improvements	(2,193,531)	(273,242)	-	(2,466,773)
Building and improvements	(10,654,224)	(957,365)	-	(11,611,589)
Vehicles	(8,775,137)	(687,722)	389,837	(9,073,022)
Machinery and equipment	(8,360,592)	(859,485)	17,144	(9,202,933)
Infrastructure	<u>(100,730,921)</u>	<u>(3,624,657)</u>	<u>-</u>	<u>(104,355,578)</u>
Subtotal	<u>(130,714,405)</u>	<u>(6,402,471)</u>	<u>406,981</u>	<u>(136,709,895)</u>
Net capital assets being depreciated	<u>136,811,430</u>	<u>3,035,861</u>	<u>(58,423)</u>	<u>139,788,868</u>
Capital assets, net	<u>\$ 177,372,814</u>	<u>\$ 7,109,564</u>	<u>\$(8,552,429)</u>	<u>\$ 175,929,949</u>

The current year depreciation expense of \$6,402,471 has been adjusted by \$58,423 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 861,106
Public safety	1,300,516
Community and economic development	12,494
Recreation and culture	329,158
Public works	<u>3,957,620</u>
Total depreciation expense	<u>\$ 6,460,894</u>

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 2,979,463	\$ -	\$ -	\$ 2,979,463
Construction in progress	<u>1,056,060</u>	<u>2,322,949</u>	<u>(760,246)</u>	<u>2,618,763</u>
Subtotal	4,035,523	2,322,949	(760,246)	5,598,226

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance <u>Jan. 1, 2009</u>	Additions/ <u>Reclassifications</u>	Deletions/ <u>Reclassifications</u>	Balance <u>Dec. 31, 2009</u>
Business-type activities - concluded				
Capital assets being depreciated				
Land improvements	\$ 12,995,115	\$ -	\$ -	\$ 12,995,115
Building and improvements	89,444,002	1,176,100	-	90,620,102
Vehicles	4,521,580	8,500	(256,626)	4,273,454
Machinery and equipment	55,080,830	800,669	(40,720)	55,840,779
Infrastructure	151,829,110	1,805,947	-	153,635,057
Intangible assets	<u>1,668,490</u>	<u>-</u>	<u>-</u>	<u>1,668,490</u>
Subtotal	315,539,127	3,791,216	(297,346)	319,032,997
Less accumulated depreciation for:				
Land improvements	(7,561,022)	(372,232)	-	(7,933,254)
Building and improvements	(36,000,673)	(1,743,087)	-	(37,743,760)
Vehicles	(3,217,866)	(304,726)	256,626	(3,265,966)
Machinery and equipment	(40,039,638)	(1,991,305)	38,298	(41,992,645)
Infrastructure	(55,289,587)	(3,120,470)	-	(58,410,057)
Intangible assets	<u>(504,700)</u>	<u>(182,894)</u>	<u>-</u>	<u>(687,594)</u>
Subtotal	<u>(142,613,486)</u>	<u>(7,714,714)</u>	<u>294,924</u>	<u>(150,033,276)</u>
Net capital assets being depreciated	<u>172,925,641</u>	<u>(3,923,498)</u>	<u>(2,422)</u>	<u>168,999,721</u>
Capital assets, net	<u>\$ 176,961,164</u>	<u>\$(1,600,549)</u>	<u>\$(762,668)</u>	<u>\$ 174,597,947</u>

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

Wastewater	\$ 4,366,914
Water	3,002,881
City Market	3,960
Public Utilities Equipment	<u>340,959</u>
Total depreciation expense	<u>\$ 7,714,714</u>

Component Units

	Balance <u>Jan. 1, 2009</u>	Additions	Deletions	Balance <u>Dec. 31, 2009</u>
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets being depreciated				
Leasehold improvements	237,505	-	-	237,505
General and administrative equipment	210,724	-	-	210,724
Equipment	456,123	-	-	453,123
Equipment under capital leases	<u>157,621</u>	<u>-</u>	<u>-</u>	<u>157,621</u>
Subtotal	1,061,973	-0-	-0-	1,061,973

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F: CAPITAL ASSETS - CONTINUED

Component Units - Continued

	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009
Downtown Development Authority - concluded				
Less accumulated depreciation for:				
Leasehold improvements	\$(125,382)	\$(12,781)	\$ -	\$(138,163)
General and administrative equipment	(199,132)	(1,784)	-	(200,916)
Equipment	(338,129)	(33,718)	-	(371,847)
Equipment under capital leases	(155,204)	(1,611)	-	(156,815)
Subtotal	(817,847)	(49,894)	-0-	(867,741)
Net capital assets being depreciated	244,126	(49,894)	-0-	194,232
Capital assets, net	<u>\$ 302,288</u>	<u>\$(49,894)</u>	<u>\$ -0-</u>	<u>\$ 252,394</u>
Metro Transit				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	-	72,847	-	72,847
Subtotal	2,012,631	72,847	-0-	2,085,478
Capital assets being depreciated				
Building and improvements	15,655,081	39,424	-	15,694,505
Land improvements	334,641	-	-	334,641
Machinery and equipment	1,649,405	496,192	-	2,145,597
Vehicles	11,165,574	3,136,215	(1,961,615)	12,340,174
Subtotal	28,804,701	3,671,831	(1,961,615)	30,514,917
Less accumulated depreciation for:				
Building and improvements	(3,729,273)	(415,547)	-	(4,144,820)
Land improvements	(291,981)	(7,733)	-	(299,714)
Machinery and equipment	(1,188,143)	(109,901)	-	(1,298,044)
Vehicles	(6,630,863)	(996,801)	1,833,292	(5,794,372)
Subtotal	(11,840,260)	(1,529,982)	1,833,292	(11,536,950)
Net capital assets being depreciated	16,964,441	2,141,849	(128,323)	18,977,967
Capital assets, net	<u>\$ 18,977,072</u>	<u>\$ 2,214,696</u>	<u>\$(128,323)</u>	<u>\$ 21,063,445</u>
Kalamazoo Municipal Golf Association				
Capital assets not being depreciated				
Rights to liquor license	\$ -	\$ 96,482	\$ -	\$ 96,482
Capital assets being depreciated				
Land improvements	2,036,065	31,496	-	2,067,561
Building and improvements	951,760	119,546	-	1,071,306
Machinery and equipment	967,968	59,036	-	1,027,004
Sprinkler systems	193,063	-	-	193,063
Subtotal	4,148,856	210,078	-0-	4,358,934

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F: CAPITAL ASSETS - CONCLUDED

Component Units - Concluded

	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009
Kalamazoo Municipal Golf Association - concluded				
Less accumulated depreciation for:				
Land improvements	\$(1,380,338)	\$(81,944)	\$ -	\$(1,462,282)
Building and improvements	(753,648)	(25,926)	-	(779,574)
Machinery and equipment	(818,259)	(23,592)	-	(841,851)
Sprinkler systems	(173,246)	(3,461)	-	(176,707)
Subtotal	(3,125,491)	(134,923)	-0-	(3,260,414)
Net capital assets being depreciated	<u>1,023,365</u>	<u>75,155</u>	<u>-0-</u>	<u>1,098,520</u>
Capital assets, net	<u>\$ 1,023,365</u>	<u>\$ 171,637</u>	<u>\$ -0-</u>	<u>\$ 1,195,002</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended December 31, 2009.

Primary Government

	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	\$ 48,765,000	\$ 4,585,000	\$(3,760,000)	\$ 49,590,000	\$ 3,670,000
Revenue bonds	11,090,000	-	(1,355,000)	9,735,000	1,410,000
Special assessment bonds	235,000	-	(50,000)	185,000	45,000
Installment purchase agreements	80,000	-	(80,000)	-0-	-
Compensated absences	6,689,740	3,497,513	(2,296,269)	7,890,984	986,373
Environmental matters	586,823	17,492	(64,503)	539,812	-
Uninsured claim liability	<u>3,828,814</u>	<u>14,450,429</u>	<u>(14,848,752)</u>	<u>3,430,491</u>	<u>1,654,622</u>
Subtotal	71,275,377	22,550,434	(22,454,524)	71,371,287	7,765,995
Deferred amounts on refunding	<u>171,544</u>	<u>(38,846)</u>	<u>(7,164)</u>	<u>125,534</u>	<u>7,165</u>
Total Governmental Activities	71,446,921	22,511,588	(22,461,688)	71,496,821	7,773,160
Business-type Activities					
Revenue bonds	22,755,000	10,270,000	(1,535,000)	31,490,000	1,690,000
Compensated absences	<u>1,754,174</u>	<u>890,139</u>	<u>(889,241)</u>	<u>1,755,072</u>	<u>219,330</u>
Subtotal	24,509,174	11,160,139	(2,424,241)	33,245,072	1,909,330
Deferred amounts on refunding	<u>(328,881)</u>	<u>(102,700)</u>	<u>37,676</u>	<u>(393,905)</u>	<u>(41,784)</u>
Total Business-type Activities	<u>24,180,293</u>	<u>11,057,439</u>	<u>(2,386,565)</u>	<u>32,851,167</u>	<u>1,867,546</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 95,627,214</u>	<u>\$ 33,569,027</u>	<u>\$(24,848,253)</u>	<u>\$104,347,988</u>	<u>\$ 9,640,706</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE G: LONG-TERM DEBT - CONTINUED

Component Units

	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009	Amounts Due Within One Year
Downtown Development Authority Bonds and notes payable	\$ 1,263,442	\$ -	\$ (231,730)	\$ 1,031,712	\$ 218,281
Economic Development Corporation Compensated absences	\$ 15,537	\$ 1,769	\$ -	\$ 17,306	\$ 2,163
Metro Transit Compensated absences	\$ 298,090	\$ 524,672	\$ (513,946)	\$ 308,816	\$ 38,602
Kalamazoo Municipal Golf Association City of Kalamazoo contracts	\$ 1,182,375	\$ -	\$ (169,000)	\$ 1,013,375	\$ 146,879
EDC contract	37,301	187,699	-	225,000	-
Milham Park Enterprises advances	-	19,969	-	19,969	2,000
Total Kalamazoo Municipal Golf Association	\$ 1,219,676	\$ 207,668	\$ (169,000)	\$ 1,258,344	\$ 148,879

Primary Government

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 \$65,640,000. General obligation bonds currently outstanding are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009	Amounts Due Within One Year
Governmental Activities							
1992 Downtown Development	3/1/92	5.50%-5.80%	\$ 1,100,000	\$ -	\$ (200,000)	\$ 900,000	\$ 225,000
1993 Downtown Development Refunding	6/15/93	4.30%-5.50%	1,415,000	-	(250,000)	1,165,000	270,000
1997 Building Authority Parking System Refunding	10/1/97	3.90%-4.90%	355,000	-	(355,000)	-0-	-
1997 Downtown Development Refunding	10/1/97	4.70%-5.35%	2,105,000	-	(10,000)	2,095,000	10,000
1998 Building Authority Refunding	11/17/98	3.35%-5.25%	4,155,000	-	(585,000)	3,570,000	585,000
1998 Building Authority KMG	12/1/98	3.80%-5.00%	1,070,000	-	(85,000)	985,000	90,000
1999 Building Authority	9/1/99	5.13%-5.38%	265,000	-	(265,000)	-0-	-
2001 Building Authority	4/1/01	4.00%-5.00%	2,870,000	-	(105,000)	2,765,000	110,000
2002 Building Authority	1/1/02	2.00%-4.75%	655,000	-	(70,000)	585,000	75,000
2003 Building Authority	1/27/03	1.75%-3.75%	1,045,000	-	(195,000)	850,000	200,000
2004 Capital Improvement	4/27/04	2.00%-4.70%	5,785,000	-	(695,000)	5,090,000	710,000
2005 Parking Ramp	4/11/05	5.00%-5.25%	6,235,000	-	(350,000)	5,885,000	285,000
2005B Parking Ramp	10/12/05	5.00%-5.25%	2,495,000	-	(130,000)	2,365,000	115,000
2005 Refunding	7/26/05	5.125%-5.50%	7,605,000	-	(40,000)	7,565,000	320,000
2006A Building Authority	1/23/06	4.85%-5.50%	2,645,000	-	(60,000)	2,585,000	70,000
2006B Building Authority	10/26/06	4.00%-4.40%	3,965,000	-	(155,000)	3,810,000	160,000
2007 Capital Improvement	7/12/07	3.90%-4.75%	835,000	-	(30,000)	805,000	30,000
2008 Capital Improvement	7/1/08	3.25%-4.375%	4,165,000	-	(180,000)	3,985,000	225,000
2009 Capital Improvement	6/24/09	2.50%-4.45%	-	4,585,000	-	4,585,000	190,000
Total General Obligation Bonds			\$ 48,765,000	\$ 4,585,000	\$ (3,760,000)	\$ 49,590,000	\$ 3,670,000

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE G: LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$20,570,000 for governmental activities and \$39,160,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009	Amounts Due Within One Year
Governmental Activities							
1996 Michigan Transportation Fund	3/1/96	3.90%-5.10%	\$ 690,000	\$ -	\$(215,000)	\$ 475,000	\$ 230,000
1998 Michigan Transportation Fund	4/1/98	3.60%-4.75%	960,000	-	(170,000)	790,000	180,000
2000 Michigan Transportation Fund	4/24/00	4.88%-5.13%	1,625,000	-	(195,000)	1,430,000	205,000
2002 Michigan Transportation Fund Improvement and Refunding	4/1/02	2.50%-4.88%	1,405,000	-	(150,000)	1,255,000	155,000
2004 Michigan Transportation Fund	4/27/04	3.00%-3.70%	2,710,000	-	(420,000)	2,290,000	430,000
2007 Michigan Transportation Fund	7/12/07	4.00%-4.50%	3,700,000	-	(205,000)	3,495,000	210,000
Total Governmental Activities			11,090,000	-0-	(1,355,000)	9,735,000	1,410,000
Business-type Activities							
2001 Wastewater System Refunding	4/1/01	3.00%-5.00%	3,415,000	-	(220,000)	3,195,000	230,000
2002 Water System Refunding	6/6/02	4.50%-4.75%	6,580,000	-	(500,000)	6,080,000	520,000
2002B Water System Refunding	10/23/02	2.00%-3.88%	2,180,000	-	(300,000)	1,880,000	310,000
2004 Water System Refunding	4/27/04	2.00%-4.65%	4,460,000	-	(145,000)	4,315,000	150,000
2006 Water Supply System and Refunding	11/29/06	4.00%-4.25%	4,255,000	-	(320,000)	3,935,000	330,000
2007 Water Supply System	7/12/07	4.00%-4.65%	1,865,000	-	(50,000)	1,815,000	50,000
2009 Wastewater System	12/22/09	1.90%-6.66%	-	2,585,000	-	2,585,000	100,000
2009 Water Supply System	12/22/09	5.57%-6.71%	-	7,685,000	-	7,685,000	-
Total Business-type Activities			22,755,000	10,270,000	(1,535,000)	31,490,000	1,690,000
Total Revenue Bonds			\$ 33,845,000	\$ 10,270,000	\$(2,890,000)	\$ 41,225,000	\$ 3,100,000

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:

	Issuance Date	Interest Rates	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009	Amounts Due Within One Year
Governmental Activities							
1999 Special Assessments Limited Tax	9/1/99	4.40%-7.00%	\$ 235,000	\$ -	\$(50,000)	\$ 185,000	\$ 45,000

Installment Obligations

The City 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. All installment agreements were paid in full at December 31, 2009.

