

2010

CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report

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Kalamazoo%

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Michael Rice
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Kalamazoo Public Schools

Dr. Marilyn Schlack
President of KVCC

Familia Cortes

Matt Giraud
American Idol Contestant

Greg Jennings
Green Bay Packers Wide Receiver

Judy Markee
WWMT Channel 3
News Anchor

Lori Moore
WKZO Talk Show Host

For the fiscal year ending December 31, 2010



CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report
Year Ended December 31, 2010

Prepared by:
Management Services Department, Budget & Accounting Division

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2010

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INTRODUCTORY SECTION



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June 30, 2011

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, 2010.

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, 2010. 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 72,641. 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 may be carried forward to the next fiscal year with approval. All other appropriations lapse at year-end, except for those specifically approved to be carried forward by the City Commission.

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

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

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

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, 2010, the City of Kalamazoo Employee Retirement System had 1,482 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 2010. The funded status, defined as the percentage of actuarial assets to actuarial liabilities, decreased from 142.1% in 2009 to 141.1% as of December 31, 2010, due to the accrual of benefits during the year and the year's unfavorable experience on the smoothed value of assets.

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 \$263 million. The Annually Required Contribution (ARC) for 2010 is roughly \$23.1 million. The City contributed \$7.1 million in retiree health care expenses in 2010, leaving a net retiree health care expense of \$16 million.

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 37,000 full and part-time students, creating a base of potential employees that is highly attractive to business and industry.

A long-time cultural and commercial center for the region, a combination of public and private investment, specifically in downtown Kalamazoo, has re-made and revitalized its central business district. One consequence of these new investments is that downtown Kalamazoo has become a dining and entertainment hub, with much of the new activity occurring in restored historic buildings. Examples of these visually stimulating, economically rewarding and employment enhancing projects throughout the downtown area include:

- A Redevelopment Agreement with MAVCOM Properties, LLC was negotiated to coordinate and manage the redevelopment of the last major set of downtown buildings not previously renovated. The \$11.3 million project, now known as The Metropolitan Center Project has acquired and begun renovation of four original downtown buildings. The project intends to respect the historic origins and character of the four buildings while providing an estimated 22 new residential units on the second and third floors over 12,000 square-feet of street-front commercial space.
- A Redevelopment Agreement with the Hinman Company was negotiated to completely demolish one of their existing downtown properties and replace it with a new facility on the same site. Their tenants (InterAct) will be relocated to other Hinman properties located directly across the street from the work, during the demolition and construction period. The \$1.7 million project will permit the retention and consolidation of 110 jobs with the addition of 10 new positions. As of May 1, 2011, the structure exterior was enclosed and the interior build-out approximately 2/3 complete. Spring-Summer 2011 is the anticipated completion date.
- Two new entertainment venues (District Square Outdoor Bar & Grill and SkyDeck) were opened during 2010. The local owner and developer (Reedy Corp.) also operates two existing entertainment venues (the Wild Bull Saloon & Steakpit and Monaco Bay Piano Bar & Grill). All four venues are located in the same immediate area. In addition, a fifth venue is under development by the same developer.
- The People's Food Co-op purchased a River's Edge property (approximately 4 blocks from downtown) and is investing \$1.1 million (including BRA incentives and city loans) to construct a 6,300 square foot building, enabling it to relocate and expand. The Can-Do Kitchen, a commercial kitchen incubator, will be a tenant. The project broke ground for construction in mid December 2010 and opened in June 2011.
- LADD/Lifestory is a \$1.5 million project that will repurpose a vacant River's Edge building previously used as a combination of an art space. The 12,000 square foot mixed use building will include owner occupied residential units, rental efficiency units, an art studio and gallery space, and office space for 14 high tech employees. Construction is expected to be completed in late summer 2011.

There are also two other major projects in process. The first is illustrative of the blend of vision and action this community has exhibited since its inception. The Arcadia Commons West (ACW) project (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. The second is the establishment and construction of a new private medical school under sponsorship of Western Michigan University. It is likely to precede the ACW project. The preliminary impact estimates include 500 direct positions related to the school with 1500 position created over the ensuing ten to fifteen years required by the initial new employment. No location has yet been announced, but a transition Dean has been hired, a small administrative staff retained and a private anonymous

gift of \$100,000,000 has been received to begin the school. It is the largest such gift ever received by Western Michigan University.

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 which began in 2008 and are expected to finish in 2015. The \$32.6 million project includes renovation and rehabilitation of a 387,360 square foot manufacturing building (and associated infrastructure) plus parking and the relocation of former production operations to the renovated facility. In so doing an estimated 42 jobs will be retained with a total of 160 new positions created during all phases of that development.
- 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 in 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.;

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 2011 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 and non-head count efficiency improvements. Revenue will be increased through the use of reserves and 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, 2009. This was the fourteenth 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, Management Service Deputy Director / Comptroller, Pasty Moore and Financial Services Manager, Jennifer Clark. Credit also must be given to the mayor and the governing commission for their unfailing support to maintaining the highest standards of professionalism in the management of the City of Kalamazoo's finances.

Respectfully submitted,



Kenneth P. Collard
City Manager

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, 2009

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.



President

Executive Director

City of Kalamazoo
Comprehensive Annual Financial Report
Year Ended December 31, 2010

LIST OF CITY OFFICIALS

CITY COMMISSION

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

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

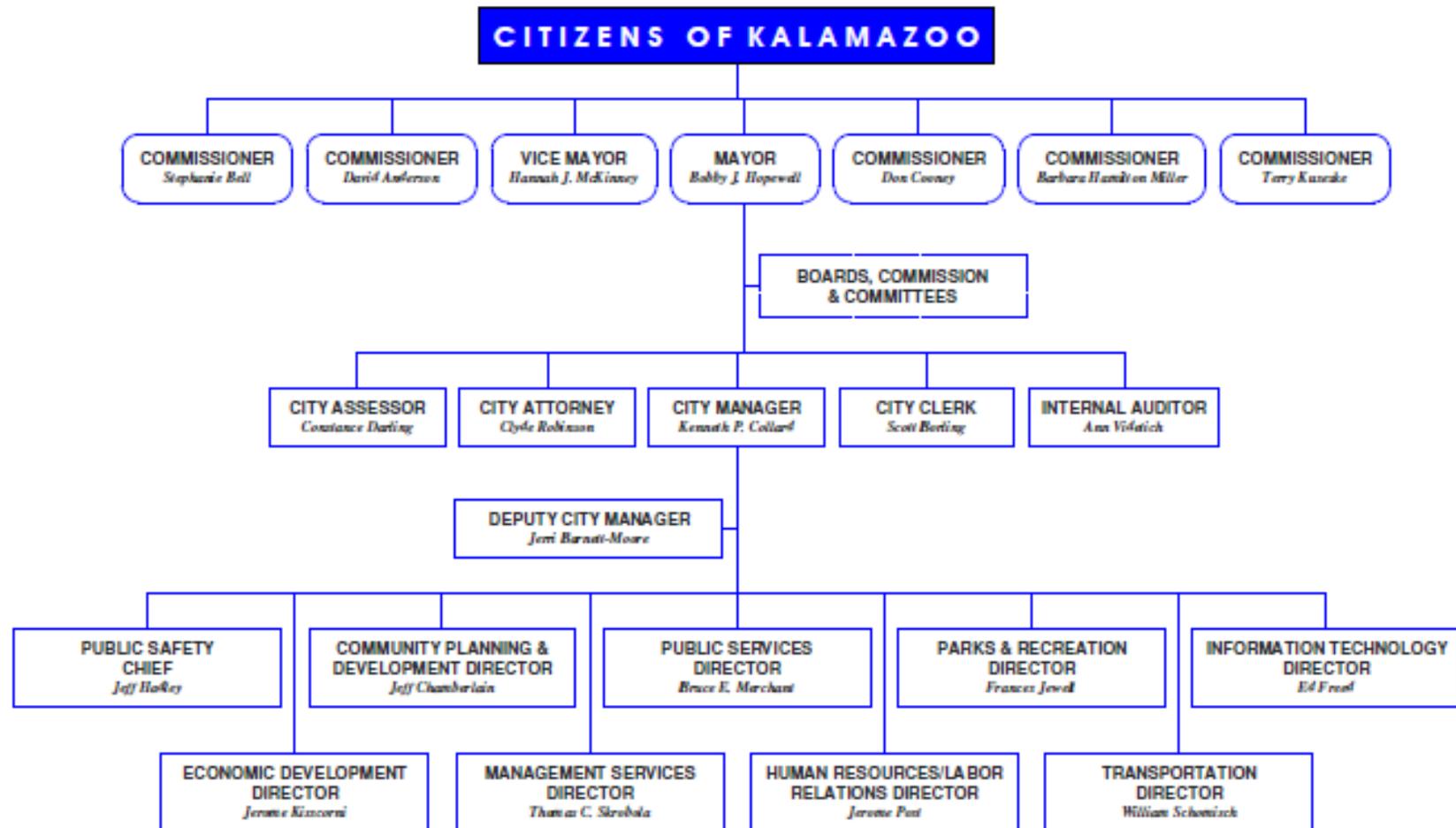
Wade Carlson, City Treasurer
Constance Darling, City Assessor
Nicholas Lam, Purchasing Director

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



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, 2010, 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 which represents 8% of the assets and 25% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Development Authority, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of December 31, 2010, 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 fund 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 30, 2011 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. 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 30, 2011

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, 2010. 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-vi of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$297,849,670 (*net assets*). Of this amount, \$9,380,445 (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 \$16,511,394 or 5.25 percent. This net decrease was a combination of a \$15.47 million decrease in governmental activities net assets and a \$1.04 million decrease in business-type activity net assets;
- The City's balance of bonded debt decreased by \$3.96 million during the current fiscal year. The City added \$2.855 million in General Obligation debt. The City made scheduled bond principal payments totaling slightly more than \$6.82 million.
- As of the close of the 2010 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$23,510,896, a decrease of \$3,182,363 in comparison of the prior year. Approximately 31 percent of the combined fund balances, or \$7,217,161 was available for spending at the government's discretion ("*unreserved-undesignated fund balance*"). However, of that amount, \$5,387,051 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 \$9,287,475, or 18 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$9.3 million fund balance, \$504,164 was reserved, leaving \$8.8 million, or 17.02 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$1,830,110, or 3.58 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net assets decreased \$2,153,920. This included \$87 thousand increase of net assets in the Water Fund, and a \$2.26 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

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

Management's Discussion and Analysis

Governmental funds

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

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

The City maintains twenty (20) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's general fund; Neighborhood and Community Development special revenue fund; and the Building Authority Debt Service fund. Data from the other seventeen (17) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 4-9 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 uses internal service funds to account for its equipment maintenance, self-insurance, engineering services, city-wide maintenance, and printing/mail services. These services predominantly benefit governmental rather than business-type functions, however, they have been allocated between *governmental activities* and *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water systems, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on pages 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 25-55 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 56-57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 58-100 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$297,849,670 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$273,841,244 or 91.9 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, \$14,627,981 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*, the amount that may be used to meet the government's ongoing obligations to citizens and creditors, is \$9,380,445.