Environmental Matters

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE G: LONG-TERM DEBT - CONTINUED

Primary Government - Concluded

Uninsured Claim Liability

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% present value factor. Changes in the estimated liability are as follows:

	<u>2009</u>	<u>2008</u>
Estimated liability, beginning of year	\$ 3,828,814	\$ 4,108,369
Estimated claims incurred, including changes in estimates	14,450,429	16,164,244
Claim payments	<u>(14,848,752)</u>	<u>(16,443,799)</u>
Estimated liability, end of year	<u>\$ 3,430,491</u>	<u>\$ 3,828,814</u>

Compensated Absences

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$7,890,984 and \$1,755,072 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2009. Of those amounts, \$986,373 and \$219,330 have been recorded as current liabilities for governmental and business-type activities, respectively.

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 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, 2009, \$2,026,782 of bonds outstanding from prior year refundings are considered defeased.

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 used are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts, amounting to \$289,255,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE G: LONG-TERM DEBT - CONTINUED

Component Units

Downtown Development Authority

Long-term bonds and notes at December 31, 2009, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2004 Revenue Bonds	11/1/2014	4.40 %	\$ 375,000
Catalyst Development Co. 3, L.L.C. Note	12/1/2014	7.00 %	556,712
Various notes	Various	Various	<u>100,000</u>
			<u>\$ 1,031,712</u>

Economic Development Corporation

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the EDC follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$17,306 for vacation and sick at December 31, 2009. Of that total amount, \$2,163 has been recorded as a current liability.

Metro Transit

In accordance with the City of Kalamazoo Metro Transit System's personnel policies and/or contracts negotiated with the various employee groups of the System, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$308,816 for vacation and sick at December 31, 2009. The amounts of \$38,602 and \$270,214 have been reported as current and noncurrent liabilities, respectively.

Kalamazoo Municipal Golf Association

From time to time, the City has issued general obligation bonds and installment purchase contracts to provide funds for the acquisition and construction of major capital facilities. The Association has entered into contractual agreements with the City to provide for debt service on such obligations. The 1998 contract payable, City, is payable in remaining annual principal installments ranging between \$82,293 and \$125,860 through 2018, plus interest at rates ranging between 3.80 and 5.00 percent per annum. The underlying debt is general obligation debt of the City and, thus, is backed by the full faith and credit of the City.

The 2009 contract payable, Economic Development Corporation (a component unit of the City of Kalamazoo, Michigan), is payable in monthly installments of interest at 3.00 percent only through 2012, and \$2,973, including interest of 3.00 percent, thereafter, through July 2019.

The 2009 advances payable, Milham Park Enterprises, is noninterest bearing, and is due in 2010 and 2012.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE G: LONG-TERM DEBT - CONCLUDED

Component Units - Concluded

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

Year Ending Dec. 31,	Primary Government					
	General Obligation Bonds		Revenue Bonds			
	Principal	Interest	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 3,670,000	\$ 2,243,861	\$ 1,410,000	\$ 388,807	\$ 1,690,000	\$ 1,404,210
2011	3,810,000	2,047,388	1,480,000	329,065	1,735,000	1,535,144
2012	3,900,000	1,888,832	1,285,000	274,474	1,800,000	1,464,026
2013	3,985,000	1,723,244	1,345,000	216,564	1,870,000	1,388,223
2014	3,545,000	1,563,286	1,180,000	163,251	1,975,000	1,306,630
2015-2019	13,395,000	5,844,276	2,060,000	407,700	7,740,000	5,278,759
2020-2024	11,225,000	3,100,232	975,000	66,969	4,170,000	3,804,093
2025-2029	6,060,000	768,930	-	-	4,695,000	2,703,766
2030-2033	-	-	-	-	5,815,000	1,177,867
	<u>\$49,590,000</u>	<u>\$19,180,049</u>	<u>\$ 9,735,000</u>	<u>\$ 1,839,830</u>	<u>\$31,490,000</u>	<u>\$20,062,718</u>

Year Ending Dec. 31,	Primary Government Special Assessment Bonds		Component Units			
			Kalamazoo Municipal Golf Association		Downtown Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 45,000	\$ 9,530	\$ 148,879	\$ 79,800	\$ 218,281	\$ 63,253
2011	45,000	7,280	91,975	48,724	218,315	50,175
2012	50,000	4,985	126,897	44,525	234,037	36,373
2013	45,000	2,385	126,510	39,362	250,534	21,576
2014	-	-	137,096	33,909	110,545	5,728
2015-2019	-	-	626,987	71,431	-	-
2020-2024	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-
2030-2033	-	-	-	-	-	-
	<u>\$ 185,000</u>	<u>\$ 24,180</u>	<u>\$ 1,258,344</u>	<u>\$ 317,751</u>	<u>\$ 1,031,712</u>	<u>\$ 177,105</u>

NOTE H: SHORT-TERM DEBT

During the year ended December 31, 2009 the City issued and repaid \$6,000,000 of tax revenue anticipation notes. The purpose of this short-term debt is to provide liquidity for the governmental operations financed by property taxes, which are collected throughout the year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE I: DEFINED BENEFIT PENSION PLANPlan Description

The Employees' Retirement System is the administrator of a single-employer defined benefit contributory plan that covers all full-time employees and some part-time 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

Plan members are required to contribute between 1.0 to 6.5% of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2009.

The funded status of the plan as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial value of assets	\$ 509,060,409
Actuarial accrued liability	358,160,400
Overfunded AAL (OAAL)	150,900,009
Funded ratio	142.1 %
Covered payroll	44,435,753
OAAL as a percentage of covered payroll	339.6 %
Annual pension cost	-
Percentage of APC contributed	100 %
Net pension obligation	-

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

NOTE J: OTHER POST-EMPLOYMENT BENEFITSPlan Description

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Plan Description - Concluded

The following are the Governmental Accounting Standards Board Statement #45 (GASB Statement 45) required disclosures that have been implemented prospectively by the City.

Membership in the plan at December 31, 2007 (latest actuarial report) is as follows:

Retires and Beneficiaries receiving benefits	922
Active plan members	<u>780</u>
	<u>1,702</u>

The plan does not issue separate stand-alone financial statements.

Funded Status and Funding Progress

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

The City employees are expected to contribute 0.5% of their annual covered payroll.

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

Annual required contribution (ARC)	\$19,533,175
Interest on net OPEB obligation	536,412
Adjustment to annual required contribution	<u>(1,109,941)</u>
Annual OPEB cost	18,959,646
Contributions made	<u>6,396,018</u>
Increase in net OPEB obligation	12,563,628
Net OPEB obligation - beginning of year	<u>11,920,257</u>
Net OPEB obligation - end of year	<u>\$24,483,885</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Annual OPEB cost	\$ 18,959,646	\$ 18,129,246
Percentage contributed	33.7 %	34.2 %
Net OPEB obligation	24,483,885	11,920,257

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED

Funded Status and Funding Progress - concluded

The current funded status of the plan as of December 31, 2007, the most recent valuation date, is as follows:

Actuarial value of assets	\$	-
Actuarial accrued liability (AAL)		206,854,739
Unfunded AAL (UAAL)		206,854,739
Funded ratio		0 %
Annual covered payroll		45,214,897
Ratio of UAAL to covered payroll		457.5 %

The actuarial valuation for the year ended December 31, 2007, which was used for the year ended December 31, 2009 contributions was the first year that an actuarial valuation was done, so no information is available for years prior to 2008. 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.

NOTE K: RISK MANAGEMENT

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

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

The City is insured for workers' compensation and medical claims through a policy with a commercial carrier. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE L: 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.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE L: CONTINGENT LIABILITIES - CONCLUDED

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 \$539,812 in the government-wide statements. The City has set aside \$961,938 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.

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$4,553,003. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. However, \$2,316,137 of these commitments were made by governmental funds and are, therefore, included within the reservations of fund balance for encumbrances.

NOTE M: BUDGET/GAAP RECONCILIATION

The Statement and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP 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</u> <u>Basis</u>	<u>Accounting</u> <u>Basis Difference</u>	<u>GAAP Basis</u>
General Fund			
Deferred revenue	\$ 2,401,625	\$ 4,262,637	\$ 6,664,262
Taxes receivable	7,458,625	(263,635)	7,194,990
Property taxes	33,570,803	1,777,220	35,348,023
Fund balance, beginning of year	10,522,113	(6,303,492)	4,218,621
Fund balance, end of year	9,770,980	(4,526,272)	5,244,708
Solid Waste Fund			
Deferred revenue	1,321	377,627	378,948
Property taxes	2,505,523	144,314	2,649,837
Fund balance, beginning of year	1,632,336	(521,941)	1,110,395
Fund balance, end of year	1,788,972	(377,627)	1,411,345

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

In the body of the basic financial statements and other supplementary information to the financial statements, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the department level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2009, the City incurred expenditures in two (2) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Cemeteries Fund	\$ 296,288	\$ 307,334	\$ 11,046
Economic Development Programs Fund	-	84,230	84,230

NOTE O: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2009:

PRIMARY GOVERNMENT		
Governmental Activities		
Nonexpendable		<u>\$ 5,615,430</u>
Expendable		
Major and local street projects		<u>\$ 3,738,731</u>
Solid waste program		<u>\$ 1,788,852</u>
Neighborhood and community development		<u>\$ 494,153</u>
Other purposes		
Drug enforcement	\$ 519,824	
Grants and donation	154,633	
Cork Street landfill	354,970	
Cemeteries	55,090	
		<u>\$ 1,084,517</u>
Business-type Activities		
Restricted for capital improvements		
Wastewater Fund	\$ 456,528	
Water Fund	2,121,407	
		<u>\$ 2,577,935</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE P: FUND EQUITY DEFICITS

The Downtown Development Authority, the Local Development Finance Authority and the Kalamazoo Municipal Golf Association component units had deficits in net assets at December 31, 2009, of \$1,704,416, \$1,183,744 and \$254,691, 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.

NOTE Q: RESTATEMENT OF NET ASSETS

Beginning net assets of the Insurance and Benefits Fund were restated to remove the prior year other post-employment benefits obligation. The beginning net assets of this fund were increased by \$11,920,257.

Beginning net assets of the governmental activities were increased by \$3,176,600, and the beginning net assets of the business-type activities and the component units were decreased by \$2,480,369 and \$696,231, respectively. This restatement was to allocate the prior year other post-employment benefits obligation, which was recorded entirely in the governmental activities, to the business-type and component unit activities.

NOTE R: SUBSEQUENT EVENT

Subsequent to year end, the City issued \$3,000,000 in Tax Anticipation Notes. The debt issue was dated and available for delivery on January 21, 2010.

NOTE S: GASB PRONOUNCEMENTS

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 51 beginning with the year ending December 31, 2010.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The Statement requires that the fair value of derivatives be reported in the financial statements as well as the change in the fair value. If, however, a derivative is effectively hedging (reducing) the risk it was created to address, then the annual changes in the derivative's fair value are deferred and reported in the government's balance sheet or statement of net assets. Governments are also required to disclose additional information about their derivatives in the notes to the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 53 beginning with the year ending December 31, 2010.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the year ending December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

City of Kalamazoo

DEFINED BENEFITS PENSION PLAN

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Overfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>OAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/2009	\$ 509,060,409	\$ 358,160,400	\$ 150,900,009	142.1%	\$ 44,435,753	339.6%
12/31/2008	506,592,573	344,799,153	161,793,420	146.9%	44,159,590	366.4%
12/31/2007	500,788,244	327,242,870	173,545,374	153.0%	42,889,419	404.6%
12/31/2006	463,280,966	312,101,938	151,179,028	148.4%	42,164,958	358.5%
12/31/2005	422,565,761	294,416,007	128,149,754	143.5%	40,944,435	313.0%
12/31/2004	390,615,277	265,080,190	125,535,087	147.4%	41,989,819	299.0%
12/31/2003	361,205,383	245,919,424	115,285,959	146.9%	40,914,264	281.8%
12/31/2002	348,677,897	230,979,927	117,697,970	151.0%	40,316,918	291.9%
12/31/2001	349,206,708	220,302,430	128,904,278	158.5%	41,595,437	309.9%
12/31/2000	331,521,519	208,070,230	123,451,289	159.3%	39,377,238	313.5%

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2009	\$ -	100%
2008	-	100%
2007	-	100%
2006	-	100%
2005	-	100%
2004	-	100%
2003	-	100%
2002	-	100%
2001	-	100%
2000	-	100%

City of Kalamazoo

OTHER POST-EMPLOYMENT BENEFITS PLAN

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Underfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/2007	-	206,854,739	206,854,739	0.0%	45,214,897	457.5%

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2009	\$19,533,175	33.7%
2008	18,129,246	34.2%

City of Kalamazoo

NOTE TO THE SCHEDULE OF FUNDING PROGRESS
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2009

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

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

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

Defined Benefit Pension Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2009
Basis for contribution	December 31, 2008
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	Rolling 10 year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	4.0% - 12.0%
*Includes inflation at:	4.0%
Cost-of living adjustments	Determined annually

Other Post-employment Benefit Plans

Actuarial valuation:	
Frequency	Biennial
Latest date	December 31, 2007
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	30 year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases	0.0% - 8.0%
*Includes inflation at:	4.0%
Healthcare cost trend rates	5.0% - 10.0%

OTHER SUPPLEMENTARY INFORMATION

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2009

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,857,768	\$ 80,168	\$ 4,847,803	\$ 874	\$ 8,786,613
Cash and cash equivalents - restricted	-	-	2,062,963	-	2,062,963
Investments	1,513,185	-	556,402	3,722,097	5,791,684
Investments with agents	14,005	-	8,438	1,923,897	1,946,340
Receivables					
Accounts	17,402	22,000	698,386	725	738,513
Interest	7,291	-	94	-	7,385
Special assessments	4,343	60,439	1,927	-	66,709
Taxes	478,430	-	-	-	478,430
Notes	784,677	-	100,000	-	884,677
Due from other funds	778,334	-	161,912	-	940,246
Due from other governmental units	1,491,981	69,000	109,531	-	1,670,512
Advances to other funds	-	-	3,662	-	3,662
Advances to other governmental units	3,407,125	-	-	-	3,407,125
TOTAL ASSETS	\$ 12,354,541	\$ 231,607	\$ 8,551,118	\$ 5,647,593	\$ 26,784,859
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 315,180	\$ -	\$ 187,431	\$ 4,312	\$ 506,923
Accrued liabilities	74,582	-	-	-	74,582
Due to other funds	1,415,793	353	1,450,986	27,851	2,894,983
Due to other governmental units	236,150	-	2,689	-	238,839
Advances from other funds	3,662	-	-	-	3,662
Deposits payable	7,716	-	962,020	-	969,736
Deferred revenue	1,116,924	151,439	94,942	-	1,363,305
TOTAL LIABILITIES	3,170,007	151,792	2,698,068	32,163	6,052,030
FUND BALANCES					
Reserved for:					
Encumbrances	902,809	-	1,876,013	-	2,778,822
Advances	3,407,125	-	3,662	-	3,410,787
Cemetery perpetual care	-	-	-	3,691,533	3,691,533
Recreational activities	-	-	-	1,923,897	1,923,897
Noncurrent notes receivable	-	-	100,000	-	100,000
Debt-financed projects	-	-	25,662	-	25,662
Unreserved					
Designated for subsequent years' expenditures	-	-	935,601	-	935,601
Undesignated	4,874,600	79,815	2,912,112	-	7,866,527
TOTAL FUND BALANCES	9,184,534	79,815	5,853,050	5,615,430	20,732,829
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,354,541	\$ 231,607	\$ 8,551,118	\$ 5,647,593	\$ 26,784,859

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2009

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Property taxes	\$ 2,649,837	\$ -	\$ -	\$ -	\$ 2,649,837
Intergovernmental	6,300,072	-	483,261	-	6,783,333
Charges for services	176,458	-	-	28,329	204,787
Fines and forfeits	286,177	-	-	-	286,177
Interest and dividends	101,909	3,305	29,053	154,708	288,975
Net investment earnings	-	-	-	1,207,786	1,207,786
Other	557,440	96,265	459,020	2,318	1,115,043
TOTAL REVENUES	10,071,893	99,570	971,334	1,393,141	12,535,938
EXPENDITURES					
Current					
General government	307,334	-	-	21,575	328,909
Public safety	745,192	-	-	-	745,192
Public works	2,369,024	-	-	-	2,369,024
Streets	6,530,863	-	-	-	6,530,863
Community and economic development	577,966	-	-	-	577,966
Parks and recreation	91,701	-	-	31,251	122,952
Debt service					
Principal	-	2,390,000	-	-	2,390,000
Interest and fiscal charges	-	893,781	-	-	893,781
Capital outlay	-	-	1,869,810	-	1,869,810
TOTAL EXPENDITURES	10,622,080	3,283,781	1,869,810	52,826	15,828,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(550,187)	(3,184,211)	(898,476)	1,340,315	(3,292,559)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	2,214,587	-	2,370,413	-	4,585,000
Bond premium	12,285	-	13,149	-	25,434
Bond original issue discount	(31,048)	-	(33,232)	-	(64,280)
Transfers in	1,686,877	3,139,475	1,857,520	-	6,683,872
Transfers out	(2,732,806)	-	(2,400,816)	(188,450)	(5,322,072)
TOTAL OTHER FINANCING SOURCES (USES)	1,149,895	3,139,475	1,807,034	(188,450)	5,907,954
NET CHANGE IN FUND BALANCES	599,708	(44,736)	908,558	1,151,865	2,615,395
Fund balances, beginning of year	8,584,826	124,551	4,944,492	4,463,565	18,117,434
Fund balances, end of year	<u>\$ 9,184,534</u>	<u>\$ 79,815</u>	<u>\$ 5,853,050</u>	<u>\$ 5,615,430</u>	<u>\$ 20,732,829</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2009

	Major Streets	Local Streets	Cemeteries	Solid Waste
ASSETS				
Cash and cash equivalents	\$ 2,037,227	\$ 295,711	\$ 39,847	\$ 132,131
Investments	-	-	-	936,710
Investments with agents	-	-	-	-
Receivables				
Accounts	-	5,287	8,081	1,321
Interest	-	4,841	-	-
Special assessments	-	4,343	-	-
Taxes	-	-	-	478,430
Notes	-	-	-	-
Due from other funds	13,745	120,975	28,040	584,410
Due from other governmental units	814,801	164,502	-	66
Advances to other governmental units	1,215,254	-	-	-
TOTAL ASSETS	\$ 4,081,027	\$ 595,659	\$ 75,968	\$ 2,133,068
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 178,617	\$ 9,699	\$ 7,365	\$ 57,940
Accrued liabilities	-	-	-	-
Due to other funds	490,264	242,553	5,432	284,835
Due to other governmental units	-	-	-	-
Advances from other funds	-	3,662	-	-
Deposits payable	-	-	-	-
Deferred revenue	-	14,472	8,081	378,948
TOTAL LIABILITIES	668,881	270,386	20,878	721,723
FUND BALANCES				
Reserved for:				
Encumbrances	640,935	23,754	-	83,487
Advances	1,215,254	-	-	-
Unreserved, undesignated	1,555,957	301,519	55,090	1,327,858
TOTAL FUND BALANCES	3,412,146	325,273	55,090	1,411,345
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,081,027	\$ 595,659	\$ 75,968	\$ 2,133,068

Grants and Donations	Economic Development Programs	Drug Enforcement	Total
\$ 171,614	\$ 845,205	\$ 336,033	\$ 3,857,768
-	271,624	304,851	1,513,185
14,005	-	-	14,005
2,713	-	-	17,402
-	2,450	-	7,291
-	-	-	4,343
-	-	-	478,430
-	784,677	-	784,677
18,793	8,680	3,691	778,334
512,359	-	253	1,491,981
-	2,191,871	-	3,407,125
<u>\$ 719,484</u>	<u>\$ 4,104,507</u>	<u>\$ 644,828</u>	<u>\$ 12,354,541</u>
\$ 25,827	\$ -	\$ 35,732	\$ 315,180
-	-	74,582	74,582
385,576	159	6,974	1,415,793
153	235,997	-	236,150
-	-	-	3,662
-	-	7,716	7,716
153,295	562,128	-	1,116,924
564,851	798,284	125,004	3,170,007
154,633	-	-	902,809
-	2,191,871	-	3,407,125
-	1,114,352	519,824	4,874,600
<u>154,633</u>	<u>3,306,223</u>	<u>519,824</u>	<u>9,184,534</u>
<u>\$ 719,484</u>	<u>\$ 4,104,507</u>	<u>\$ 644,828</u>	<u>\$ 12,354,541</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

	Major Streets	Local Streets	Cemeteries	Solid Waste
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 2,649,837
Intergovernmental	4,271,819	1,085,911	-	-
Charges for services	-	-	169,509	-
Fines and forfeits	-	-	-	-
Interest	11,463	1,707	68	17,739
Other	455,148	2,087	-	2,398
TOTAL REVENUES	4,738,430	1,089,705	169,577	2,669,974
EXPENDITURES				
Current				
General government	-	-	307,334	-
Public safety	-	-	-	-
Public works	-	-	-	2,369,024
Streets	4,011,536	2,519,327	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
TOTAL EXPENDITURES	4,011,536	2,519,327	307,334	2,369,024
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	726,894	(1,429,622)	(137,757)	300,950
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,285,823	928,764	-	-
Bond premium	7,133	5,152	-	-
Bond original issue discount	(18,027)	(13,021)	-	-
Transfers in	-	1,398,427	188,450	-
Transfers out	(2,125,451)	(599,835)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(850,522)	1,719,487	188,450	-0-
NET CHANGE IN FUND BALANCES	(123,628)	289,865	50,693	300,950
Fund balances, beginning of year	3,535,774	35,408	4,397	1,110,395
Fund balances, end of year	<u>\$ 3,412,146</u>	<u>\$ 325,273</u>	<u>\$ 55,090</u>	<u>\$ 1,411,345</u>

Grants and Donations	Economic Development Programs	Drug Enforcement	Total
\$ -	\$ -	\$ -	\$ 2,649,837
938,637	-	3,705	6,300,072
6,949	-	-	176,458
-	-	286,177	286,177
2,160	62,408	6,364	101,909
47,959	32,333	17,515	557,440
995,705	94,741	313,761	10,071,893
-	-	-	307,334
326,218	-	418,974	745,192
-	-	-	2,369,024
-	-	-	6,530,863
493,736	84,230	-	577,966
91,701	-	-	91,701
911,655	84,230	418,974	10,622,080
84,050	10,511	(105,213)	(550,187)
-	-	-	2,214,587
-	-	-	12,285
-	-	-	(31,048)
-	100,000	-	1,686,877
(7,520)	-	-	(2,732,806)
(7,520)	100,000	-0-	1,149,895
76,530	110,511	(105,213)	599,708
78,103	3,195,712	625,037	8,584,826
\$ 154,633	\$ 3,306,223	\$ 519,824	\$ 9,184,534

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Major Streets Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State trunkline maintenance	\$ 250,000	\$ 250,000	\$ 198,977	\$ (51,023)
Gas and weight tax distribution	3,923,463	3,923,463	3,792,932	(130,531)
Other state revenue	265,000	298,664	267,908	(30,756)
Local revenue	-	60,000	12,002	(47,998)
Interest	115,000	115,000	11,463	(103,537)
Other	5,000	760,981	455,148	(305,833)
TOTAL REVENUES	4,558,463	5,408,108	4,738,430	(669,678)
EXPENDITURES				
Current				
Streets				
Administration	1,145,912	1,145,912	1,014,017	131,895
Repair	361,079	361,079	325,136	35,943
Maintenance	431,409	431,409	710,943	(279,534)
Pavement painting	153,981	153,981	87,288	66,693
Traffic signals	477,425	477,425	334,213	143,212
Traffic signs	105,060	105,060	99,724	5,336
Construction	2,000,000	2,989,728	1,440,215	1,549,513
TOTAL EXPENDITURES	4,674,866	5,664,594	4,011,536	1,653,058
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(116,403)	(256,486)	726,894	983,380
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,000,000	1,246,000	1,285,823	39,823
Bond premium	-	-	7,133	7,133
Bond original issue discount	-	-	(18,027)	(18,027)
Transfers in	-	25,742	-	(25,742)
Transfers out	(2,125,556)	(2,125,556)	(2,125,451)	105
TOTAL OTHER FINANCING SOURCES (USES)	(125,556)	(853,814)	(850,522)	3,292
NET CHANGE IN FUND BALANCE	(241,959)	(1,110,300)	(123,628)	986,672
Fund balance, beginning of year	3,535,774	3,535,774	3,535,774	-0-
Fund balance, end of year	<u>\$ 3,293,815</u>	<u>\$ 2,425,474</u>	<u>\$ 3,412,146</u>	<u>\$ 986,672</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Local Streets Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
Gas and weight tax distribution	\$ 1,100,975	\$ 1,100,975	\$ 1,075,337	\$ (25,638)
Local revenue	-	-	10,574	10,574
Interest	25,000	25,000	1,707	(23,293)
Other	3,000	3,000	2,087	(913)
TOTAL REVENUES	1,128,975	1,128,975	1,089,705	(39,270)
EXPENDITURES				
Current				
Streets				
Administration	934,932	934,932	817,220	117,712
Repair	245,171	245,171	318,565	(73,394)
Maintenance	250,382	250,382	360,068	(109,686)
Pavement painting	77,106	77,106	2,114	74,992
Traffic signs	79,861	79,861	48,493	31,368
Construction	1,000,000	1,195,096	972,867	222,229
TOTAL EXPENDITURES	2,587,452	2,782,548	2,519,327	263,221
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,458,477)	(1,653,573)	(1,429,622)	223,951
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	900,000	928,764	28,764
Bond premium	-	-	5,152	5,152
Bond original issue discount	-	-	(13,021)	(13,021)
Transfers in	2,058,427	1,398,427	1,398,427	-0-
Transfer out	(599,950)	(599,950)	(599,835)	115
TOTAL OTHER FINANCING SOURCES (USES)	1,458,477	1,698,477	1,719,487	21,010
NET CHANGE IN FUND BALANCE	-0-	44,904	289,865	244,961
Fund balance, beginning of year	35,408	35,408	35,408	-0-
Fund balance, end of year	<u>\$ 35,408</u>	<u>\$ 80,312</u>	<u>\$ 325,273</u>	<u>\$ 244,961</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Cemeteries Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 159,500	\$ 159,500	\$ 169,509	\$ 10,009
Interest and rents	3,600	3,600	68	(3,532)
TOTAL REVENUES	163,100	163,100	169,577	6,477
EXPENDITURES				
Current				
General government	353,648	296,288	307,334	(11,046)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(190,548)	(133,188)	(137,757)	(4,569)
OTHER FINANCING SOURCES				
Transfers in	190,113	190,113	188,450	(1,663)
NET CHANGE IN FUND BALANCE	(435)	56,925	50,693	(6,232)
Fund balance, beginning of year	4,397	4,397	4,397	-0-
Fund balance, end of year	<u>\$ 3,962</u>	<u>\$ 61,322</u>	<u>\$ 55,090</u>	<u>\$ (6,232)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Solid Waste Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,582,099	\$ 2,582,099	\$ 2,505,523	\$ (76,576)
Interest	10,000	10,000	17,739	7,739
Other	-	-	2,398	2,398
TOTAL REVENUES	2,592,099	2,592,099	2,525,660	(66,439)
EXPENDITURES				
Current				
Public works	2,424,833	2,428,607	2,369,024	59,583
NET CHANGE IN FUND BALANCE	167,266	163,492	156,636	(6,856)
Fund balance, beginning of year	1,632,336	1,632,336	1,632,336	-0-
Fund balance, end of year	<u>\$ 1,799,602</u>	<u>\$ 1,795,828</u>	1,788,972	<u>\$ (6,856)</u>
Accounting basis difference			<u>(377,627)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,411,345</u>	