Management's Discussion and Analysis

City of Kalamazoo's Net Assets December 31, 2009 and December 31, 2010

	Governmental activities		Business-type activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	61,340,770	54,442,372	37,754,800	40,016,085	99,095,570	94,458,457
Capital assets, net	175,929,949	177,169,136	174,597,947	173,856,935	350,527,896	351,026,071
Total assets	237,270,719	231,611,508	212,352,747	213,873,020	449,623,466	445,484,528
Long-term liabilities outstanding	81,465,373	89,613,836	36,295,757	37,890,228	117,761,130	127,504,064
Other liabilities	13,591,834	15,257,849	3,909,438	4,872,945	17,501,272	20,130,794
Total liabilities	95,057,207	104,871,685	40,205,195	42,763,173	135,262,402	147,634,858
Net assets:						
Invested in capital assets, net of related debt	116,294,415	123,355,990	143,501,852	150,485,254	259,796,267	273,841,244
Restricted	12,721,683	12,050,021	2,577,935	2,577,960	15,299,618	14,627,981
Unrestricted	13,197,414	(8,666,188)	26,067,765	18,046,633	39,265,179	9,380,445
Total net assets	\$ 142,213,512	\$ 126,739,823	\$ 172,147,552	\$ 171,109,847	\$ 314,361,064	\$ 297,849,670

The government's total net assets decreased by \$16,511,394 or 5.25 percent. The net decrease in total net assets was a combination of a \$15.47 million decrease in governmental activities net assets and a \$1.04 million decrease in business-type activity net assets.

City of Kalamazoo's Changes in Net Assets For the Year Ended December 31, 2009 and December 31, 2010

	Governmental activities		Business-type activities		Total	
	2009	2010	2009	2010	2009	2010
Revenue:						
Program revenue:						
Charges for services	\$ 6,353,762	\$ 5,712,049	\$ 30,195,122	\$ 31,904,585	\$ 36,548,884	\$ 37,616,634
Operating grants and contributions	12,915,313	15,255,631	-	-	12,915,313	15,255,631
Capital grants and contributions	21,686	868,221	2,992,894	4,001,255	3,014,580	4,869,476
General revenue:						
Property taxes	36,421,813	34,292,608	-	-	36,421,813	34,292,608
State shared revenues - unrestricted	8,968,211	8,669,650	-	-	8,968,211	8,669,650
Other	2,060,429	1,715,869	387,328	208,607	2,447,757	1,924,476
Total revenue	66,741,214	66,514,028	33,575,344	36,114,447	100,316,558	102,628,475
Expenses:						
General government	8,832,654	\$ 9,371,185	-	-	8,832,654	9,371,185
Public safety	43,227,907	43,495,846	-	-	43,227,907	43,495,846
Public works	6,715,422	5,076,490	-	-	6,715,422	5,076,490
Streets	6,803,283	8,738,448	-	-	6,803,283	8,738,448
Community and economic development	6,223,881	8,746,176	-	-	6,223,881	8,746,176
Parks and recreation	2,564,334	3,223,463	-	-	2,564,334	3,223,463
Interest on long-term debt	2,792,089	2,672,721	-	-	2,792,089	2,672,721
Wastewater	-	-	21,734,385	22,825,084	21,734,385	22,825,084
Water	-	-	13,940,310	14,946,226	13,940,310	14,946,226
Other	-	-	48,684	44,230	48,684	44,230
Total expenses	77,159,570	81,324,329	35,723,379	37,815,540	112,882,949	119,139,869
Change in net assets before transfers	(10,418,356)	(14,810,301)	(2,148,035)	(1,701,093)	(12,566,391)	(16,511,394)
Transfers (out) in	(455,622)	(663,388)	455,622	663,388	-	-
Change in net assets	(10,873,978)	(15,473,689)	(1,692,413)	(1,037,705)	(12,566,391)	(16,511,394)
Net assets - beginning	153,087,490	142,213,512	173,839,965	172,147,552	326,927,455	314,361,064
Net assets - end of year	\$ 142,213,512	\$ 126,739,823	\$ 172,147,552	\$ 171,109,847	\$ 314,361,064	\$ 297,849,670

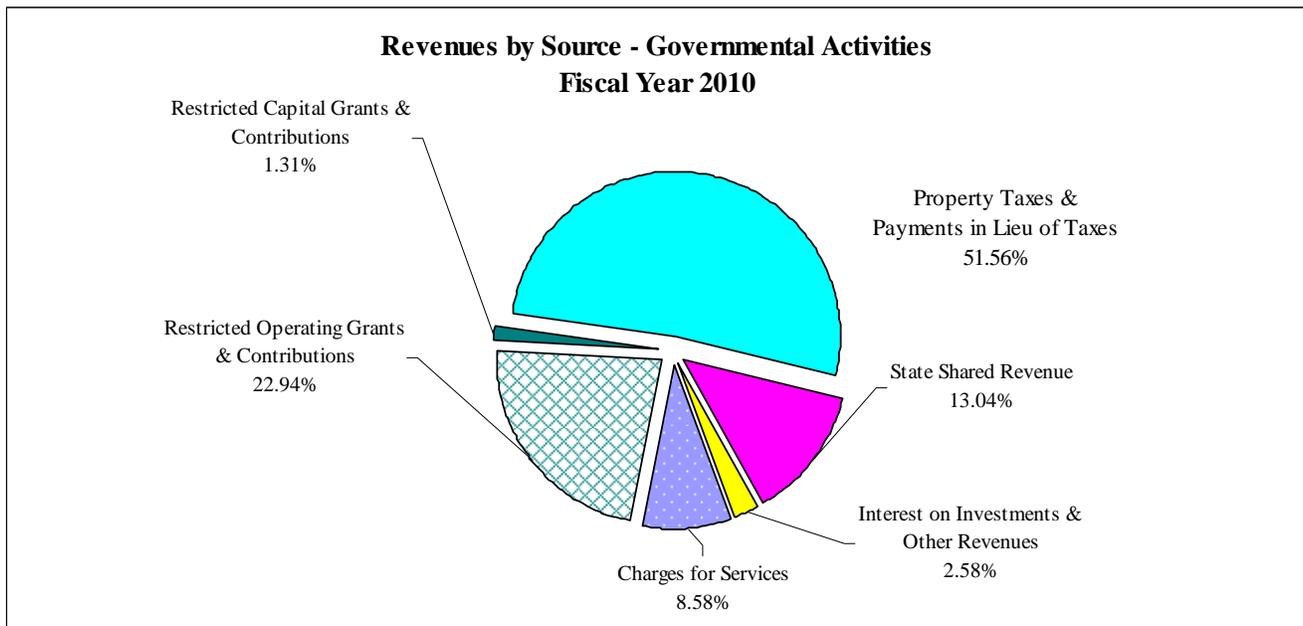
Management's Discussion and Analysis

Governmental activities

Governmental activities decreased the City's net assets \$15.47 million.

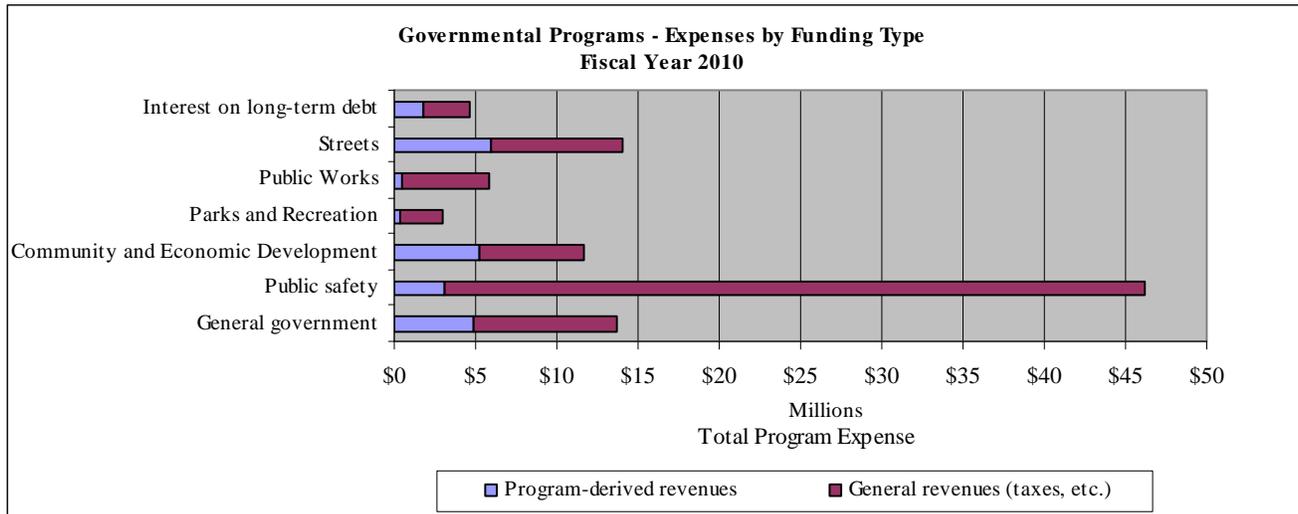
GAAP requires that the City show a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. The total Actuarially Accrued Liability (AAL) of \$263 million for Other Post Employment Benefits has been amortized to an Annually Required Contribution (ARC) of roughly \$23.1 million for 2010. After crediting current payments for retiree health care of \$7.2 million, a net OPEB expense of \$15.6 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 aid. In total, for fiscal year 2010, 67 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.



Management's Discussion and Analysis

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



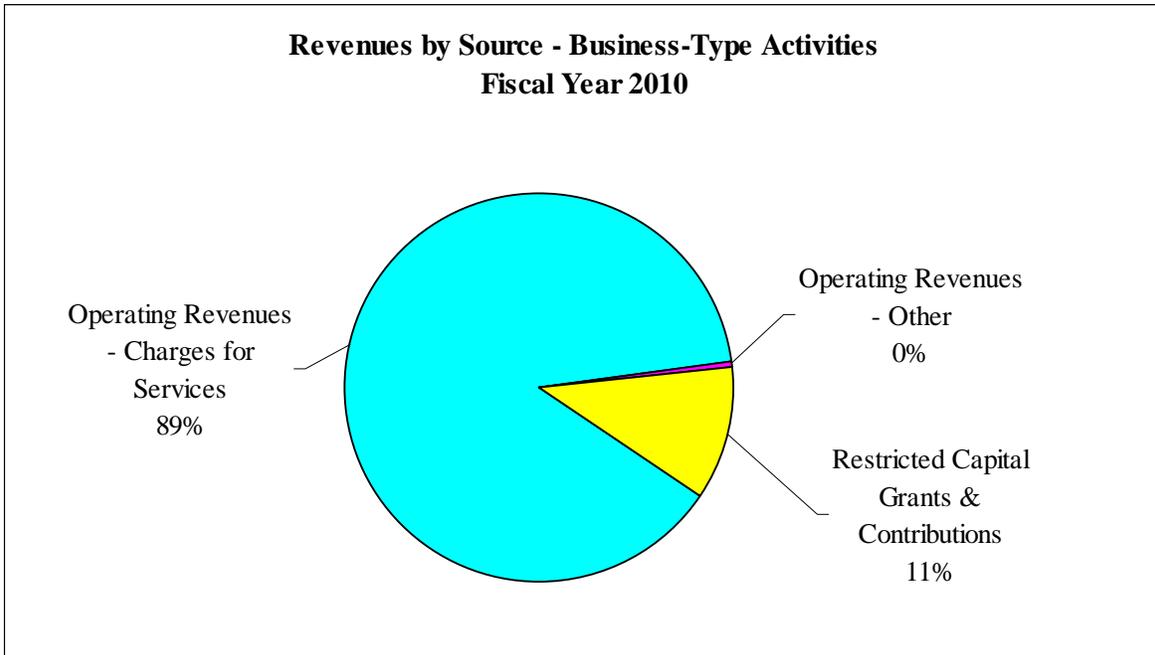
Business-type activities

Business-type activities decreased the City's net assets by \$1.03 million. The key elements of this decrease are as follows:

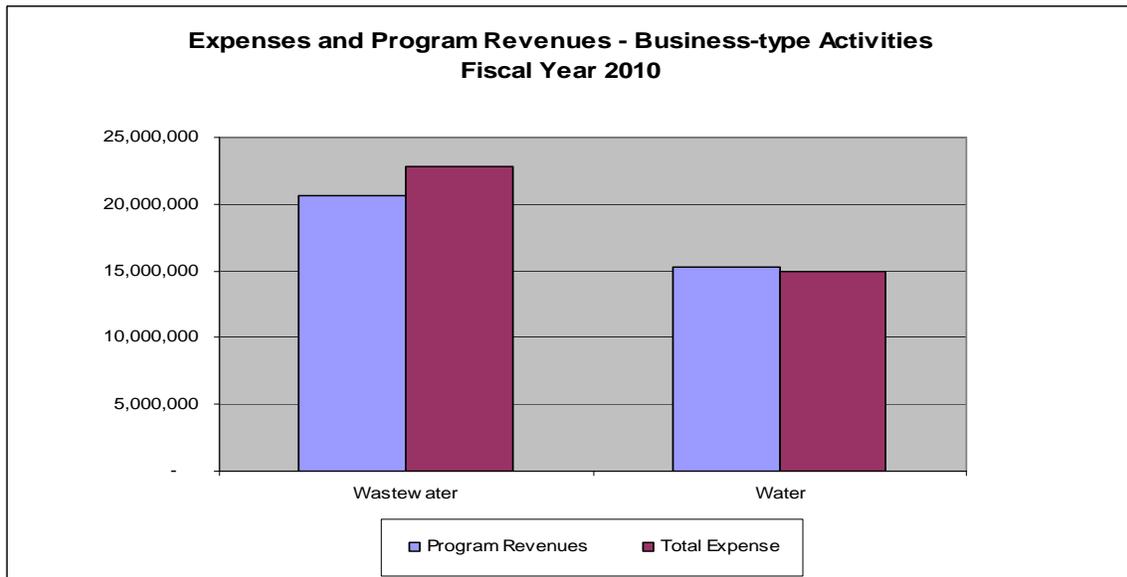
- There was an increase in operating revenue of \$844 thousand for the Wastewater system due primarily to rate changes;
- Capital contributions of \$1.5 million represented a significant revenue source for the Wastewater system during the current fiscal year;
- Capital contributions of \$2.5 million represented a major revenue source for the Water system during the current fiscal year.

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

Management's Discussion and Analysis



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



Financial Analysis of the Government's Funds

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

Governmental funds

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

Management's Discussion and Analysis

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$23,510,896 a decrease of \$3,182,363 in comparison of the prior year. Approximately 31 percent of the combined fund balances, or \$7,217,161, was available for spending at the government's discretion ("*unreserved-undesignated fund balance*"). However, of that amount, \$5,387,051 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

The general fund is the chief operating fund of the City of Kalamazoo. Some property tax collections, \$4,902,292 for 2010, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP). As a result, the City reports two fund balances in the fund financial statements, a "GAAP" fund balance and a "non-GAAP, budgetary basis" fund balance.

The City has a formal unreserved, undesignated fund balance policy target, using the *non-GAAP, budgetary* fund balance, of 13-15 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 \$9,287,475, or 18 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$9.3 million fund balance, \$504,164 was reserved, leaving \$8.8 million, or 17.02 percent of budgetary revenues and other financing sources.

The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$1,830,110 or 3.58 percent of total general fund revenues and other financing sources. This was a \$818,541 decrease from 2009 due to a planned use of fund balance.

Budgetary-basis revenues and other financing sources came in \$217,303 less than the amended budget. Expenditures and other financing uses were \$848,860 below budget, resulting in the favorable variance of \$631,557.

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 2010, the fund balance increased from \$667,595 to \$670,952.

Management's Discussion and Analysis

Building Authority Debt Service Fund

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

During the year, the fund balance increased from \$48,127 to \$48,373. The fund balance is comprised of accumulated interest earnings and bond proceeds, which will be used to offset debt service payments in future years.

Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds decreased from \$20,732,829 to \$18,406,388. The \$18.4 million fund balance is attributable to capital improvement projects funds (\$2.4 million), special revenue funds (\$9.8 million) and endowments held for recreational and cemetery perpetual care purposes (\$6.2 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 \$14.4 million as of December 31, 2010. The fund had a decrease in total net assets for the year of \$2,255,801.

The Wastewater Fund experienced an operating loss of \$3,929,752 due to inflationary increases in expenses, depreciation and a planned drawdown of reserves in 2010.

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, 2010, 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 \$(1,098,733) as of December 31, 2010. The fund had an increase in total net assets for the year of \$86,830.

Management's Discussion and Analysis

The Water Fund experienced an operating loss of \$1,070,185, due to inflationary increases in expenses and depreciation. This was offset by \$2,476,318 of contributed capital to the system and \$27,372 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, 2010, the Operating Reserves were at or above the minimum levels. The Emergency Capital Reserve is required to be at least equal to the prior year's depreciation expense. As of December 31, 2010, the water fund did not have sufficient available resources for this reserve.

Other Enterprise Funds

During the year, the net assets for the City's nonmajor proprietary fund increased by \$15,051 to \$157,569. The City Market (farmers' market) Fund represents the entire net asset balance, the unrestricted portion (not invested in fixed assets) being \$82,981.

General Fund Budgetary Highlights

During the year, there was an increase of \$256,245 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 \$150,000 from 2009 under the City's budgetary policies were re-appropriated in 2010 to fund a summer youth program;
- Increases due to outside funding sources in the amount of \$156,245.

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, 2010, totaled \$351 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 increased \$1.2 million or 0.7 percent for governmental activities while net business-type activity net assets decreased \$741 thousand, or .42 percent.

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

- Water system upgrades totaling \$5.1 million;
- Wastewater system upgrades totaling \$2.9. million;
- Public Works improvements totaling \$75 thousand;
- Information Technology equipment purchases totaling \$58 thousand;

Management's Discussion and Analysis

- Public Safety vehicles totaling \$1.87 million and \$175 thousand in facility improvements;
- Parks upgrades in the amount of \$396 thousand;
- Construction, reconstruction, or widening of streets and sidewalks in the amount of \$2.1 million.

Additional information on the City's capital assets, including detailed changes from 2010, can be found in Note F on pages 40-43 of this report.

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

	Governmental activities		Business-type activities		Total	
	2009	2010	2009	2010	2009	2010
Land	\$ 29,870,787	\$ 29,870,787	\$ 2,979,463	\$ 3,268,225	\$ 32,850,250	\$ 33,139,012
Building & improvements	38,529,783	37,703,400	52,876,342	51,162,767	91,406,125	88,866,167
Land improvements	7,740,929	7,990,924	5,061,861	4,712,925	12,802,790	12,703,849
Machinery & equipment	3,479,045	2,467,717	13,848,134	12,497,361	17,327,179	14,965,078
Vehicles	2,441,925	3,709,216	1,007,488	821,490	3,449,413	4,530,706
Infrastructure	87,597,186	86,021,269	95,225,000	95,803,965	182,822,186	181,825,234
Intangible Assets	-	371,638	980,896	798,003	980,896	1,169,641
Construction in progress	6,270,294	9,034,185	2,618,763	4,792,199	8,889,057	13,826,384
Total	\$ 175,929,949	\$ 177,169,136	\$ 174,597,947	\$ 173,856,935	\$ 350,527,896	\$ 351,026,071

Long-term debt

- The City's balance of bonded debt increased by \$3.96 million during the current fiscal year. The City added \$2.855 million in General Obligation debt. The City made scheduled bond principal payments totaling slightly more than \$6.82 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, 2010 is \$48.775 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, 2010 is \$8.325 million for governmental activities and \$29.8 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, 2010 is \$140 thousand.