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Grants and Donations Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 82,054	\$ 3,169,487	\$ 938,637	\$ (2,230,850)
Charges for services	-	-	6,949	6,949
Interest	-	-	2,160	2,160
Other	-	-	47,959	47,959
TOTAL REVENUES	82,054	3,169,487	995,705	(2,173,782)
EXPENDITURES				
Current				
Public safety	82,054	928,097	326,218	601,879
Community and economic development	-	2,144,685	493,736	1,650,949
Parks and recreation	-	96,705	91,701	5,004
TOTAL EXPENDITURES	82,054	3,169,487	911,655	2,257,832
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	84,050	84,050
OTHER FINANCING (USES)				
Transfers out	-	-	(7,520)	(7,520)
NET CHANGE IN FUND BALANCE	-0-	-0-	76,530	76,530
Fund balance, beginning of year	78,103	78,103	78,103	-0-
Fund balance, end of year	<u>\$ 78,103</u>	<u>\$ 78,103</u>	<u>\$ 154,633</u>	<u>\$ 76,530</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Economic Development Programs Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 51,300	\$ 51,300	\$ 62,408	\$ 11,108
Other revenue	-	-	32,333	32,333
	51,300	51,300	94,741	43,441
TOTAL REVENUES				
EXPENDITURES				
Current				
Community and economic development	-	-	84,230	(84,230)
	51,300	51,300	10,511	(40,789)
EXCESS OF REVENUES OVER EXPENDITURES				
OTHER FINANCING SOURCES				
Transfers in	100,000	100,000	100,000	-0-
NET CHANGE IN FUND BALANCE	151,300	151,300	110,511	(40,789)
Fund balance, beginning of year	3,195,712	3,195,712	3,195,712	-0-
Fund balance, end of year	<u>\$ 3,347,012</u>	<u>\$ 3,347,012</u>	<u>\$ 3,306,223</u>	<u>\$ (40,789)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2009

Drug Enforcement Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 3,705	\$ (21,295)
Fines and forfeitures	225,000	225,000	286,177	61,177
Interest	25,000	25,000	6,364	(18,636)
Other	25,000	25,000	17,515	(7,485)
TOTAL REVENUES	300,000	300,000	313,761	13,761
EXPENDITURES				
Current				
Public Safety	470,058	470,058	418,974	51,084
NET CHANGE IN FUND BALANCE	(170,058)	(170,058)	(105,213)	64,845
Fund balance, beginning of year	625,037	625,037	625,037	-0-
Fund balance, end of year	<u>\$ 454,979</u>	<u>\$ 454,979</u>	<u>\$ 519,824</u>	<u>\$ 64,845</u>

NONMAJOR DEBT SERVICE FUNDS

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

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

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

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING BALANCE SHEET

December 31, 2009

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
ASSETS				
Cash and cash equivalents	\$ 80,168	\$ -	\$ -	\$ 80,168
Receivables				
Accounts	-	-	22,000	22,000
Special assessments	60,439	-	-	60,439
Due from other governmental units	-	-	69,000	69,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 140,607</u>	<u>\$ -0-</u>	<u>\$ 91,000</u>	<u>\$ 231,607</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 353	\$ -	\$ -	\$ 353
Deferred revenue	60,439	-	91,000	151,439
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	60,792	-0-	91,000	151,792
FUND BALANCES				
Unreserved, undesignated	79,815	-	-	79,815
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 140,607</u>	<u>\$ -0-</u>	<u>\$ 91,000</u>	<u>\$ 231,607</u>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2009

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
REVENUES				
Interest	\$ 3,305	\$ -	\$ -	\$ 3,305
Other	14,592	-	81,673	96,265
TOTAL REVENUES	17,897	-0-	81,673	99,570
EXPENDITURES				
Debt service				
Principal	50,000	1,355,000	985,000	2,390,000
Interest and fiscal charges	12,633	447,093	434,055	893,781
TOTAL EXPENDITURES	62,633	1,802,093	1,419,055	3,283,781
EXCESS OF REVENUES (UNDER) EXPENDITURES	(44,736)	(1,802,093)	(1,337,382)	(3,184,211)
OTHER FINANCING SOURCES				
Transfers in	-	1,802,093	1,337,382	3,139,475
NET CHANGE IN FUND BALANCES	(44,736)	-0-	-0-	(44,736)
Fund balances, beginning of year	124,551	-	-	124,551
Fund balances, end of year	\$ 79,815	\$ -0-	\$ -0-	\$ 79,815

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

City of Kalamazoo

Nonmajor Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2009

	Cork Street Landfill Cap Construction	Capital Improvements Projects	Building Authority Justice Facilities	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,821,747	\$ 26,056	\$ 4,847,803
Cash and cash equivalents - restricted	2,062,963	-	-	2,062,963
Investments	-	556,402	-	556,402
Investments with agents	-	8,438	-	8,438
Receivables				
Accounts	43,107	655,279	-	698,386
Interest	94	-	-	94
Special assessments	-	1,927	-	1,927
Notes	-	100,000	-	100,000
Due from other funds	-	161,912	-	161,912
Due from other governmental units	-	109,531	-	109,531
Advances to other funds	-	3,662	-	3,662
TOTAL ASSETS	\$ 2,106,164	\$ 6,418,898	\$ 26,056	\$ 8,551,118
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 187,431	\$ -	\$ 187,431
Due to other funds	782,259	668,333	394	1,450,986
Due to other governmental units	-	2,689	-	2,689
Deposits payable	962,020	-	-	962,020
Deferred revenue	6,915	88,027	-	94,942
TOTAL LIABILITIES	1,751,194	946,480	394	2,698,068
FUND BALANCES				
Reserved for:				
Encumbrances	-	1,876,013	-	1,876,013
Advances	-	3,662	-	3,662
Noncurrent notes receivable	-	100,000	-	100,000
Debt-financed projects	-	-	25,662	25,662
Unreserved				
Designated for subsequent years' expenditures	-	935,601	-	935,601
Undesignated	354,970	2,557,142	-	2,912,112
TOTAL FUND BALANCES	354,970	5,472,418	25,662	5,853,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,106,164	\$ 6,418,898	\$ 26,056	\$ 8,551,118

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2009

	Cork Street Landfill Cap Construction	Capital Improvements Projects	Building Authority Justice Facilities	Total
REVENUES				
Intergovernmental	\$ -	\$ 483,261	\$ -	\$ 483,261
Interest	-	28,938	115	29,053
Other	9,163	449,857	-	459,020
	<u>9,163</u>	<u>962,056</u>	<u>115</u>	<u>971,334</u>
TOTAL REVENUES	9,163	962,056	115	971,334
EXPENDITURES				
Capital outlay	167,924	1,701,492	394	1,869,810
	<u>167,924</u>	<u>1,701,492</u>	<u>394</u>	<u>1,869,810</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(158,761)	(739,436)	(279)	(898,476)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	2,370,413	-	2,370,413
Bond premium	-	13,149	-	13,149
Bond original issue discount	-	(33,232)	-	(33,232)
Transfers in	-	1,857,520	-	1,857,520
Transfers out	-	(2,400,816)	-	(2,400,816)
	<u>-0-</u>	<u>1,807,034</u>	<u>-0-</u>	<u>1,807,034</u>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	1,807,034	-0-	1,807,034
NET CHANGE IN FUND BALANCES	(158,761)	1,067,598	(279)	908,558
Fund balances, beginning of year	513,731	4,404,820	25,941	4,944,492
	<u>513,731</u>	<u>4,404,820</u>	<u>25,941</u>	<u>4,944,492</u>
Fund balances, end of year	<u>\$ 354,970</u>	<u>\$ 5,472,418</u>	<u>\$ 25,662</u>	<u>\$ 5,853,050</u>

NONMAJOR PERMANENT FUNDS

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

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

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

City of Kalamazoo

Nonmajor Permanent Funds

COMBINING BALANCE SHEET

December 31, 2009

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 874	\$ -	\$ -	\$ 874
Investments	3,722,097	-	-	3,722,097
Investments with agents	-	1,043,073	880,824	1,923,897
Accounts receivable	725	-	-	725
TOTAL ASSETS	<u>\$ 3,723,696</u>	<u>\$ 1,043,073</u>	<u>\$ 880,824</u>	<u>\$ 5,647,593</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,312	\$ -	\$ -	\$ 4,312
Due to other funds	27,851	-	-	27,851
TOTAL LIABILITIES	32,163	-0-	-0-	32,163
FUND BALANCES				
Reserved for:				
Cemetery perpetual care	3,691,533	-	-	3,691,533
Recreational activities	-	1,043,073	880,824	1,923,897
TOTAL FUND BALANCES	<u>3,691,533</u>	<u>1,043,073</u>	<u>880,824</u>	<u>5,615,430</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,723,696</u>	<u>\$ 1,043,073</u>	<u>\$ 880,824</u>	<u>\$ 5,647,593</u>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2009

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 28,329	\$ -	\$ -	\$ 28,329
Interest and dividends	154,708	-	-	154,708
Net investment earnings	788,016	227,608	192,162	1,207,786
Other	-	2,318	-	2,318
	<u>971,053</u>	<u>229,926</u>	<u>192,162</u>	<u>1,393,141</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	21,575	-	-	21,575
Parks and recreation	-	5,626	25,625	31,251
	<u>21,575</u>	<u>5,626</u>	<u>25,625</u>	<u>52,826</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	949,478	224,300	166,537	1,340,315
OTHER FINANCING (USES)				
Transfers out	(188,450)	-	-	(188,450)
NET CHANGE IN FUND BALANCES	761,028	224,300	166,537	1,151,865
Fund balances, beginning of year	<u>2,930,505</u>	<u>818,773</u>	<u>714,287</u>	<u>4,463,565</u>
Fund balances, end of year	<u>\$ 3,691,533</u>	<u>\$ 1,043,073</u>	<u>\$ 880,824</u>	<u>\$ 5,615,430</u>

INTERNAL SERVICE FUNDS

Engineering - The Engineering Fund accounts for the operations of the City's Engineering Department. Financing is provided through user charges.

City-Wide Maintenance - The City-Wide Maintenance Fund accounts for buildings and ground maintenance operations for the City's various properties. User fees are charged to various funds and departments.

Information Technology - The Information Technology 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 - The Public Works Equipment 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 - The Insurance and Benefits 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 - The Public Utilities Equipment 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

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2009

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
ASSETS			
Current assets			
Cash and cash equivalents	\$ 500	\$ 556	\$ 126,415
Investments	-	-	1,004,037
Investments with agents	-	-	-
Other receivables	-	-	4,096
Due from other funds	718,661	790,908	565,989
Due from other governmental units	-	-	41,825
Inventories	-	-	-
Prepays	-	-	750
Total current assets	719,161	791,464	1,743,112
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	-	998,707
TOTAL ASSETS	719,161	791,464	2,741,819
LIABILITIES			
Current liabilities			
Accounts payable	1,299	39,149	79,158
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	194,825	313,670	115,766
Due to other governmental units	-	-	-
Unearned revenue	-	-	17,600
Current portion of compensated absences	22,110	10,570	3,825
Current portion of uninsured claim liability	-	-	-
Total current liabilities	218,234	363,389	216,349
Noncurrent liabilities			
Advances from other funds	-	-	-
Noncurrent portion of compensated absences	154,765	73,994	26,769
Net other-post employment benefits obligation	332,973	347,475	209,560
Noncurrent portion of uninsured claim liability	-	-	-
Total noncurrent liabilities	487,738	421,469	236,329
TOTAL LIABILITIES	705,972	784,858	452,678
NET ASSETS			
Invested in capital assets	-	-	998,707
Unrestricted	13,189	6,606	1,290,434
TOTAL NET ASSETS	\$ 13,189	\$ 6,606	\$ 2,289,141