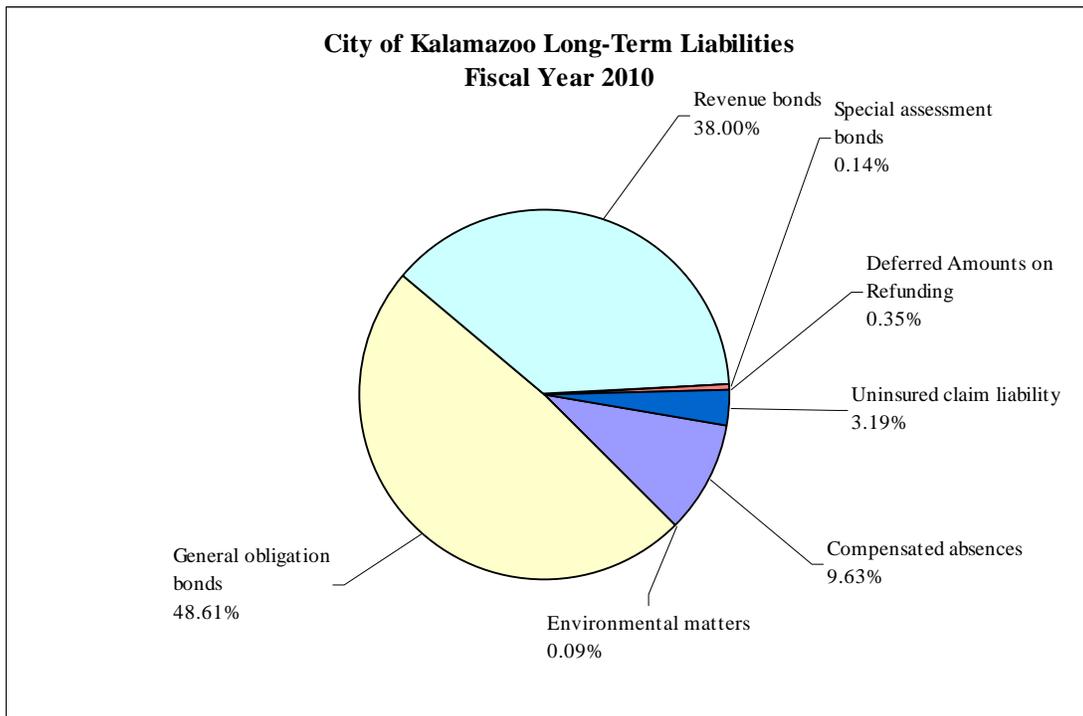
Compensated Absences

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2010 is \$9.66 million.

Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of December 31, 2010. The estimated liability to the City is \$3.286 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 2009, can be found in note disclosures on pages 43-49.

Management's Discussion and Analysis

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies as of December 31, 2010.

	<u>Fitch</u>	<u>S&P</u>
Water and wastewater revenue bonds	AA+	AA
General obligation limited tax bonds	AA+	AA
General obligation unlimited tax bonds	AA+	AA

Economic Factors and Next Year's Budgets and Rates

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

The City is home to the main campuses of Western Michigan University, from which the City derives immense economic and intellectual benefits. However, because of the university's location, as well as being the County seat, 40 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. State revenue sharing has decreased as a percent of the General Fund Budget from 28% in 2001 to 16% in 2010.

The unprecedented economic crisis which took shape in late 2008 and which obliterated millions of jobs and trillions of dollars of wealth across the country has severely impacted the automakers located in Michigan. The state's unemployment statistics are improving, however it is unclear if it is because people are choosing not to participate or if local companies are adding new jobs. Until a clearer trend is identified, this statistic will remain questionable as an indicator of improved economic health.

The state has significantly altered the distribution of state revenue sharing. The new model calls for the elimination of Statutory Revenue Sharing, to be replaced with an incentive program. The criteria for the incentive based program are threefold: (1) transparency in the form of a "dashboard" and "Citizen's Guide", (2) plans for consolidation and efficiency efforts and (3) plans for employee compensation reform. While the City believes that it will be very competitive with other Cities and Villages in meeting these criteria, the overall reduction in state revenue sharing to the city would be equal to a 13% reduction vs. the FY 2010 actual amount.

Management's Discussion and Analysis

Sale prices for residential property in the City have been dropping since 2007. The total drop in sale value is projected to equal 20% including the projection for 2012. Foreclosed residential properties continue to represent excess inventory that will dampen values for some time. The foreclosure situation seems to have stabilized, and should eventually return to normal, hopefully with home prices following the same trend.

In 2010 the value of the Retirement System net assets held in trust for pension benefits increased by 13.4 percent, as compared to an increase of 22.3 percent in 2009, and a decrease of 29.0 percent in 2008. The global financial crisis of 2008 was followed by a fast and broad rebound of equities and fixed income securities. Because the stock market is the principal investment forum utilized by the Retirement System, the market's 2010 market rate of return had a positive impact on net assets.

To address these fiscal challenges, the City continues to alter 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 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 2011 budget maintains basic services and infrastructure, economic growth, neighborhood and community development, affordable housing and expansion of the resource base.

The 2011 fiscal year budget decreases operational General Fund spending by 0.78 percent from fiscal year 2010 adopted budget. The General Fund will transfer a significant amount, \$2.90 million for capital project needs, including \$1.9 million for CIP and Local Streets and an additional \$1.0 million in operating transfers to local streets. Savings in healthcare cost due to system redesign resulted in a rebate of \$4 million to offset expenditures. Revenues over expenditures equal \$1.1 million.

For fiscal year 2011, the ending fund balance is budgeted to come in at 15.4 percent of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2011.

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, 2010

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,012,382	\$ 10,261,271	\$ 16,273,653	\$ 3,105,703
Cash and cash equivalents, restricted	5,739,590	8,654,158	14,393,748	1,876,901
Investments	6,914,624	3,512,476	10,427,100	4,997,442
Investments with agents	2,267,042	-	2,267,042	-
Current portion of receivables	8,308,882	6,287,531	14,596,413	2,923,522
Internal balances	(3,148,524)	3,148,524	-0-	-
Due from other governmental units	7,552,799	126,786	7,679,585	1,407,241
Inventories	382,097	711,569	1,093,666	308,690
Prepays	96,880	40,179	137,059	25,460
Assets held for sale	400,246	-	400,246	-
Total current assets	34,526,018	32,742,494	67,268,512	14,644,959
Noncurrent assets				
Advance to other governmental units	4,486,772	168,925	4,655,697	-
Investments	8,107,817	6,477,892	14,585,709	1,174,149
Deferred charges	741,732	626,774	1,368,506	14,642
Noncurrent portion of receivables	6,580,033	-	6,580,033	1,667,807
Capital assets not being depreciated	38,904,972	8,060,424	46,965,396	3,075,512
Capital assets, net of accumulated depreciation	138,264,164	165,796,511	304,060,675	19,407,317
Total noncurrent assets	197,085,490	181,130,526	378,216,016	25,339,427
TOTAL ASSETS	231,611,508	213,873,020	445,484,528	39,984,386
LIABILITIES				
Current liabilities				
Accounts payable	1,671,623	1,591,346	3,262,969	1,286,415
Accrued payroll	1,203,469	-	1,203,469	11,854
Accrued interest payable	644,802	499,808	1,144,610	92,639
Other accrued liabilities	1,583,942	-	1,583,942	-
Deposits payable	1,089,401	790,515	1,879,916	-
Due to other governmental units	610,347	91,079	701,426	504,732
Unearned revenue	364,967	-	364,967	615,656
Current portion of advances from other governmental units	-	-	-0-	2,221,393
Current portion of compensated absences	1,000,583	206,981	1,207,564	40,165
Current portion of long-term debt	5,484,937	1,693,216	7,178,153	848,470
Current portion of uninsured claim liability	1,603,778	-	1,603,778	-
Total current liabilities	15,257,849	4,872,945	20,130,794	5,621,324
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	1,567,807
Noncurrent portion of compensated absences	7,004,052	1,448,859	8,452,911	281,158
Noncurrent portion of long-term debt	52,003,574	27,754,663	79,758,237	4,739,899
Noncurrent portion of uninsured claim liability	1,593,876	-	1,593,876	-
Net other post-employment benefits obligation	29,012,334	8,686,706	37,699,040	2,338,452
Total noncurrent liabilities	89,613,836	37,890,228	127,504,064	8,927,316
TOTAL LIABILITIES	104,871,685	42,763,173	147,634,858	14,548,640
NET ASSETS				
Invested in capital assets, net of related debt	123,355,990	150,485,254	273,841,244	21,311,619
Restricted				
Nonexpendable				
Expendable, restricted for:	6,230,130	-	6,230,130	-
Major and local street projects	2,389,965	-	2,389,965	-
Solid waste program	1,530,582	-	1,530,582	-
Neighborhood and community development	670,952	-	670,952	-
Capital improvements	267,099	-	267,099	-
Other purposes	961,293	2,577,960	3,539,253	-
Unrestricted	(8,666,188)	18,046,633	9,380,445	4,124,127
TOTAL NET ASSETS	\$ 126,739,823	\$ 171,109,847	\$ 297,849,670	\$ 25,435,746

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 9,371,185	\$ 4,731,626	\$ 111,646	\$ -
Public safety	43,495,846	344,411	2,110,623	671,560
Public works	5,076,490	176,116	292,322	-
Streets	8,738,448	149	6,005,433	-
Community and economic development	8,746,176	246,453	4,776,538	196,661
Parks and recreation	3,223,463	213,294	166,179	-
Interest on long-term debt	2,672,721	-	1,792,890	-
Total governmental activities	81,324,329	5,712,049	15,255,631	868,221
Business-type activities				
Wastewater	22,825,084	19,085,813	-	1,524,937
Water	14,946,226	12,759,940	-	2,476,318
Other	44,230	58,832	-	-
Total business-type activities	37,815,540	31,904,585	-0-	4,001,255
Total primary government	\$ 119,139,869	\$ 37,616,634	\$ 15,255,631	\$ 4,869,476
Component units				
Downtown Development Authority	\$ 6,568,474	\$ 2,711,658	\$ -	\$ 365,800
Economic Development Corporation	150,301	-	81,024	-
Brownfield Redevelopment Authority	1,099,856	-	55,352	-
Local Development Finance Authority	272,849	-	-	-
Metro Transit	14,415,722	2,622,482	9,915,659	1,889,719
Kalamazoo Municipal Golf Association	986,209	1,180,442	-	-
Total component units	\$ 23,493,411	\$ 6,514,582	\$ 10,052,035	\$ 2,255,519

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

Total general revenues and transfers

Change in net assets

Net assets, beginning of the year

Net assets, end of the year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (4,527,913)	\$ -	\$ (4,527,913)	\$ -
(40,369,252)	-	(40,369,252)	-
(4,608,052)	-	(4,608,052)	-
(2,732,866)	-	(2,732,866)	-
(3,526,524)	-	(3,526,524)	-
(2,843,990)	-	(2,843,990)	-
(879,831)	-	(879,831)	-
<u>(59,488,428)</u>	<u>-0-</u>	<u>(59,488,428)</u>	<u>-0-</u>
-	(2,214,334)	(2,214,334)	-
-	290,032	290,032	-
-	14,602	14,602	-
<u>-0-</u>	<u>(1,909,700)</u>	<u>(1,909,700)</u>	<u>-0-</u>
(59,488,428)	(1,909,700)	(61,398,128)	-0-
-	-	-0-	(3,491,016)
-	-	-0-	(69,277)
-	-	-0-	(1,044,504)
-	-	-0-	(272,849)
-	-	-0-	12,138
-	-	-0-	194,233
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,671,275)</u>
34,292,608	-	34,292,608	5,180,160
8,669,650	-	8,669,650	-
1,411,281	28,161	1,439,442	68,059
-	-	-0-	27,896
-	7,418	7,418	-
304,588	173,028	477,616	327,898
(663,388)	663,388	-0-	-
<u>44,014,739</u>	<u>871,995</u>	<u>44,886,734</u>	<u>5,604,013</u>
(15,473,689)	(1,037,705)	(16,511,394)	932,738
<u>142,213,512</u>	<u>172,147,552</u>	<u>314,361,064</u>	<u>24,503,008</u>
<u>\$ 126,739,823</u>	<u>\$ 171,109,847</u>	<u>\$ 297,849,670</u>	<u>\$ 25,435,746</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2010

	General	Neighborhood and Community Development	Building Authority Debt Service
ASSETS			
Cash and cash equivalents	\$ 282,544	\$ 257,696	\$ 48,785
Cash and cash equivalents - restricted	-	-	-
Investments	2,338,693	-	-
Investments with agents	-	-	-
Receivables			
Accounts	1,071,627	59,828	-
Interest	14,906	-	-
Special assessments	5,592	-	-
Taxes	5,920,482	-	-
Notes	249,109	5,547,297	-
Due from other funds	3,005,471	2,482	100
Due from other governmental units	680,559	538,223	3,655,000
Advances to other funds	340,000	-	-
Advances to other governmental units	-	-	866,497
Prepays	88,835	-	-
Assets held for resale	-	400,246	-
	<u>\$ 13,997,818</u>	<u>\$ 6,805,772</u>	<u>\$ 4,570,382</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 529,761	\$ 238,735	\$ -
Accrued liabilities	86,423	-	-
Due to other funds	2,901,053	193,836	271
Due to other governmental units	385,984	24,094	241
Deposits payable	13,900	98,478	-
Deferred revenue	5,695,514	5,579,677	4,521,497
	<u>9,612,635</u>	<u>6,134,820</u>	<u>4,522,009</u>
TOTAL LIABILITIES			
FUND BALANCES			
Reserved for:			
Prepays	88,835	-	-
Encumbrances	75,329	670,952	-
Advances	340,000	-	-
Cemetery perpetual care	-	-	-
Recreational activities	-	-	-
Noncurrent notes receivable	-	-	-
Debt-financed projects	-	-	-
Unreserved			
Designated for subsequent years' expenditures, reported in:			
General fund	2,050,909	-	-
Capital projects funds	-	-	-
Undesignated, reported in:			
General fund	1,830,110	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	48,373
Capital projects funds	-	-	-
	<u>4,385,183</u>	<u>670,952</u>	<u>48,373</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 13,997,818</u>	<u>\$ 6,805,772</u>	<u>\$ 4,570,382</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,542,750	\$ 4,131,775
5,739,590	5,739,590
5,769,124	8,107,817
2,241,536	2,241,536
730,260	1,861,715
-	14,906
21,058	26,650
284,993	6,205,475
783,627	6,580,033
1,125,279	4,133,332
2,462,940	7,336,722
-	340,000
3,620,275	4,486,772
8,045	96,880
-	400,246
<u>\$ 26,329,477</u>	<u>\$ 51,703,449</u>

\$ 724,296	\$ 1,492,792
370,191	456,614
4,677,178	7,772,338
165,671	575,990
977,023	1,089,401
<u>1,008,730</u>	<u>16,805,418</u>
7,923,089	28,192,553

8,045	96,880
1,356,419	2,102,700
3,620,275	3,960,275
4,006,861	4,006,861
2,223,269	2,223,269
100,000	100,000
25,397	25,397
-	2,050,909
1,727,444	1,727,444
-	1,830,110
5,028,383	5,028,383
43,196	91,569
267,099	267,099
<u>18,406,388</u>	<u>23,510,896</u>
<u>\$ 26,329,477</u>	<u>\$ 51,703,449</u>

City of Kalamazoo

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

December 31, 2010

Total fund balance - governmental funds \$ 23,510,896

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

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

The cost of capital assets is	\$ 309,407,437	
Accumulated depreciation is	<u>(133,751,603)</u>	
Capital assets, net		175,655,834

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		16,458,051
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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	6,552,927	
Net assets allocated to business-type activities from governmental activities internal service funds	<u>(3,130,400)</u>	
		3,422,527

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.		741,732
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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	(57,240,000)	
Environmental matters liability	(88,562)	
Unamortized deferred amounts on debt issuance	(159,949)	
Accrued interest payable	(644,802)	
Compensated absences	(7,648,294)	
Net other post-employment benefits obligation	<u>(27,267,610)</u>	
		<u>(93,049,217)</u>

Net assets of governmental activities \$ 126,739,823

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2010

	General	Neighborhood and Community Development	Building Authority Debt Service
REVENUES			
Taxes	\$ 32,461,655	\$ -	\$ -
Licenses and permits	1,867,123	-	-
Intergovernmental	10,216,273	3,078,060	-
Charges for services	5,045,557	57,916	-
Fines and forfeits	41,914	-	-
Interest and rents	675,837	367	2,465,953
Net investment earnings	-	-	-
Other revenue	389,568	1,398	133,232
TOTAL REVENUES	50,697,927	3,137,741	2,599,185
EXPENDITURES			
Current			
General government	6,723,260	-	-
Public safety	33,014,538	-	-
Public works	1,251,258	-	-
Streets	-	-	-
Community and economic development	2,702,583	3,162,260	-
Parks and recreation	2,465,692	-	-
Other	2,761,908	-	-
Debt service			
Principal	-	-	2,515,000
Interest and fiscal charges	71,462	-	1,670,355
Capital outlay	-	-	-
TOTAL EXPENDITURES	48,990,701	3,162,260	4,185,355
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,707,226	(24,519)	(1,586,170)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Bond premium	24,960	-	-
Bond original issue discount	(1,260)	-	-
Transfers in	509,541	27,876	1,586,416
Transfers out	(3,099,992)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,566,751)	27,876	1,586,416
NET CHANGE IN FUND BALANCES	(859,525)	3,357	246
Fund balances, beginning of year	5,244,708	667,595	48,127
Fund balances, end of year	<u>\$ 4,385,183</u>	<u>\$ 670,952</u>	<u>\$ 48,373</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,609,841	\$ 35,071,496
-	1,867,123
9,175,894	22,470,227
519,203	5,622,676
254,286	296,200
287,426	3,429,583
780,472	780,472
<u>1,144,434</u>	<u>1,668,632</u>
14,771,556	71,206,409
446,109	7,169,369
1,790,229	34,804,767
2,538,349	3,789,607
8,191,630	8,191,630
1,898,687	7,763,530
340,759	2,806,451
-	2,761,908
2,610,000	5,125,000
980,165	2,721,982
<u>2,861,401</u>	<u>2,861,401</u>
<u>21,657,329</u>	<u>77,995,645</u>
(6,885,773)	(6,789,236)
2,855,000	2,855,000
57,983	82,943
(13,630)	(14,890)
8,522,944	10,646,777
<u>(6,862,965)</u>	<u>(9,962,957)</u>
<u>4,559,332</u>	<u>3,606,873</u>
(2,326,441)	(3,182,363)
<u>20,732,829</u>	<u>26,693,259</u>
<u>\$ 18,406,388</u>	<u>\$ 23,510,896</u>

City of Kalamazoo

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

Year Ended December 31, 2010

Net change in fund balances - total governmental funds \$ (3,182,363)

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	\$ 10,110,506	
Depreciation expense	(7,373,249)	
Net effect of disposal of capital assets	<u>(1,030,352)</u>	
Excess of capital outlay over depreciation expense and other items		1,706,905

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,216,599)

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

Net loss of governmental activities internal service funds	(1,292,142)	
Net revenue of governmental activities internal service funds allocated to business-type activities	(845,538)	
Net revenue of governmental activities internal service funds allocated to component units	<u>(684,347)</u>	
		(2,822,027)

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	55,278	
Amortization of deferred charges	<u>(54,918)</u>	
Excess of deferred charges over amortization		360

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	(2,855,000)	
Debt principal retirement	<u>5,125,000</u>	
		2,270,000

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:

(Increase) in deferred amounts on debt issuance	(34,415)	
Decrease in accrued interest payable	38,965	
(Increase) in compensated absences	(92,921)	
Decrease in environmental matters liability	451,250	
(Increase) in other post-employment benefits obligation	<u>(10,592,844)</u>	
		<u>(10,229,965)</u>

Change in net assets of governmental activities \$ (15,473,689)

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, 2010

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 33,304,934	\$ 33,304,934	\$ 32,837,675	\$ (467,259)
Licenses and permits	1,889,070	1,889,070	1,867,123	(21,947)
Intergovernmental	9,612,056	9,612,056	10,216,273	604,217
Charges for services	5,066,386	5,066,386	5,045,557	(20,829)
Fines and forfeits	41,000	41,000	41,914	914
Interest and rentals	932,400	932,400	675,837	(256,563)
Other	416,000	445,409	389,568	(55,841)
TOTAL REVENUES	51,261,846	51,291,255	51,073,947	(217,308)
EXPENDITURES				
Current				
General government				
Commission	86,340	86,340	84,362	1,978
Manager	746,924	746,924	728,127	18,797
Attorney	870,000	870,000	865,871	4,129
Clerk				
Administration	254,442	254,442	250,132	4,310
Election	242,145	242,145	214,135	28,010
Records management	160,816	160,816	149,280	11,536
Internal audit	94,000	94,000	88,947	5,053
Human resources	794,507	794,507	765,230	29,277
Management services department				
Accounting	1,132,507	1,132,507	1,135,569	(3,062)
Assessor	642,673	642,673	593,060	49,613
Treasurer	839,403	839,403	794,271	45,132
Purchasing	465,937	465,937	455,584	10,353
Building maintenance	565,000	565,000	598,692	(33,692)
Total general government	6,894,694	6,894,694	6,723,260	171,434
Public safety				
Administration	1,058,225	1,058,225	1,087,347	(29,122)
Training	889,308	889,308	787,081	102,227
K-Vet drug enforcement	1,449,060	1,449,060	1,325,080	123,980
Operations division	19,514,181	19,514,181	19,403,160	111,021
Criminal investigations	3,838,309	3,838,309	3,738,270	100,039
Service division	6,760,718	6,743,854	6,673,600	70,254
Total public safety	33,509,801	33,492,937	33,014,538	478,399
Public works				
Forestry, creek, and environmental inspections	695,060	695,060	757,329	(62,269)
Sidewalks and pedestrian mall maintenance	639,222	639,222	493,929	145,293
Total public works	1,334,282	1,334,282	1,251,258	83,024