Public Works Equipment	Activities		Business-type Activities	
	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ 31,372	\$ 973,022	\$ 1,131,865	\$ 1,747,652	\$ 2,879,517
-	6,162,423	7,166,460	-	7,166,460
-	91,662	91,662	-	91,662
13,034	120,374	137,504	-	137,504
958,662	4,938,030	7,972,250	906,789	8,879,039
-	333,838	375,663	2,433	378,096
268,194	-	268,194	26,594	294,788
-	-	750	-	750
1,271,262	12,619,349	17,144,348	2,683,468	19,827,816
982,313	-	1,981,020	1,151,372	3,132,392
2,253,575	12,619,349	19,125,368	3,834,840	22,960,208
137,193	108,907	365,706	66,363	432,069
-	1,073,895	1,073,895	-	1,073,895
-	1,088,840	1,088,840	-	1,088,840
709,997	2,222,883	3,557,141	1,328,651	4,885,792
-	4,069	4,069	-	4,069
-	-	17,600	-	17,600
5,447	-	41,952	4,801	46,753
-	1,654,622	1,654,622	-	1,654,622
852,637	6,153,216	7,803,825	1,399,815	9,203,640
-	340,000	340,000	-	340,000
38,131	-	293,659	33,607	327,266
176,938	-	1,066,946	217,528	1,284,474
-	1,775,869	1,775,869	-	1,775,869
215,069	2,115,869	3,476,474	251,135	3,727,609
1,067,706	8,269,085	11,280,299	1,650,950	12,931,249
982,313	-	1,981,020	1,151,372	3,132,392
203,556	4,350,264	5,864,049	1,032,518	6,896,567
\$ 1,185,869	\$ 4,350,264	\$ 7,845,069	\$ 2,183,890	\$ 10,028,959

City of Kalamazoo

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2009

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
OPERATING REVENUES			
Charges for services	\$ 1,664,378	\$ 1,393,169	\$ 1,737,269
OPERATING EXPENSES			
Operation and maintenance	1,834,120	1,570,575	1,776,322
Risk management	-	-	-
Depreciation	-	-	289,357
TOTAL OPERATING EXPENSES	1,834,120	1,570,575	2,065,679
OPERATING INCOME (LOSS)	(169,742)	(177,406)	(328,410)
NONOPERATING REVENUES			
Interest revenue	-	-	20,827
Gain on sale of capital assets	-	-	624
TOTAL NONOPERATING REVENUES	-0-	-0-	21,451
INCOME (LOSS) BEFORE TRANSFERS	(169,742)	(177,406)	(306,959)
TRANSFERS IN	170,861	178,303	107,533
TRANSFERS OUT	-	-	-
CHANGE IN NET ASSETS	1,119	897	(199,426)
Restated net assets, beginning of year	12,070	5,709	2,488,567
Net assets, end of year	\$ 13,189	\$ 6,606	\$ 2,289,141

Public Works Equipment	Activities		Business-type Activities	Total
	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	
\$ 2,460,643	\$ 20,277,474	\$ 27,532,933	\$ 1,468,093	\$ 29,001,026
1,924,796	-	7,105,813	1,038,200	8,144,013
-	19,109,327	19,109,327	-	19,109,327
328,968	-	618,325	340,959	959,284
<u>2,253,764</u>	<u>19,109,327</u>	<u>26,833,465</u>	<u>1,379,159</u>	<u>28,212,624</u>
206,879	1,168,147	699,468	88,934	788,402
-	113,753	134,580	3,303	137,883
15,132	-	15,756	48,495	64,251
<u>15,132</u>	<u>113,753</u>	<u>150,336</u>	<u>51,798</u>	<u>202,134</u>
222,011	1,281,900	849,804	140,732	990,536
90,795	-	547,492	111,622	659,114
-	(1,503,114)	(1,503,114)	(481,000)	(1,984,114)
312,806	(221,214)	(105,818)	(228,646)	(334,464)
<u>873,063</u>	<u>4,571,478</u>	<u>7,950,887</u>	<u>2,412,536</u>	<u>10,363,423</u>
<u>\$ 1,185,869</u>	<u>\$ 4,350,264</u>	<u>\$ 7,845,069</u>	<u>\$ 2,183,890</u>	<u>\$ 10,028,959</u>

City of Kalamazoo

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services provided	\$ 1,327,805	\$ 1,029,338	\$ 1,656,914
Cash paid to suppliers	(270,987)	(354,796)	(764,719)
Cash paid to employees	(894,662)	(565,468)	(556,013)
Cash paid for employees benefits	(333,278)	(287,639)	(202,682)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(171,122)	(178,565)	133,500
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	170,861	178,303	107,533
Transfers out	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	170,861	178,303	107,533
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	-	(720,004)
Proceeds from sale of capital assets	-	-	624
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	-0-	(719,380)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	(1,004,037)
Interest received	-	-	20,827
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-0-	-0-	(983,210)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(261)	(262)	(1,461,557)
Cash and cash equivalents, beginning of year	761	818	1,587,972
Cash and cash equivalents, end of year	<u>\$ 500</u>	<u>\$ 556</u>	<u>\$ 126,415</u>

Public Works Equipment	Activities		Subtotal Governmental Activities	Business-type Activities	Total
	Insurance and Benefits			Public Utilities Equipment	
\$ 1,640,020	\$ 22,620,019	\$ 28,274,096	\$ 2,042,688	\$ 30,316,784	
(1,019,126)	-	(2,409,628)	(420,265)	(2,829,893)	
(479,206)	-	(2,495,349)	(240,406)	(2,735,755)	
(217,095)	(19,737,544)	(20,778,238)	(136,324)	(20,914,562)	
(75,407)	2,882,475	2,590,881	1,245,693	3,836,574	
90,795	-	547,492	111,622	659,114	
-	(1,503,114)	(1,503,114)	(481,000)	(1,984,114)	
90,795	(1,503,114)	(955,622)	(369,378)	(1,325,000)	
-	-	(720,004)	(8,500)	(728,504)	
15,132	-	15,756	50,917	66,673	
15,132	-0-	(704,248)	42,417	(661,831)	
-	(6,254,085)	(7,258,122)	-	(7,258,122)	
-	113,753	134,580	3,303	137,883	
-0-	(6,140,332)	(7,123,542)	3,303	(7,120,239)	
30,520	(4,760,971)	(6,192,531)	922,035	(5,270,496)	
852	5,733,993	7,324,396	825,617	8,150,013	
\$ 31,372	\$ 973,022	\$ 1,131,865	\$ 1,747,652	\$ 2,879,517	

CONTINUED

City of Kalamazoo

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2009

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (169,742)	\$ (177,406)	\$ (328,410)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	-	289,357
(Increase) decrease in receivables	-	-	(1,361)
(Increase) decrease in due from other funds	449,161	(223,489)	(111,435)
(Increase) in due from other governmental units	-	-	(20,677)
Decrease in prepaids	462	-	555
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accounts payable	925	20,959	41,655
(Decrease) in accrued liabilities	-	-	-
Increase (decrease) in due to other funds	(785,734)	(140,342)	53,118
(Decrease) in due to other governmental units	-	-	-
Increase (decrease) in compensated absences	833	(5,762)	1,138
Increase in other post-employment benefits obligation	332,973	347,475	209,560
(Decrease) in uninsured claim liability	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (171,122)</u>	<u>\$ (178,565)</u>	<u>\$ 133,500</u>

Public Works Equipment	Activities		Subtotal Governmental Activities	Business-type Activities	
	Insurance and Benefits			Public Utilities Equipment	Total
\$ 206,879	\$ 1,168,147		\$ 699,468	\$ 88,934	\$ 788,402
328,968	-		618,325	340,959	959,284
22,218	1,228,657		1,249,514	-	1,249,514
307,637	(220,483)		201,391	(38,084)	163,307
-	(60,229)		(80,906)	(2,433)	(83,339)
-	22,852		23,869	-	23,869
(22,137)	-		(22,137)	15,151	(6,986)
47,786	(47,911)		63,414	2,842	66,256
-	(204,835)		(204,835)	-	(204,835)
(1,150,478)	1,466,615		(556,821)	615,112	58,291
-	(72,015)		(72,015)	-	(72,015)
6,782	-		2,991	5,684	8,675
176,938	-		1,066,946	217,528	1,284,474
-	(398,323)		(398,323)	-	(398,323)
<u>\$ (75,407)</u>	<u>\$ 2,882,475</u>		<u>\$ 2,590,881</u>	<u>\$ 1,245,693</u>	<u>\$ 3,836,574</u>

AGENCY FUND

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

City of Kalamazoo

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2009

Tax Collector's Fund

	<u>Balance</u> <u>January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2009</u>
ASSETS				
Cash and cash equivalents	\$ 13,422,995	\$ 70,623,659	\$ 71,377,096	\$ 12,669,558
Taxes receivable	34,109,385	64,106,528	62,969,365	35,246,548
Other receivables	359	2,266	2,625	-0-
TOTAL ASSETS	<u>\$ 47,532,739</u>	<u>\$ 134,732,453</u>	<u>\$ 134,349,086</u>	<u>\$ 47,916,106</u>
LIABILITIES				
Due to individuals and agencies	\$ 4,723	\$ 77,128,631	\$ 77,132,979	\$ 375
Due to component units	33	121	154	-0-
Due to other governmental units	47,527,983	72,306,797	71,919,049	47,915,731
TOTAL LIABILITIES	<u>\$ 47,532,739</u>	<u>\$ 149,435,549</u>	<u>\$ 149,052,182</u>	<u>\$ 47,916,106</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2009

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 966,341
Investments	878,971
Receivables	
Accounts	281,917
Notes	446,538
Due from other governmental units	<u>67,178</u>
TOTAL ASSETS	<u><u>\$ 2,640,945</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 65,413
Due to other governmental units	106,323
Advance from other governmental units	446,538
Deferred revenue	<u>64,765</u>
TOTAL LIABILITIES	683,039
FUND BALANCE	
Unreserved, undesignated	<u>1,957,906</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,640,945</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2009

Total fund balance - governmental fund **\$ 1,957,906**

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

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

Deferred revenues 57,960

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 reported in the statement of net assets.

Net assets allocated to the Authority from governmental activity
internal service funds 3,936

Net assets of governmental activities **\$ 2,019,802**

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2009

	<u>General</u>
REVENUES	
Taxes	\$ 1,162,617
Intergovernmental	147,874
Interest	16,168
Other	<u>39,230</u>
TOTAL REVENUES	1,365,889
EXPENDITURES	
Current	
Community and economic development	<u>1,146,630</u>
NET CHANGE IN FUND BALANCE	219,259
Fund balance, beginning of year	<u>1,738,647</u>
Fund balance, end of year	<u><u>\$ 1,957,906</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES - BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended December 31, 2009

Net change in fund balance - governmental fund \$ 219,259

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

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

Change in deferred revenue 7,034

Change in net assets of governmental activities \$ 226,293

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2009

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 412,494
Accounts receivable	<u>84,589</u>
TOTAL ASSETS	<u>\$ 497,083</u>
LIABILITIES AND FUND BALANCE (DEFICIT)	
LIABILITIES	
Due to other governmental units	\$ 258,724
Advance from other governmental units	1,414,179
Deferred revenue	<u>7,924</u>
TOTAL LIABILITIES	1,680,827
FUND BALANCE (DEFICIT)	
Unreserved, undesignated	<u>(1,183,744)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 497,083</u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2009

Total fund balance (deficit) - governmental fund **\$ (1,183,744)**

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

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

Deferred revenues	7,924
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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 reported in the statement of net assets.

Net assets allocated to the Authority from governmental activity internal service funds	<u>133</u>
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Net assets of governmental activities **\$ (1,175,687)**

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2009

	<u>General</u>
REVENUES	
Taxes	\$ 486,663
EXPENDITURES	
Current	
Community and economic development	<u>273,924</u>
NET CHANGE IN FUND BALANCE	212,739
Fund (deficit), beginning of year	<u>(1,396,483)</u>
Fund (deficit), end of year	<u><u>\$ (1,183,744)</u></u>

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2009

Net change in fund balance - governmental fund \$ 212,739

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

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

Change in deferred revenue (40,872)

Change in net assets of governmental activities \$ 171,867

**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION

This part of the City of Kalamazoo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	101-110
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	111-115
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	116-122
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	123-124
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	125-131
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Supplementary Schedules	132-164

NET ASSETS BY COMPONENT

2003-2009
(unaudited)
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 107,634,804	\$ 107,099,832	\$ 105,799,049
Restricted	13,611,731	11,360,665	30,173,266
Unrestricted	<u>19,450,183</u>	<u>22,618,398</u>	<u>13,089,868</u>
Total governmental activities net assets	<u>\$ 140,696,718</u>	<u>\$ 141,078,895</u>	<u>\$ 149,062,183</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 147,019,802	\$ 145,705,440	\$ 148,221,106
Restricted	12,521,283	15,616,902	14,823,500
Unrestricted	<u>11,151,951</u>	<u>12,307,683</u>	<u>12,425,961</u>
Total business-type activities	<u>\$ 170,693,036</u>	<u>\$ 173,630,025</u>	<u>\$ 175,470,567</u>
Primary government			
Invested in capital assets, net of related debt	\$ 254,654,606	\$ 252,805,272	\$ 254,020,155
Restricted	26,133,014	26,977,567	44,996,766
Unrestricted	<u>30,602,134</u>	<u>34,926,081</u>	<u>25,515,829</u>
Total primary government net assets	<u>\$ 311,389,754</u>	<u>\$ 314,708,920</u>	<u>\$ 324,532,750</u>

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

Table 1

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

CHANGES IN NET ASSETS

2003-2009
(unaudited)
(accrual basis of accounting)