CONTINUED

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, 2010

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Community development	\$ 507,793	\$ 507,793	\$ 476,330	\$ 31,463
Code administration	1,851,819	1,851,819	1,787,438	64,381
Planning	476,457	476,457	438,815	37,642
Total community and economic development	2,836,069	2,836,069	2,702,583	133,486
Parks and recreation				
Parks maintenance	1,192,219	1,220,591	1,171,344	49,247
Recreation	1,348,781	1,329,354	1,294,348	35,006
Total parks and recreation	2,541,000	2,549,945	2,465,692	84,253
Nondepartmental				
Street lighting	1,123,401	1,123,401	1,315,133	(191,732)
Downtown Development Authority	265,800	265,800	265,800	-0-
Other	1,053,261	1,081,594	1,180,975	(99,381)
Debt service	75,000	143,967	71,462	72,505
Total nondepartmental	2,517,462	2,614,762	2,833,370	(218,608)
TOTAL EXPENDITURES	49,633,308	49,722,689	48,990,701	731,988
EXCESS OF REVENUES OVER EXPENDITURES	1,628,538	1,568,566	2,083,246	514,680
OTHER FINANCING SOURCES (USES)				
Bond premium	-	24,960	24,960	-0-
Bond original issue discount	-	(1,260)	(1,260)	-0-
Transfers in	530,000	509,536	509,541	5
Transfers out	(3,050,000)	(3,216,864)	(3,099,992)	116,872
TOTAL OTHER FINANCING SOURCES (USES)	(2,520,000)	(2,683,628)	(2,566,751)	116,877
NET CHANGE IN FUND BALANCE	(891,462)	(1,115,062)	(483,505)	631,557
Fund balance, beginning of year	9,770,980	9,770,980	9,770,980	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 8,879,518</u>	<u>\$ 8,655,918</u>	9,287,475	<u>\$ 631,557</u>
Accounting basis difference			<u>(4,902,292)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 4,385,183</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, 2010

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,023,031	\$ 5,394,613	\$ 3,078,060	\$ (2,316,553)
Charges for services	-	-	57,916	57,916
Interest	-	-	367	367
Other	-	-	1,398	1,398
TOTAL REVENUES	1,023,031	5,394,613	3,137,741	(2,256,872)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	67,725	88,446	58,399	30,047
Housing services	898,312	1,001,117	813,559	187,558
Community Development Block Grant	152,592	2,362,031	1,244,765	1,117,266
Emergency shelter	-	105,847	66,575	39,272
Housing rehabilitation	-	-	32,483	(32,483)
HOME	-	1,953,544	946,479	1,007,065
TOTAL EXPENDITURES	1,118,629	5,510,985	3,162,260	2,348,725
EXCESS OF REVENUES (UNDER) EXPENDITURES	(95,598)	(116,372)	(24,519)	91,853
OTHER FINANCING SOURCES				
Transfers in	27,873	27,928	27,876	(52)
NET CHANGE IN FUND BALANCE	(67,725)	(88,444)	3,357	91,801
Fund balance, beginning of year	667,595	667,595	667,595	-0-
Fund balance, end of year	<u>\$ 599,870</u>	<u>\$ 579,151</u>	<u>\$ 670,952</u>	<u>\$ 91,801</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2010

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 7,553,951	\$ 1,997,299	\$ 87,050	\$ 9,638,300	\$ 2,503,578
Cash and cash equivalents - restricted	2,750,235	5,903,923	-	8,654,158	-
Investments	1,997,810	533,109	-	2,530,919	7,896,181
Investments with agents	-	-	-	-0-	25,506
Receivables					
Customers	3,886,572	2,364,432	400	6,251,404	200,136
Interest	8,299	-	-	8,299	-
Special assessment	27,828	-	-	27,828	-
Due from other funds	1,093,063	204,340	114	1,297,517	5,374,810
Due from other governmental units	48,489	78,297	-	126,786	216,077
Inventories	392,015	281,940	-	673,955	419,711
Prepays	25,105	15,074	-	40,179	-
Total current assets	17,783,367	11,378,414	87,564	29,249,345	16,635,999
Noncurrent assets					
Advance to other governmental units	168,925	-	-	168,925	-
Investments	6,477,892	-	-	6,477,892	-
Deferred charges	148,716	478,058	-	626,774	-
Capital assets not being depreciated	3,507,183	4,553,241	-	8,060,424	4,337
Capital assets, net of accumulated depreciation	76,153,825	88,618,350	74,588	164,846,763	2,458,713
Total noncurrent assets	86,456,541	93,649,649	74,588	180,180,778	2,463,050
TOTAL ASSETS	104,239,908	105,028,063	162,152	209,430,123	19,099,049
LIABILITIES					
Current liabilities					
Accounts payable	1,041,606	482,196	25	1,523,827	246,350
Accrued payroll	-	-	-	-0-	1,203,469
Other accrued liabilities	-	-	-	-0-	1,127,328
Accrued interest payable	84,064	415,744	-	499,808	-
Deposit payable	-	790,515	-	790,515	-
Due to other funds	740,919	859,920	3,809	1,604,648	1,428,673
Due to other governmental units	33,088	57,991	-	91,079	34,357
Unearned revenue	-	-	-	-0-	17,600
Current portion of compensated absences	133,977	67,994	94	202,065	49,462
Current portion of long-term debt	308,966	1,384,250	-	1,693,216	-
Current portion of uninsured claim liability	-	-	-	-0-	1,603,778
Total current liabilities	2,342,620	4,058,610	3,928	6,405,158	5,711,017
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	937,837	475,960	655	1,414,452	346,202
Noncurrent portion of long-term debt	5,116,218	22,638,445	-	27,754,663	-
Net other post-employment benefits obligation	4,430,008	3,900,962	-	8,330,970	2,100,460
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,593,876
Total noncurrent liabilities	10,484,063	27,015,367	655	37,500,085	4,380,538
TOTAL LIABILITIES	12,826,683	31,073,977	4,583	43,905,243	10,091,555
NET ASSETS					
Invested in capital assets, net of related debt	76,529,527	72,931,391	74,588	149,535,506	2,463,050
Restricted for bond reserves	456,532	2,121,428	-	2,577,960	-
Unrestricted	14,427,166	(1,098,733)	82,981	13,411,414	6,544,444
TOTAL NET ASSETS	\$ 91,413,225	\$ 73,954,086	\$ 157,569	\$ 165,524,880	\$ 9,007,494

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, 2010

Total net assets - total enterprise funds \$ 165,524,880

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	\$ 2,454,567	
Net assets allocated to business-type activities from governmental activity internal service funds	<u>3,130,400</u>	<u>5,584,967</u>
Net assets of business-type activities		<u><u>\$ 171,109,847</u></u>

City of Kalamazoo

Proprietary Funds

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

Year Ended December 31, 2010

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
OPERATING REVENUES					
Charges for services	\$ 19,085,813	\$ 12,759,940	\$ 58,832	\$ 31,904,585	\$ 29,022,800
Other	60,941	112,087	-	173,028	-
TOTAL OPERATING REVENUES	19,146,754	12,872,027	58,832	32,077,613	29,022,800
OPERATING EXPENSES					
Operation and maintenance	18,852,129	10,888,856	41,355	29,782,340	8,222,934
Risk management	-	-	-	-0-	19,847,824
Depreciation	4,224,377	3,053,356	3,960	7,281,693	893,595
TOTAL OPERATING EXPENSES	23,076,506	13,942,212	45,315	37,064,033	28,964,353
OPERATING INCOME (LOSS)	(3,929,752)	(1,070,185)	13,517	(4,986,420)	58,447
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	(4,039)	28,312	166	24,439	81,592
Gain (loss) on sale of capital assets	-	(4,285)	-	(4,285)	12,672
Amortization of:					
Deferred charges	(11,116)	(33,131)	-	(44,247)	-
Bond defeasance expenses	-	(45,582)	-	(45,582)	-
Bond premiums	(1,034)	4,832	-	3,798	-
Interest expense and fiscal charges	(296,413)	(1,296,821)	-	(1,593,234)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(312,602)	(1,346,675)	166	(1,659,111)	94,264
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(4,242,354)	(2,416,860)	13,683	(6,645,531)	152,711
CAPITAL CONTRIBUTIONS	1,524,937	2,476,318	-	4,001,255	-
TRANSFERS IN	461,616	27,372	1,368	490,356	1,054,846
TRANSFERS OUT	-	-	-	-0-	(2,229,022)
CHANGE IN NET ASSETS	(2,255,801)	86,830	15,051	(2,153,920)	(1,021,465)
Net assets, beginning of year	93,669,026	73,867,256	142,518	167,678,800	10,028,959
Net assets, end of year	<u>\$ 91,413,225</u>	<u>\$ 73,954,086</u>	<u>\$ 157,569</u>	<u>\$ 165,524,880</u>	<u>\$ 9,007,494</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, 2010

Net change in net assets - total enterprise funds \$ (2,153,920)

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 revenue of business-type activities accounted for in the business-type activity internal service fund	\$ 270,677	
Net revenue allocated to the business-type activities from governmental activity internal service funds	<u>845,538</u>	<u>1,116,215</u>

Change in net assets of business-type activities \$ (1,037,705)

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 19,098,113	\$ 13,006,871	\$ 60,790	\$ 32,165,774	\$ 29,199,584
Cash received from interfund services provided	2,023,168	1,418,192	112	3,441,472	-
Cash paid to suppliers	(9,468,764)	(4,117,145)	(14,316)	(13,600,225)	(4,074,641)
Cash paid to employees	(5,081,498)	(3,307,449)	(19,023)	(8,407,970)	(2,465,320)
Cash paid for employee benefits	(2,305,562)	(1,756,456)	(7,976)	(4,069,994)	(21,067,832)
Cash paid for interfund services provided	(487,789)	(1,637,952)	2,853	(2,122,888)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,777,668	3,606,061	22,440	7,406,169	1,591,791
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer in	461,616	27,372	1,368	490,356	1,054,846
Transfer out	-	-	-	-0-	(2,229,022)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	461,616	27,372	1,368	490,356	(1,174,176)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	1,524,937	2,476,318	-	4,001,255	-
Purchases of capital assets	(2,504,765)	(4,241,825)	-	(6,746,590)	(224,253)
Proceeds from sales of capital assets	-	-	-	-0-	12,672
Interest paid	(254,200)	(1,150,011)	-	(1,404,211)	-
Payments on borrowings	(330,000)	(1,360,000)	-	(1,690,000)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,564,028)	(4,275,518)	-0-	(5,839,546)	(211,581)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,235,324)	(533,109)	-	(1,768,433)	(981,557)
Proceeds from sales and maturities of investments	-	-	-	-0-	317,992
Interest received	(7,386)	28,312	165	21,091	81,592
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,242,710)	(504,797)	165	(1,747,342)	(581,973)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,432,546	(1,146,882)	23,973	309,637	(375,939)
Cash and cash equivalents, beginning of year	8,871,640	9,048,104	63,077	17,982,821	2,879,517
Cash and cash equivalents, end of year	<u>\$ 10,304,186</u>	<u>\$ 7,901,222</u>	<u>\$ 87,050</u>	<u>\$ 18,292,458</u>	<u>\$ 2,503,578</u>

CONTINUED

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2010

	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)	\$ (3,929,752)	\$ (1,070,185)	\$ 13,517	\$ (4,986,420)	\$ 58,447
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,224,377	3,053,356	3,960	7,281,693	893,595
Changes in assets and liabilities:					
Accounts receivable	(27,568)	7,871	1,958	(17,739)	(62,632)
Due from other funds	1,993,168	1,418,192	112	3,411,472	3,504,229
Due from other governmental units	(21,073)	(58,555)	-	(79,628)	162,019
Advance to other governmental units	30,000	-	-	30,000	-
Inventories	11,562	(7,615)	-	3,947	(124,923)
Prepays	10,926	(2,086)	-	8,840	750
Accounts payable	249,483	233,330	(5)	482,808	(185,718)
Accrued liabilities	-	-	-	-0-	168,062
Due to other funds	(487,789)	(1,637,952)	2,853	(2,122,888)	(3,457,120)
Due to other governmental units	26,383	45,958	-	72,341	30,288
Deposits payable	-	185,528	-	185,528	-
Compensated absences	(22,997)	(77,195)	45	(100,147)	21,645
Uninsured claim liability	-	-	-	-0-	(232,837)
Other post-employment benefits obligation	1,720,948	1,515,414	-	3,236,362	815,986
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,777,668	\$ 3,606,061	\$ 22,440	\$ 7,406,169	\$ 1,591,791

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2010

	Employees' Retirement System Pension Trust	General Private Purpose Trust	Tax Collector's Agency Fund
ASSETS			
Cash and cash equivalents	\$ 4,408,241	\$ 74,739	\$ 11,443,385
Investments	505,445,590	-	-
Receivables			
Interest and dividends	1,445,574	-	-
Taxes	-	-	34,827,369
Other	-	-	882
	<u>511,299,405</u>	<u>74,739</u>	<u>\$ 46,271,636</u>
LIABILITIES			
Accounts payable	82,292	-	\$ -
Due to other governmental units	-	-	46,271,461
Due to individuals and agencies	-	52,384	175
	<u>82,292</u>	<u>52,384</u>	<u>\$ 46,271,636</u>
NET ASSETS			
Held in trust for benefits and other purposes	<u>\$ 511,217,113</u>	<u>\$ 22,355</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET ASSETS

December 31, 2010

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 98,271	\$ 543,920	\$ 587,956
Cash and cash equivalents - restricted	1,876,901	-	-
Investments	-	-	-
Accounts receivable	512,948	-	283,239
Taxes receivable	629,713	-	-
Notes receivable	-	95,071	922,143
Due from other governmental units	-	8,123	-
Inventories	-	-	-
Prepays	3,800	267	-
Total current assets	<u>3,121,633</u>	<u>647,381</u>	<u>1,793,338</u>
Noncurrent assets			
Investments	-	-	1,174,149
Deferred charges	-	-	-
Noncurrent portion of notes receivable	-	1,667,807	-
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	<u>148,050</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>206,212</u>	<u>1,667,807</u>	<u>1,174,149</u>
TOTAL ASSETS	<u>3,327,845</u>	<u>2,315,188</u>	<u>2,967,487</u>
LIABILITIES			
Current liabilities			
Accounts payable	681,552	902	10,909
Accrued wages	11,854	-	-
Accrued interest payable	54,340	-	-
Due to other governmental units	-	6,365	14,704
Advances from other governmental units	-	95,071	892,143
Unearned revenue	68,629	-	2,545
Current portion of compensated absences	-	2,440	1,191
Current portion of long-term debt	<u>696,750</u>	<u>-</u>	<u>-</u>
Total current liabilities	1,513,125	104,778	921,492
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	17,082	8,335
Noncurrent portion of long-term debt	3,720,409	-	-
Noncurrent portion of advances from other governmental units	-	1,567,807	-
Net other post-employment benefits obligation	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>3,720,409</u>	<u>1,584,889</u>	<u>8,335</u>
TOTAL LIABILITIES	<u>5,233,534</u>	<u>1,689,667</u>	<u>929,827</u>
NET ASSETS			
Invested in capital assets, net of related debt	206,212	-	-
Unrestricted	<u>(2,111,901)</u>	<u>625,521</u>	<u>2,037,660</u>
TOTAL NET ASSETS	<u>\$ (1,905,689)</u>	<u>\$ 625,521</u>	<u>\$ 2,037,660</u>

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total Component Units
\$ 329,207	\$ 1,403,538	\$ 142,811	\$ 3,105,703
-	-	-	1,876,901
-	4,997,442	-	4,997,442
108,361	236,018	10,200	1,150,766
-	125,829	-	755,542
-	-	-	1,017,214
10,546	1,388,572	-	1,407,241
-	308,690	-	308,690
-	8,250	13,143	25,460
<u>448,114</u>	<u>8,468,339</u>	<u>166,154</u>	<u>14,644,959</u>
-	-	-	1,174,149
-	-	14,642	14,642
-	-	-	1,667,807
-	2,920,868	96,482	3,075,512
-	18,170,050	1,089,217	19,407,317
<u>-0-</u>	<u>21,090,918</u>	<u>1,200,341</u>	<u>25,339,427</u>
448,114	29,559,257	1,366,495	39,984,386
-	524,041	69,011	1,286,415
-	-	-	11,854
-	-	38,299	92,639
192,047	213,116	78,500	504,732
1,234,179	-	-	2,221,393
-	411,207	133,275	615,656
-	36,534	-	40,165
-	-	151,720	848,470
<u>1,426,226</u>	<u>1,184,898</u>	<u>470,805</u>	<u>5,621,324</u>
-	255,741	-	281,158
-	-	1,019,490	4,739,899
-	-	-	1,567,807
-	2,338,452	-	2,338,452
<u>-0-</u>	<u>2,594,193</u>	<u>1,019,490</u>	<u>8,927,316</u>
<u>1,426,226</u>	<u>3,779,091</u>	<u>1,490,295</u>	<u>14,548,640</u>
-	21,090,918	14,489	21,311,619
(978,112)	4,689,248	(138,289)	4,124,127
<u>\$ (978,112)</u>	<u>\$ 25,780,166</u>	<u>\$ (123,800)</u>	<u>\$ 25,435,746</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Downtown Development Authority	\$ 6,568,474	\$ 2,711,658	\$ -	\$ 365,800
Economic Development Corporation	150,301	-	81,024	-
Brownfield Redevelopment Authority	1,099,856	-	55,352	-
Local Development Finance Authority	272,849	-	-	-
Business-type Activities				
Metro Transit	14,415,722	2,622,482	9,915,659	1,889,719
Kalamazoo Municipal Golf Association	986,209	1,180,442	-	-
TOTALS	\$ 22,507,202	\$ 6,514,582	\$ 10,052,035	\$ 2,255,519

General revenues
 Property taxes
 Investment earnings
 Reimbursements
 Miscellaneous

 Total general revenues

 Change in net assets

 Net assets, beginning of year

 Net assets, 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
\$ (3,491,016)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,491,016)
-	(69,277)	-	-	-	-	(69,277)
-	-	(1,044,504)	-	-	-	(1,044,504)
-	-	-	(272,849)	-	-	(272,849)
-	-	-	-	12,138	-	12,138
-	-	-	-	-	194,233	194,233
(3,491,016)	(69,277)	(1,044,504)	(272,849)	12,138	194,233	(4,671,275)
2,718,190	-	1,030,452	470,424	961,094	-	5,180,160
10,801	1,228	12,387	-	43,643	-	68,059
-	27,896	-	-	-	-	27,896
308,358	17	19,523	-	-	-	327,898
3,037,349	29,141	1,062,362	470,424	1,004,737	-0-	5,604,013
(453,667)	(40,136)	17,858	197,575	1,016,875	194,233	932,738
(1,452,022)	665,657	2,019,802	(1,175,687)	24,763,291	(318,033)	24,503,008
<u>\$ (1,905,689)</u>	<u>\$ 625,521</u>	<u>\$ 2,037,660</u>	<u>\$ (978,112)</u>	<u>\$ 25,780,166</u>	<u>\$ (123,800)</u>	<u>\$ 25,435,746</u>

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, 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, 2010.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 on 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, 2010

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, 2010

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, 2010

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

9. Receivables

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

10. Inventories

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2010

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, 2010, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2010 levy for property within the City was \$1,631,760,979.

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.