	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$ 6,275,945	\$ 5,354,674	\$ 5,307,982
Public safety	31,128,037	32,320,014	30,897,982
Public works	13,264,603	13,124,011	12,617,824
Community and economic development	6,635,385	8,658,751	7,266,137
Recreation and culture	2,749,218	2,709,819	2,488,294
Interest on long-term debt	2,489,721	2,582,855	3,119,829
Total governmental activities expenses	<u>62,542,909</u>	<u>64,750,124</u>	<u>61,698,048</u>
Business-type activities:			
Wastewater	20,109,707	19,904,896	20,770,198
Water	10,982,741	10,936,547	11,392,060
Other	192,711	195,459	1,119,540
Total business-type activities expenses	<u>31,285,159</u>	<u>31,036,902</u>	<u>33,281,798</u>
Total primary government expenses	<u>\$ 93,828,068</u>	<u>\$ 95,787,026</u>	<u>\$ 94,979,846</u>
Program Revenues			
Governmental activities:			
Charges for services			
General government	\$ 2,598,972	\$ 2,746,278	\$ 2,507,300
Community development and planning	1,574,513	1,560,806	2,985,821
Other	1,008,671	1,012,056	1,003,322
Operating grants and contributions	15,874,688	16,811,523	18,002,937
Capital grants and contributions	90,690	532,334	479,577
Total governmental activities program revenues	<u>21,147,534</u>	<u>22,662,997</u>	<u>24,978,957</u>
Business-type activities:			
Charges for services			
Wastewater	\$ 19,582,578	\$ 19,266,485	\$ 18,424,157
Water	8,010,662	8,284,199	8,914,883
Other	115,912	136,499	32,560
Operating grants and contributions	327,609	236,315	1,422,097
Capital grants and contributions	5,717,560	5,674,667	6,316,121
Total business-type activities program revenues	<u>33,754,321</u>	<u>33,598,165</u>	<u>35,109,818</u>
Total primary government program revenues	<u>\$ 54,901,855</u>	<u>\$ 56,261,162</u>	<u>\$ 60,088,775</u>
Net (Expense) Revenue			
Governmental activities	\$ (41,395,375)	\$ (42,087,127)	\$ (36,719,091)
Business-type activities	2,469,162	2,561,263	1,828,020
Total primary government net expense	<u>\$ (38,926,213)</u>	<u>\$ (39,525,864)</u>	<u>\$ (34,891,071)</u>

Table 2

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

CHANGES IN NET ASSETS - CONCLUDED

2003-2009
(unaudited)
(accrual basis of accounting)

	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Governmental activities:			
General revenues			
Property taxes	\$ 30,937,165	\$ 31,803,955	\$ 33,066,650
Grants and contributions not restricted to specific programs	11,436,571	10,499,478	10,461,886
Unrestricted investment earnings	488,519	513,444	1,119,704
Gain on sale of assets	80,533	27,753	-
Contributions to permanent funds	55,275	35,020	54,139
Other	-	-	-
Transfers - internal activities	(32,000)	(319,342)	-
Total governmental activities	<u>42,966,063</u>	<u>42,560,308</u>	<u>44,702,379</u>
Business-type activities:			
Grants and contributions not restricted to specific programs	\$ 5,035	\$ 29,593	\$ (8,646)
Unrestricted investment earnings	15,276	15,085	16,454
Gain on sale of assets	14,912	11,706	4,714
Other	-	-	-
Transfers - internal activities	32,000	319,342	-
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>
Total primary government	<u>\$ 38,814,605</u>	<u>\$ 42,936,034</u>	<u>\$ 44,714,901</u>
Change in Net Assets			
Governmental activities	\$ 1,570,688	\$ 473,181	\$ 7,983,288
Business-type activities	(1,682,296)	2,936,989	1,840,542
Total primary government	<u>\$ (111,608)</u>	<u>\$ 3,410,170</u>	<u>\$ 9,823,830</u>

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

Table 2

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 35,148,859	\$ 35,263,246	\$ 36,221,234	\$ 36,421,813
10,967,559	10,243,913	10,548,626	8,968,211
1,757,763	2,038,489	1,382,472	1,999,482
-	-	-	-
44,577	36,458	34,800	-
-	-	-	60,947
-	432,487	(97,939)	(455,622)
<u>47,918,758</u>	<u>48,014,593</u>	<u>48,089,193</u>	<u>46,994,831</u>
\$ 8,645	\$ 7,390	\$ 1,326	\$ -
36,799	41,592	3,590	165,786
146,851	50,597	38,520	41,767
-	-	-	572,923
-	(432,487)	97,939	455,622
-	-	-	-
<u>192,295</u>	<u>(332,908)</u>	<u>141,375</u>	<u>1,236,098</u>
<u>\$ 48,111,053</u>	<u>\$ 47,681,685</u>	<u>\$ 48,230,568</u>	<u>\$ 48,230,929</u>
\$ 7,290,317	\$ 4,277,629	\$ (17,297,470)	\$ (10,873,978)
1,510,058	(1,748,684)	1,088,393	(2,041,999)
<u>\$ 8,800,375</u>	<u>\$ 2,528,945</u>	<u>\$ (16,209,077)</u>	<u>\$ (12,915,977)</u>

FUND BALANCES

GOVERNMENTAL FUNDS

2003-2009
(unaudited)
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 243,823	\$ 117,087	\$ 584,441	\$ 600,835
Unreserved	<u>4,091,213</u>	<u>2,053,381</u>	<u>2,772,957</u>	<u>5,554,688</u>
Total general fund	<u>\$ 4,335,036</u>	<u>\$ 2,170,468</u>	<u>\$ 3,357,398</u>	<u>\$ 6,155,523</u>
All other governmental funds				
Reserved	\$ 7,613,117	\$ 8,864,237	\$ 11,659,071	\$ 9,177,854
Unreserved, reported in:				
Special revenue funds	5,335,006	9,100,034	3,714,325	4,006,455
Debt service funds	206,447	175,966	407,306	248,595
Capital project funds	2,661,899	5,743,562	5,152,200	7,897,735
Permanent funds	<u>1,693,125</u>	<u>2,189,177</u>	<u>2,249,232</u>	<u>2,610,660</u>
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>

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 is not available.

Table 3

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 673,046	\$ 756,760	\$ 504,595
<u>4,617,629</u>	<u>3,461,861</u>	<u>4,740,113</u>
<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>
\$ 12,935,798	\$ 9,410,736	\$ 10,641,923
4,141,477	4,241,786	4,874,600
210,130	124,551	127,942
3,751,120	3,934,958	3,847,713
<u>2,658,294</u>	<u>1,195,345</u>	<u>1,956,373</u>
<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2003-2009

(unaudited)

(modified accrual basis of accounting)

	2003	2004	2005
Revenues			
Property taxes and special assessments	\$ 30,187,060	\$ 31,059,692	\$ 32,472,148
Licenses and permits	1,797,321	1,972,128	2,187,748
Intergovernmental revenue	21,477,998	22,951,771	22,062,498
Charges for services	1,009,499	1,520,621	1,362,100
Fines and forfeits	220,918	313,457	412,643
Interest and rents	3,181,272	3,359,644	3,953,244
Net investment earnings	1,188,778	662,985	293,975
Other revenue	7,110,905	6,358,129	7,076,876
Total revenues	66,173,751	68,198,427	69,821,232
Expenditures			
Current Expenditures:			
General government	9,847,867	9,703,164	9,159,839
Public safety	30,164,964	31,422,767	30,677,808
Public works	6,554,353	7,086,037	7,048,497
Community and economic development	6,929,342	8,918,917	7,402,139
Recreation and culture	2,503,219	2,824,267	2,540,006
Other	-	-	92,747
Debt service:			
Principal	5,149,510	5,060,999	13,754,076
Interest and fiscal charges	2,537,353	2,503,431	3,315,456
Capital outlay	9,531,293	7,790,172	18,582,210
Total expenditures	73,217,901	75,309,754	92,572,778
Excess (deficiency) of revenues over expenditures	(7,044,150)	(7,111,327)	(22,751,546)
Other financing sources (uses)			
Transfers in	8,190,472	9,119,874	10,466,647
Transfers out	(8,102,193)	(8,275,022)	(9,634,221)
Proceeds from the sale of capital assets	29,566	21,293	1,896,539
Issuance of long-term debt	1,940,000	12,735,000	18,145,000
Bond premium (discount)	147	-	173,669
Total other financing sources (uses)	2,057,992	13,601,145	21,047,634
Net change in fund balances	\$ (4,986,158)	\$ 6,489,818	\$ (1,703,912)
Debt service as a percentage of noncapital expenditures	13.7%	12.6%	30.0%

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

Table 4

2006	2007	2008	2009
\$ 34,508,937	\$ 35,199,103	\$ 35,569,119	\$ 37,997,860
1,937,580	2,077,407	1,951,085	1,770,824
20,120,520	21,082,782	20,762,621	19,150,714
1,599,259	1,417,088	1,582,665	5,289,988
241,075	288,650	279,435	326,755
4,936,149	5,310,737	4,507,507	3,989,784
660,122	(22,516)	(1,858,775)	1,207,786
7,580,521	7,650,248	6,696,145	1,699,387
<u>71,584,163</u>	<u>73,003,499</u>	<u>69,489,802</u>	<u>71,433,098</u>
9,543,763	9,992,094	10,767,415	7,300,485
30,547,482	33,513,942	33,718,520	34,409,853
12,964,423	13,413,733	12,038,364	11,703,326
5,692,502	5,743,272	6,921,457	5,803,640
2,587,159	2,971,644	2,820,672	2,598,348
169,271	50,000	-	1,184,639
5,067,709	5,206,300	4,997,000	5,245,000
2,912,669	2,930,686	2,932,497	2,796,889
5,125,701	5,692,545	5,264,042	1,869,810
<u>74,610,679</u>	<u>79,514,216</u>	<u>79,459,967</u>	<u>72,911,990</u>
(3,026,516)	(6,510,717)	(9,970,165)	(1,478,892)
10,001,607	11,474,277	8,280,263	8,772,072
(10,758,458)	(11,041,790)	(8,378,202)	(8,272,072)
36,705	274,136	32,020	-
7,110,000	4,715,000	4,165,000	4,585,000
23,732	(20,235)	9,587	(38,846)
<u>6,413,586</u>	<u>5,401,388</u>	<u>4,108,668</u>	<u>5,046,154</u>
<u>\$ 3,387,070</u>	<u>\$ (1,109,329)</u>	<u>\$ (5,861,497)</u>	<u>\$ 3,567,262</u>
13.0%	12.4%	12.0%	12.8%

ASSESSSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years
(unaudited)

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate
	Real	Personal	Industrial and Commercial Subject to Act 198		
2000	\$ 1,034,261,518	\$ 229,137,050	\$ 32,650,000	\$ 1,296,048,568	21.5667
2001	1,090,113,040	238,143,600	32,089,500	1,360,346,140	21.5667
2002	1,175,434,380	238,009,950	15,096,550	1,428,540,880	21.9205
2003	1,213,441,494	244,276,534	35,442,050	1,493,160,078	21.9205
2004	1,274,216,408	219,353,550	36,821,197	1,530,391,155	22.1405
2005	1,330,662,249	213,784,700	33,929,243	1,578,376,192	22.1405
2006	1,393,452,901	225,841,898	23,178,428	1,642,473,227	21.9049
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205
2008	1,502,840,795	218,611,900	31,002,494	1,752,455,189	21.8205
2009	1,484,940,414	228,339,500	34,292,423	1,747,572,337	20.8205

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 enterprise to renovate and expand aging facilities and to build new facilities. However, Proposal A limits the increase of the taxable value to 5% or the Consumer Price Index, whichever is lower. The rates are per \$1,000 of taxable value.

(A) Taxable values include adjustments to the final adopted assessment roll due to Tribunal Judgments, Board of Review decisions and other adjustments affecting the assessment roll of the tax levy as of December 31, 2009. These values do not reflect adjustments for real estate taxes cancelled through foreclosure, or personal property taxes cancelled by the Circuit Court. These adjustments decreased the 2009 roll by \$4,461,919.

<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed to Total Estimated Actual Value</u>
\$ 2,964,880,756	43.7%
3,076,324,910	44.2%
3,219,520,360	44.4%
3,404,210,728	43.9%
3,546,183,600	43.2%
3,657,698,240	43.2%
3,841,553,300	42.8%
3,952,364,600	43.4%
4,016,038,212	43.6%
3,795,628,106	46.0%

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years
(unaudited)

Year Ended December 31,	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Transportation	Total City Millage (A)	Kalamazoo Public Schools (B)	County	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
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
2009	19.2705	1.5500	0.0000	20.8205	23.3500	6.7212	6.0000	4.8316	2.8135	3.9583	68.4951	50.4951

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, 2009 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.

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago
(unaudited)

Taxpayer	Industry	2009			Rank	(B) Percent of Total	1999 (C)		
		Taxable Value of Property					Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Pfizer Corporation	Pharmaceuticals	\$ 88,277,869	\$ -	\$ 88,277,869	1	4.98%	\$ 153,161,625	1	11.81%
Catalyst Development	Real Estate	40,224,276	-	40,224,276	2	2.27%			
Graphic Packaging	Paper Products	27,011,473	2,453,300	29,464,773	3	1.66%	40,576,800	2	3.13%
Consumer's Energy	Utility	29,229,592	-	29,229,592	4	1.65%	30,475,600	3	2.35%
MPI Research	Pharmaceuticals Research	19,343,000	-	19,343,000	5	1.09%			
James S. Smith Trust	Rental Properties	12,630,500	-	12,630,500	6	0.71%	11,548,200	4	0.89%
Lifecare (Friendship Village)	Retirement Community	11,956,901	-	11,956,901	7	0.67%	8,362,450	8	0.64%
The Herald Co (Kal Gazette)	Newspaper Publication	9,127,430	2,296,400	11,423,830	8	0.64%			
Cytec Industries	Chemical Manufacturing	7,529,382	3,850,300	11,379,682	9	0.64%	8,625,000	6	0.66%
American Greetings	Paper Products	11,236,836	-	11,236,836	10	0.63%	5,911,525	10	0.46%
		<u>\$ 256,567,259</u>	<u>\$ 8,600,000</u>	<u>\$ 265,167,259</u>		<u>14.97%</u>	<u>\$ 258,661,200</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 \$1,747,572,337 for the year ending December 31, 2009 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 \$1,297,108,878.

PROPERTY TAX LEVIES AND COLLECTIONS

General Property Tax Levy

Last Ten Years
(unaudited)

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B) Collection Subsequent to the Year of Tax Levy	Total Collections	Percent of Total Collections to Tax Levy
2000	\$25,377,779	\$ 22,249,362	87.67%	\$ 3,122,618	\$ 25,371,980	99.98%
2001	25,940,509	22,719,024	87.58%	3,202,883	25,921,907	99.93%
2002	27,368,263	24,051,078	87.88%	3,133,249	27,184,327	99.33%
2003	28,542,272	24,665,670	86.42%	3,415,102	28,080,772	98.38%
2004	29,228,373	25,195,702	86.20%	3,849,936	29,045,638	99.37%
2005	30,165,889	25,828,635	85.62%	4,095,348	29,923,983	99.20%
2006	31,073,960	26,574,222	85.52%	4,174,718	30,748,940	98.95%
2007	32,665,697	27,691,394	84.77%	4,391,265	32,082,659	98.22%
2008	33,362,679	28,058,610	84.10%	4,117,827	32,176,437	96.44%
2009	33,371,995	30,786,313	92.25%	-	30,786,313	92.25%

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, 2009.

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years
(unaudited)

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			
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
2009	49,590,000	9,735,000	-	185,000	-	31,490,000	-	91,000,000	3.74%	1,261

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.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years
(unaudited)

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
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
2009	49,590,000	127,942	49,462,058	1.30%	685.27

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.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2009
(unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 8,296,000	14.87%	\$ 1,233,615
Kalamazoo School District	134,395,000	60.18%	80,878,911
Parchment School District	33,869,062	1.03%	348,851
Portage School District	135,675,000	1.47%	1,994,423
Kalamazoo County	36,412,952	20.84%	7,588,459
Kalamazoo Intermediate School District	23,825,000	22.51%	5,363,008
Kalamazoo Library District	5,300,000	57.08%	3,025,240
Total overlapping debt	<u>\$ 377,773,014</u>		<u>\$ 100,432,507</u>

Direct:

	<u>Gross Debt</u>	<u>Self- Supporting (A)</u>	<u>Net Direct Debt</u>
General obligation bonds:			
Building Authority	\$ 30,965,000	\$ 22,656,661	\$ 8,308,339
Downtown Development	4,160,000	4,160,000	-
Capital improvement	14,465,000	-	14,465,000
Revenue bonds:			
Michigan Transportation Fund	9,735,000	9,735,000	-
Special assessment bonds	185,000	185,000	-
Total direct debt	<u>\$ 59,510,000</u>	<u>\$ 36,736,661</u>	<u>\$ 22,773,339</u>

Total net direct and overlapping debt of governmental activities**\$ 123,205,846**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 borne 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.

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2009
(unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,943,943,350
Tax abated property	<u>15,842,150</u>
Total State Equalized Value (SEV)	<u>\$ 1,959,785,500</u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
Legal Limitation	<u>\$ 195,978,550</u>
Debt Obligations of the Primary Government (B)	\$ 91,000,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (31,490,000)
Michigan Transportation Fund Bonds	(9,735,000)
Special Assessment Bonds	<u>(185,000)</u>
	<u>(41,410,000)</u>
Total Debt of the City Subject to Limitation	<u>49,590,000</u>
LEGAL DEBT MARGIN	<u>\$ 146,388,550</u>

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

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

- (A) State equalized assessed property values are assessed at December 31, 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.

LEGAL DEBT MARGIN HISTORICAL INFORMATION

Last Ten Years
(unaudited)

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
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%
2009	195,978,550	49,590,000	146,388,550	25.3%

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

PLEDGED-REVENUE COVERAGE

Last Ten Years
(unaudited)

Governmental Activities:

Michigan Transportation Revenue Bonds (A)					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
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
2009	4,868,269	1,355,000	445,145	1,800,145	2.70

Special Assessment Bonds (B)					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2009	14,591	50,000	11,980	61,980	0.24

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

(B) Special assessment bonds were issued in 1999.

PLEDGED-REVENUE COVERAGE - CONCLUDED

Last Ten Years
(unaudited)**Business-type Activities**

Wastewater System Revenue Bonds							
Year	Revenues (C)	Direct Operating Expense (D)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
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
2009	20,368,388	15,704,585	4,663,803	220,000	161,610	381,610	12.22

Water System Revenue Bonds							
Year	Revenues (C)	Direct Operating Expense (D)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
1998	\$ 10,113,204	\$ 5,843,320	\$ 4,269,884	\$ 545,000	\$ 1,082,584	\$ 1,627,584	2.62
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
2009	12,335,419	8,557,285	3,778,134	1,315,000	859,744	2,174,744	1.74

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.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years
(unaudited)

Fiscal Year	(A) Population	(B) Per Capita Income	Personal Income	(A) Median Age	(D) School Enrollment	(E) Unemployment Rate
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%
2009	72,179	33,685	2,431,349,615	26.2	15,851	13.7%

Data Sources:

- (A) United States Census, 2000 with 2008 estimates. 2009 not yet available.
- (B) Bureau of Economic Analysis for 1998 to 2006 data, as updated April, 2008. Updated 2009 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 12,205 in 2009.
- (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 2008.

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago
(unaudited)

Company	Principal Product or Service	2009			2000		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Borgess Medical Center	Health Care	5,300	1	4.0%	2,410	5	1.8%
Bronson Methodist Hospital	Health Care	4,100	2	3.1%	2,800	4	2.1%
Western Michigan University	Education	4,045	3	3.0%	3,200	2	2.4%
Pfizer Corporation	Pharmaceuticals	3,200	4	2.4%	5,200	1	3.9%
Kalamazoo Public Schools	Education	2,100	5	1.6%	2,200	6	1.7%
Stryker Corporation	Medical Equipment	2,073	6	1.6%	900	10	0.7%
National City Bank/PNC	Banking Services	2,000	7	1.5%	2,922	3	2.2%
Summit Polymers	Auto Supply-Interior Trim	1,616	8	1.2%	-	-	0.0%
Meijer, Inc.	Retail	1,306	9	1.0%	2,100	7	1.6%
Kalamazoo County	Government	1,158	10	0.9%	1,000	8	0.8%
Kalamazoo Valley CC	Education	1,000	11	0.8%	844	12	0.6%
Portage Public Schools	Education	1,000	11	0.8%	-	-	0.0%
Total		28,898		21.7%	23,576		17.7%

Sources:

City of Kalamazoo, Community Planning and Economic Development
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.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Seven Years
(unaudited)

Function/Program	Full-time Equivalent Employees (A)						
	2003	2004	2005	2006	2007	2008	2009
General government	80	79	75	74	74	74	75
Public safety	307	308	301	296	301	301	301
Economic development	6	6	7	7	6	6	6
Community development and planning	44	43	42	41	40	40	40
Parks and recreation	26	26	20	20	19	19	19
Public works	52	52	44	44	50	49	44
Streets	27	27	28	28	33	33	33
Wastewater	97	97	112	111	103	90	94
Water	95	95	88	88	85	85	79
Total	<u>734</u>	<u>733</u>	<u>717</u>	<u>709</u>	<u>711</u>	<u>697</u>	<u>691</u>

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

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

Comparative statistical data preceding 2003 is not available.

OPERATING INDICATORS BY FUNCTION

Last Five Years
(unaudited)

	<u>2005</u>	<u>2006</u>
General Government:		
Assessors:		
Number of real property parcels	24,331	24,404
Cost to assess real property - per parcel	\$16.84	\$16.21
Revenue gained per real property parcel for new development	\$11.65	\$11.37
Number of personal property accounts	3,244	3,030
Cost to assess personal property - per parcel	\$31.67	\$38.38
New personal property accounts	235	270
Treasury:		
Percent of City operation tax collected at year end	86%	85%
Average rate of return on investments	3.19%	4.85%
Public Safety:		
Fire safety:		
Number of residential fires/Number of fatal fires	156/1	103/1
Number of fire inspections completed	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):		
Number of investigations	844	933
Number of arrests (includes warrants)	1,151	923
Operations:		
Number of calls for service	86,477	88,259
Number of persons arrested	9,145	10,580
Traffic citations issued	33,537	34,262
Traffic accidents / OUIL Arrests	3,473 / 293	3,479 / 240
Economic development:		
Number of tax exempt acres redeveloped	21.22	6.35
Private investment leveraged / jobs created	\$9,683,000	\$34,218 / 101
New taxable value added to the City	\$836,247	\$13,623,641
Community development and planning:		
Number of housing inspections	N/A	14,491
Number of rental units inspected/reinspected	12,470	13,000
Number of rental units certified	8,134	7,245
Zoning enforcement actions	174	240
Number of persons impacted by housing-related grant award activities	18,625	2,277
Parks and recreation:		
Number of park reservations and public events	135	190
Number of family programs	14	14
Number of people served through family programs	9,700	10,425
Number of youth development programs	37	43
Number of people served through youth development programs	9,000	9,230
Number of youth served through grant programs	6,900	13,265

Table 17

Year		
2007	2008 (B)	2009 (A)
24,404	22,848	23,455
\$16.21	\$17.29	\$19.94
\$11.37	\$11.00	(\$36.28)
3,030	3,180	3,607
\$38.38	\$37.18	\$49.84
270	150	(78)
85%	84%	94%
4.95%	T-Bill + 22 basis pts	T-Bill + 200 basis pts
120 / 1	140 / 1	140 / 2
2,700	2,700	2,700
979	989	950
724	704	833
93,444	96,603	97,010
9,850	8,975	7,852
35,070	30,567	20,000
3,123 / 312	3,001 / 373	3,069 / 414
1.2	34.4	6.1
\$3,100,000 / 50	\$17,000,000 / 82	\$2,700,000 / 41
\$812,500	\$4,200,000	\$500,000
14,828	14,357	15,000
N/A	N/A	N/A
N/A	N/A	N/A
245	216	231
820	2,452	2,560
190	196	112
14	12	11
10,425	7,311	8,000
43	56	55
9,230	9,520	9,700
-	-	-

OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Five Years
(unaudited)

	2005	2006
General Government - Concluded:		
Public works:		
Number of sidewalk repairs	127	127
Volume of leaves collected (cubic yards)	67,879	67,879
Volume of material recycled (tons)	2,831	2,224
Number of housing units participating in recycling activities	20,000	50,000
Volume of solid waste collected (cubic yards)	9,972	9,972
Streets:		
Number of repairs on major streets	185	185
Value of Repairs per staff hour on major streets	\$298	\$298
Number of repairs on local streets	482	482
Value of Repairs per staff hour on local streets	\$252	\$252
Water:		
Cubic meters of water billed (millions)	22.7	22.8
Average operating cost to produce one cubic meter of water	\$0.451	\$0.438
Number of utility bills mailed	238,689	225,961
Wastewater:		
Cubic meters of wastewater treated (millions)	36.0	36.0
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442
Number of sanitary main line stoppages	14	14

Source: City of Kalamazoo Budget

(A) 2009 data is projected in conjunction with the City of Kalamazoo 2009 proposed budget procedures.
Actual data is not currently available.

(B) 2008 data has been updated from estimated to actual numbers.

Comparative statistical data preceding 2005 is not available.

Year		
2007	2008 (B)	2009 (A)
127	85	89
67,879	70,000	70,000
2,224	2,350	2,400
20,000	21,000	21,500
9,972	9,975	10,000
105	181	185
\$326	\$295	\$290
307	484	475
\$226	\$245	\$251
22.8	22.4	22.9
\$0.438	\$0.440	\$0.430
225,961	251,449	256,464
36.0	36.2	35.4
\$0.442	\$0.440	\$0.480
26	14	22

CAPITAL ASSET STATISTICS BY FUNCTION

Last Five Years
(unaudited)

Function/Program	Year				
	2005	2006	2007	2008	2009
General government:					
Administration buildings	1	1	1	1	1
Vehicles	2	6	8	8	8
Parking lots	7	7	7	7	7
Parking ramps	3	3	3	3	3
Public safety:					
Public safety headquarters building	1	1	1	1	1
Public safety stations	7	7	7	7	7
Training facility	1	1	1	1	1
Vehicles	193	194	193	198	196
Community development and planning:					
Vehicles	25	25	26	27	27
Parks and recreation:					
Administration building	1	1	1	1	1
Youth development center	1	1	1	1	1
Acreeage of parks:					
Mini-parks	8.9	8.9	8.9	8.9	8.9
Neighborhood parks and playgrounds	111.5	111.5	111.5	111.5	111.5
Major community parks	728.5	728.5	728.5	728.5	728.5
Open green space and preserves	137.0	137.0	137.0	137.0	137.0
Number of parks:					
Mini-parks	9	9	9	9	9
Neighborhood parks and playgrounds	14	14	14	14	14
Major community parks	8	8	8	8	8
Open green space and preserves	17	17	17	17	17
Festival site	1	1	1	1	1
Farmers market	1	1	1	1	1
Cemeteries	2	2	2	2	2
Swimming pool	1	1	1	1	1
Beach	1	1	1	1	1
Golf courses	3	3	3	3	3
Vehicles	2	2	2	2	3
Public works:					
Gravel pit	1	1	1	1	1
Salt storage building	-	1	1	1	1
Streets:					
Local streets (miles)	166.29	166.29	166.29	166.29	166.29
Major streets (miles)	82.39	82.39	82.39	82.39	82.39
Traffic signals	135	135	135	135	135

CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Five Years
(unaudited)

Function/Program	Year				
	2005	2006	2007	2008	2009
Wastewater:					
Sanitary sewers (miles)	291	293	293	293	293
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5
Number of lift stations maintained	52	52	54	54	54
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5
Water:					
Water facility	1	1	1	1	1
Storage stations	8	8	8	8	8
Pumping stations	18	18	18	18	18
Booster/bleeder stations	13	13	13	13	13
Water mains (miles)	665	665	665	665	665
Wells in Service	103	103	99	99	99
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	66.79
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	17.80
Internal service:					
Public works equipment (A)					
Utility and other vehicles	84	95	93	90	91
Public utilities equipment (B)					
Utility and other vehicles	102	120	136	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 preceeding 2005 is not available.

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

For the Year Ended December 31, 2009
(unaudited)

REVENUES	
Building Permits	\$ 212,865
Electrical Permits	61,642
Mechanical Permits	57,091
Plumbing Permits	25,305
Other Permits & License Fees	<u>50,218</u>
TOTAL REVENUES	407,121
EXPENDITURES	
Wages, Salaries and Benefits	523,811
Supplies	2,769
Services	50,894
Administrative Overhead*	<u>-</u>
TOTAL EXPENDITURES	<u>577,474</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ (170,353)</u></u>

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

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

Last Ten Years
(unaudited)

Revenue by Source					
Year Ended December 31	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
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)
2009	1,689,006	-	-	97,711,550	99,400,556

Expenses by Type				
Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
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
2009	16,439,540	503,138	223,634	17,166,312

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

TAXABLE VALUE

Last Five Years
(unaudited)

TOTAL TAXABLE VALUE

<u>Taxable Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Year Ended December 31</u>	<u>Ad Valorem Taxable Value (1)</u>	<u>Abated Taxable Value (2)</u>	<u>Total Taxable Value</u>	<u>Percent Increase over Prior Year</u>
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	-	1,719,463,219	1.10%
2008	2009	2009	1,716,496,933	35,537,323	1,752,034,256	1.89%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2009 (3)						\$ 22,045.71

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, 2009, the Taxable Value of the property located in the Zone totaled \$23,841,607.

(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.

TAXABLE VALUE - CONCLUDED

Last Five Years
(unaudited)**TOTAL TAXABLE VALUE BY USE AND CLASS**

	Years Ended December 31				
	2005	2006	2007	2008	2009
Use					
Commercial	\$ 534,014,385	\$ 567,815,005	\$ 591,866,114	\$ 589,583,943	\$ 606,607,218
Industrial	300,634,764	284,054,454	281,518,175	289,483,928	288,393,750
Residential	743,766,235	785,984,354	827,332,071	856,069,445	857,033,288
	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>
Class					
Real	\$ 1,351,560,784	\$ 1,406,290,065	\$ 1,470,085,410	\$ 1,511,176,716	\$ 1,511,695,056
Personal	226,854,600	231,563,748	230,630,950	223,960,600	240,339,200
	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31				
	2005	2006	2007	2008	2009
Use					
Commercial	33.83%	34.67%	34.80%	33.98%	34.62%
Industrial	19.05%	17.34%	16.55%	16.68%	16.46%
Residential	47.12%	47.99%	48.65%	49.34%	48.92%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class					
Real	85.63%	85.86%	86.44%	87.09%	86.28%
Personal	14.37%	14.14%	13.56%	12.91%	13.72%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

STATE EQUALIZED VALUATION

Last Five Years
(unaudited)

Total State Equalized Value (SEV)

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Year Ended December 31</u>	<u>Ad Valorem SEV Value (1)</u>	<u>Abated SEV Value (2)</u>	<u>Total SEV Value</u>	<u>Percent Increase</u>
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%
2008	2009	2009	1,876,466,814	36,568,300	1,913,035,114	-3.83%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2009 (3)						\$ 25,403.92

(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, 2009, the SEV of the property located in the Zone totaled \$24,208,500.

(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.

STATE EQUALIZED VALUATION - CONCLUDED

Last Five Years
(unaudited)

Total SEV by Use and Class

	Years Ended December 31				
	2005	2006	2007	2008	2009
Use					
Commercial	\$ 593,461,785	\$ 648,762,947	\$ 656,955,700	\$ 655,406,800	\$ 659,635,900
Industrial	271,393,700	291,139,765	288,315,850	297,254,500	295,147,000
Residential	930,215,135	983,096,900	1,014,513,950	1,036,579,306	958,208,614
	<u>\$ 1,795,070,620</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,912,991,514</u>
Class					
Real	\$ 1,578,198,420	\$ 1,690,650,764	\$ 1,690,650,764	\$ 1,765,280,006	\$ 1,672,695,914
Personal	216,872,200	232,348,848	232,348,848	223,960,600	240,295,600
	<u>\$ 1,795,070,620</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,922,999,612</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,912,991,514</u>

Percent of Total SEV by Use and Class

	Years Ended December 31				
	2005	2006	2007	2008	2009
Use					
Commercial	33.06%	33.74%	33.52%	32.95%	34.48%
Industrial	15.12%	15.14%	14.71%	14.94%	15.43%
Residential	51.82%	51.12%	51.77%	52.11%	50.09%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class					
Real	87.92%	87.92%	87.92%	88.74%	87.44%
Personal	12.08%	12.08%	12.08%	11.26%	12.56%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

MAXIMUM AND ACTUAL TAX RATES

December 31, 2009
(unaudited)

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction (A)</u>	<u>Maximum Allowable Millage</u>	<u>Actual Millage Levied</u>
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	3.0000	0.9635	2.8906	1.5500
Mass Transportation	<u>0.0000</u>	0.0000	<u>0.0000</u>	<u>0.0000</u>
	<u>23.0000</u>		<u>22.1611</u>	<u>20.8205</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.

REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Five Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Constitutional	\$ 5,250,646	\$ 5,270,861	\$ 5,205,102	\$ 6,645,230	\$ 4,803,822
Statutory	<u>5,082,985</u>	<u>4,920,760</u>	<u>4,719,644</u>	<u>3,339,946</u>	<u>4,164,389</u>
Total payments received	10,333,631	10,191,621	9,924,746	9,985,176	8,968,211
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>-</u>	<u>-</u>
Net revenue sharing	<u>\$ 10,090,448</u>	<u>\$ 9,948,438</u>	<u>\$ 9,681,563</u>	<u>\$ 9,985,176</u>	<u>\$ 8,968,211</u>
% of General Fund revenue (2)	20.4%	18.8%	18.3%	18.9%	17.2%

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 or 2009.
- (2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues.

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Five Years
(unaudited)

	Years Ended December 31				
	2005	2006	2007	2008	2009
<u>Cash Basis</u>					
Major Streets	\$ 4,163,652	\$ 4,145,499	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194
Local Streets	1,164,396	1,159,416	1,146,604	1,193,602	1,073,035
	<u>\$ 5,328,048</u>	<u>\$ 5,304,915</u>	<u>\$ 5,246,649</u>	<u>\$ 5,638,312</u>	<u>\$ 4,858,230</u>
	Years Ended December 31				
	2005	2006	2007	2008	2009
<u>Accrual Basis</u>					
Major Streets	\$ 4,154,921	\$ 4,124,532	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932
Local Streets	1,162,004	1,153,481	1,146,418	1,105,811	1,075,337
	<u>\$ 5,316,925</u>	<u>\$ 5,278,013</u>	<u>\$ 5,245,597</u>	<u>\$ 5,017,964</u>	<u>\$ 4,868,269</u>

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

LABOR CONTRACTS

December 31, 2009
(unaudited)

Bargaining Unit	Membership	Contract Expiration Date
American Federation of State, County and Municipal Employees	149	October 2, 2011
Kalamazoo Municipal Employees Association	122	December 31, 2011
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	52	December 31, 2009*
Kalamazoo Police Officers Association (Officers and Detectives)	220	December 31, 2009*
Amalgamated Transit Union (Bus Drivers and Mechanics)	77	February 13, 2010*
<u>Non-Union</u>	<u>173</u>	<u>Not Applicable</u>
Total Employees	<u><u>793</u></u>	

Source: City of Kalamazoo, Human Resources

*In process of negotiation at December 31, 2009

EMPLOYMENT STATISTICS

Last Ten Years
(unaudited)

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
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%
2009	35,135	5,567	40,702	13.7%	4,224,000	665,000	4,889,000	13.6%

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.

WATER SUPPLY SYSTEM

Water Supply Franchises
(unaudited)

<u>Franchisor</u>	<u>Effective Date</u>	<u>Year of Renewal</u>
Comstock Township	23-Dec-64	1994*
Cooper Township	18-Nov-68	1998*
Kalamazoo Township	30-Jan-70	2000*
Oshtemo Township	8-Feb-65	1995*
Pavilion Township	18-Nov-68	1998*
City of Portage (1)	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.

WATER SUPPLY SYSTEM

Approximate Number of Water Supply Customers
by Location and User ClassificationLast Five Years
(unaudited)

<u>Customer Location and Classification</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City:					
Residential	18,101	18,094	18,295	18,220	18,230
Commercial / Industrial	<u>4,973</u>	<u>5,040</u>	<u>5,257</u>	<u>5,256</u>	<u>5,272</u>
Total City	<u>23,074</u>	<u>23,134</u>	<u>23,552</u>	<u>23,476</u>	<u>23,502</u>
Out City:					
Residential	15,393	15,889	16,863	17,095	18,200
Commercial / Industrial	<u>4,226</u>	<u>4,510</u>	<u>4,738</u>	<u>4,781</u>	<u>4,867</u>
Total Out City	<u>19,619</u>	<u>20,399</u>	<u>21,601</u>	<u>21,876</u>	<u>23,067</u>
Total System:					
Residential	33,494	33,983	35,158	35,315	36,430
Commercial / Industrial	<u>9,199</u>	<u>9,550</u>	<u>9,995</u>	<u>10,037</u>	<u>10,139</u>
Total System	<u>42,693</u>	<u>43,533</u>	<u>45,153</u>	<u>45,352</u>	<u>46,569</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.

WATER SUPPLY SYSTEM

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

		<u>2008</u>	<u>2009</u>
<u>Meter Location and Size</u>			
City:			
	5/8" - 3/4"	16,497	16,280
	1"	2,362	2,320
	1 1/2"	258	262
	2"	1,057	1,116
	3"	189	203
	4"	275	301
	6"	25	173
	8"	9	87
Total City		<u>20,672</u>	<u>20,742</u>
Out City:			
	5/8" - 3/4"	8,716	9,376
	1"	8,310	8,560
	1 1/2"	347	362
	2"	923	972
	3"	120	124
	4"	214	237
	6"	42	112
	8"	29	75
Total Out City		<u>18,701</u>	<u>19,818</u>
Total Meters		<u>39,373</u>	<u>40,560</u>
<u>Location and Size of Fire Protection Line/Hydrant</u>			
City:			
	4"	176	176
	6"	147	148
	8"	80	81
	10"	1	2
	Hydrants	<u>2,400</u>	<u>2,405</u>
Total City		<u>2,804</u>	<u>2,812</u>
Out City:			
	4"	160	162
	6"	91	91
	8"	67	67
	10"	4	5
	Hydrants	<u>2,853</u>	<u>2,872</u>
Total Out City		<u>3,175</u>	<u>3,197</u>
Total Fire Protection		<u>5,979</u>	<u>6,009</u>
Total Service Connections		<u>45,352</u>	<u>46,569</u>

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

WATER SUPPLY SYSTEM

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

Meter Location and Size	Last Five Years (unaudited)				
	2005	2006	2007	2008	2009
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 14.92	\$ 16.35	\$ 17.93	\$ 17.93	\$ 18.65
1" Meter	18.84	20.87	23.11	23.11	24.03
1-1/2" Meter	22.75	25.40	28.29	28.29	29.42
2" Meter	33.51	37.85	42.54	42.54	44.24
City (Monthly Billed Accounts):					
5/8" Meter	8.40	8.80	9.30	9.30	9.67
1" Meter	9.71	10.31	11.02	11.02	11.46
1-1/2" Meter	11.01	11.82	12.75	12.75	13.26
2" Meter	14.60	15.97	17.50	17.50	18.20
3" Meter	41.01	46.53	52.47	52.47	54.57
4" Meter	50.79	57.85	65.43	65.43	68.05
6" Meter	73.62	84.25	95.65	95.65	99.48
8" Meter	99.70	114.43	130.19	130.19	135.40
City (Monthly Fire Protection Charge):					
4" Detector Check	15.57	15.27	16.34	16.34	16.99
6" Detector Check	19.45	19.02	21.02	21.02	21.86
8" Detector Check	27.29	26.56	30.28	30.28	31.49
10" Detector Check	59.87	57.14	66.31	66.31	68.96
Fire Hydrant	3.33	3.33	3.33	3.33	3.47
Out City (Quarterly Billed Accounts):					
5/8" Meter	18.61	24.18	27.40	27.40	28.50
1" Meter	23.99	31.84	36.36	36.36	37.81
1-1/2" Meter	29.38	39.50	45.33	45.33	47.14
2" Meter	44.20	60.57	69.99	69.99	72.79
Out City (Monthly Billed Accounts):					
5/8" Meter	9.63	11.41	12.45	12.45	12.95
1" Meter	11.42	13.97	15.44	15.44	16.06
1-1/2" Meter	13.22	16.52	18.43	18.43	19.17
2" Meter	18.16	23.54	26.65	26.65	27.72
3" Meter	54.52	75.26	87.18	87.18	90.67
4" Meter	67.99	94.41	109.60	109.60	113.98
6" Meter	99.41	139.10	161.90	161.90	168.38
8" Meter	135.33	190.17	221.68	221.68	230.55
Out City (Monthly Fire Protection Charge):					
4" Detector Check	26.92	26.98	28.33	28.33	29.46
6" Detector Check	33.30	32.92	35.63	35.63	37.06
8" Detector Check	45.82	44.50	49.89	49.89	51.89
10" Detector Check	93.28	87.38	102.99	102.99	107.11
Fire Hydrant	3.33	3.33	3.33	3.33	3.47

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

WATER SUPPLY SYSTEM

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

<u>Meter Location and Classification</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City:					
Residential	\$0.212	\$0.195	\$0.197	\$0.197	\$0.205
Multifamily	0.144	0.138	0.139	0.139	0.145
Commercial/Industrial	0.169	0.166	0.168	0.168	0.175
Fire Protection - First 15 M3	0.169	0.166	0.168	0.168	0.180
Fire Protection - Over 15 M3	0.507	0.498	0.504	0.504	0.524
Seasonal Uses	0.345	0.327	0.329	0.329	0.342
Out City:					
Residential	\$0.479	\$0.460	\$0.444	\$0.444	\$0.462
Multifamily	0.317	0.310	0.300	0.300	0.312
Commercial/Industrial	0.373	0.368	0.356	0.356	0.370
Fire Protection - First 15 M3	0.373	0.368	0.356	0.356	0.370
Fire Protection - Over 15 M3	1.119	1.104	1.068	1.068	1.111
Seasonal Uses	0.892	0.894	0.867	0.867	0.902

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

(1) per cubic meter