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, 2010

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.
3. The United States government or federal agency obligations repurchase agreements.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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

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 Dodd-Frank Provision provides unlimited insurance on non-interest bearing transaction accounts this program is scheduled to end December 31, 2012. 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, 2010, the carrying amount of the City's deposits was \$47,411,250 and the bank balance was \$46,902,364. 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, 2010, the City accounts were insured by the FDIC for \$20,314,488 and the amount of \$26,587,876 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, 2010, the carrying amounts and market values for the investments are as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Percent of Portfolio	Standard & Poor's Rating	Weighted Average Maturity
U.S. Treasury Securities	\$ 5,990,217	\$ 5,990,217	19%	AAA	74 days
Federal Home Loan Bank	10,003,197	10,003,197	32%	AAA	53 days
General Electric Capital Corporation	1,994,044	1,994,044	6%	AAA	13 days
Federal Home Loan Mortgage Corporation	6,993,112	6,993,112	23%	AAA	76 days
Federal National Mortgage Association	998,072	998,072	3%	AAA	626 days
Federal Farm Credit Bank	1,000,000	1,000,000	4%	AAA	16 days
Equity mutual funds	3,955,417	3,955,417	13%	Not rated	N/A
TOTAL REPORTING ENTITY	<u>\$ 30,934,059</u>	<u>\$ 30,934,059</u>			

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 \$2,241,536 and \$25,506, respectively, as of December 31, 2010, 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, 2010, 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, 2010, 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, 2010

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, 2010 was \$4,408,241, of which the insured amount was \$1,000,041. The remaining balance of \$3,408,200 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, 2010:

U.S. treasuries	\$ 56,506,903
U.S. agencies	8,519,544
Municipal securities	157,639
Corporate bonds	44,230,614
Collateralized mortgage obligations	21,154,032
Equity mutual funds	361,297,814
Real estate mutual funds	<u>13,579,044</u>
Total investments	<u>\$ 505,445,590</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, 2010, the System's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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	\$ 1,651,627	\$ 157,639	\$ 2,356,937	\$ 12,506,226
AA	-	-	12,858,344	-
A	-	-	17,646,323	-
BBB	-	-	9,291,064	-
Not rated	6,867,917	-	2,077,946	8,647,806
	<u>\$ 8,519,544</u>	<u>\$ 157,639</u>	<u>\$ 44,230,614</u>	<u>\$ 21,154,032</u>
<u>Moody's</u>				
AAA	\$ 1,210,038	\$ 157,639	\$ 2,207,119	\$ 11,711,916
AA	-	-	13,211,110	-
A	-	-	14,311,573	-
BAA	-	-	11,362,188	-
Not rated	7,309,506	-	3,138,624	9,442,116
	<u>\$ 8,519,544</u>	<u>\$ 157,639</u>	<u>\$ 44,230,614</u>	<u>\$ 21,154,032</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, 2010, 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, 2010, the System's equity holdings accounted for 70.7% of the total investment portfolio; the System's holdings in real estate were 2.66% at December 31, 2010.

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, 2010, 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	\$ 56,506,903	\$ 29,746,499	\$ 13,624,447	\$ 13,135,957
U.S. agencies	8,519,544	2,299,458	4,571,026	1,649,060
Municipal securities	157,639	157,639	-	-
Corporate bonds	44,230,614	24,045,929	9,687,729	10,496,956
Collateralized mortgage obligations	21,154,032	776,227	2,662,751	17,715,054
	<u>\$ 130,568,732</u>	<u>\$ 57,025,752</u>	<u>\$ 30,545,953</u>	<u>\$ 42,997,027</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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. At December 31, 2010, the portfolio had no U.S. currency futures contracts.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2010:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 16,273,653	\$ 3,105,703	\$ 15,926,365	\$ 35,305,721
Cash and cash equivalents - restricted	14,393,748	1,876,901	-	16,270,649
Investments	25,012,809	6,171,591	505,445,590	536,629,990
Investments with agents	2,267,042	-	-	2,267,042
	<u>\$ 57,947,252</u>	<u>\$ 11,154,195</u>	<u>\$ 521,371,955</u>	<u>\$ 590,473,402</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2010, are as follows:

Due to General Fund from:		
Neighborhood and Community Development Fund	\$	6,395
Building Authority Debt Service Fund		271
Wastewater Fund		136,306
Water Fund		193,838
Nonmajor governmental funds		2,536,564
Nonmajor enterprise fund		3,573
Internal service funds		128,524
		<u>\$ 3,005,471</u>
Due to Neighborhood and Community Development Fund from:		
General Fund	\$	159
Internal service funds		2,323
		<u>\$ 2,482</u>
Due to Building Authority Debt Service Fund from:		
Nonmajor governmental funds	\$	100

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

Due to Wastewater Fund from:	
General Fund	\$ 7,137
Water Fund	146,625
Nonmajor governmental funds	889,126
Internal service funds	50,175
	<u>50,175</u>
	<u>\$ 1,093,063</u>
Due to Water Fund from:	
General Fund	\$ 37,439
Wastewater Fund	96,964
Nonmajor governmental funds	26,755
Internal service funds	43,182
	<u>43,182</u>
	<u>\$ 204,340</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 646,722
Neighborhood and Community Development Fund	8,662
Nonmajor governmental funds	423,764
Internal service funds	46,131
	<u>46,131</u>
	<u>\$ 1,125,279</u>
Due to nonmajor enterprise fund from:	
Internal service funds	\$ 114
	<u>114</u>
Due to internal service funds from:	
General Fund	\$ 2,209,596
Neighborhood and Community Development Fund	178,779
Wastewater Fund	507,649
Water Fund	519,457
Nonmajor governmental funds	800,869
Nonmajor enterprise fund	236
Internal service funds	1,158,224
	<u>1,158,224</u>
	<u>\$ 5,374,810</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, 2010:

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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.

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:	
Nonmajor governmental funds	\$ 9,536
Internal service funds	<u>500,005</u>
	<u>\$ 509,541</u>
Transfers to Neighborhood and Community Development Fund from:	
Internal service funds	<u>\$ 27,876</u>
Transfers to Building Authority Debt Service Fund from:	
Nonmajor governmental funds	<u>\$ 1,586,416</u>
Transfers to Wastewater Fund from:	
Internal service funds	<u>\$ 461,616</u>
Transfers to Water Fund from:	
Internal service funds	<u>\$ 27,372</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 3,099,992
Nonmajor governmental funds	5,267,013
Internal service funds	<u>155,939</u>
	<u>\$ 8,522,944</u>
Transfers to nonmajor enterprise fund from:	
Internal service funds	<u>\$ 1,368</u>
Transfers to internal service funds from:	
Internal service funds	<u>\$ 1,054,846</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.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

Primary Government

	Balance Jan. 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2010
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 29,870,787	\$ -	-	\$ 29,870,787
Construction in progress	6,270,294	5,146,915	(2,383,024)	9,034,185
Subtotal	36,141,081	5,146,915	(2,383,024)	38,904,972
Capital assets being depreciated				
Land improvements	10,207,702	684,214	(44,250)	10,847,666
Buildings and improvements	50,141,372	115,999	-	50,257,371
Vehicles	11,514,947	2,038,958	(303,456)	13,250,449
Machinery and equipment	12,681,978	234,649	(2,011,562)	10,905,065
Intangible assets	-	2,037,597	-	2,037,597
Infrastructure	191,952,764	2,371,903	(337,531)	193,987,136
Subtotal	276,498,763	7,483,320	(2,696,799)	281,285,284
Less accumulated depreciation for:				
Land improvements	(2,466,773)	(397,713)	7,744	(2,856,742)
Buildings and improvements	(11,611,589)	(942,382)	-	(12,553,971)
Vehicles	(9,073,022)	(628,877)	160,666	(9,541,233)
Machinery and equipment	(9,202,933)	(715,575)	1,481,160	(8,437,348)
Intangible assets	-	(1,665,959)	-	(1,665,959)
Infrastructure	(104,355,578)	(3,627,166)	16,877	(107,965,867)
Subtotal	(136,709,895)	(7,977,672)	1,666,447	(143,021,120)
Net capital assets being depreciated	139,788,868	(494,352)	(1,030,352)	138,264,164
Capital assets, net	<u>\$ 175,929,949</u>	<u>\$ 4,652,563</u>	<u>\$ (3,413,376)</u>	<u>\$ 177,169,136</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 2,387,477
Public safety	1,315,117
Community and economic development	9,963
Parks and recreation	358,291
Public works	3,906,824
Total depreciation expense	<u>\$ 7,977,672</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance Jan. 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2010
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,979,463	\$ 288,762	\$ -	\$ 3,268,225
Construction in progress	2,618,763	3,408,287	(1,234,851)	4,792,199
Subtotal	5,598,226	3,697,049	(1,234,851)	8,060,424
Capital assets being depreciated				
Land improvements	12,995,115	9,884	-	13,004,999
Building and improvements	90,620,102	36,994	-	90,657,096
Vehicles	4,273,454	74,773	(40,720)	4,307,507
Machinery and equipment	55,840,779	477,068	(1,483)	56,316,364
Infrastructure	153,635,057	3,773,221	(4,970)	157,403,308
Intangible assets	1,668,490	-	-	1,668,490
Subtotal	319,032,997	4,371,940	(47,173)	323,357,764
Less accumulated depreciation for:				
Land improvements	(7,933,254)	(358,820)	-	(8,292,074)
Building and improvements	(37,743,760)	(1,750,569)	-	(39,494,329)
Vehicles	(3,265,966)	(260,771)	40,720	(3,486,017)
Machinery and equipment	(41,992,645)	(1,827,841)	1,483	(43,819,003)
Infrastructure	(58,410,057)	(3,189,971)	685	(61,599,343)
Intangible assets	(687,594)	(182,893)	-	(870,487)
Subtotal	(150,033,276)	(7,570,865)	42,888	(157,561,253)
Net capital assets being depreciated	168,999,721	(3,198,925)	(4,285)	165,796,511
Capital assets, net	<u>\$ 174,597,947</u>	<u>\$ 498,124</u>	<u>\$ (1,239,136)</u>	<u>\$ 173,856,935</u>

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

Wastewater	\$ 4,224,377
Water	3,053,356
City Market	3,960
Public Utilities Equipment	289,172
Total depreciation expense	<u>\$ 7,570,865</u>

Component Units

	Balance Jan. 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2010
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE F: CAPITAL ASSETS - CONTINUED

Component Units - Continued

	Balance Jan. 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2010
Downtown Development Authority - concluded				
Capital assets being depreciated				
Leasehold improvements	\$ 237,505	\$ -	\$ -	\$ 237,505
General and administrative equipment	210,724	-	-	210,724
Equipment	456,123	1,796	-	457,919
Equipment under capital lease	157,621	-	-	157,621
Subtotal	1,061,973	1,796	-0-	1,063,769
Less accumulated depreciation for:				
Leasehold improvements	(138,163)	(12,781)	-	(150,944)
General and administrative equipment	(200,916)	(1,784)	-	(202,700)
Equipment	(371,847)	(32,607)	-	(404,454)
Equipment under capital lease	(156,815)	(806)	-	(157,621)
Subtotal	(867,741)	(47,978)	-0-	(915,719)
Net capital assets being depreciated	194,232	(46,182)	-0-	148,050
Capital assets, net	<u>\$ 252,394</u>	<u>\$ (46,182)</u>	<u>\$ -0-</u>	<u>\$ 206,212</u>
Metro Transit				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	72,847	900,584	(65,194)	908,237
Subtotal	2,085,478	900,584	(65,194)	2,920,868
Capital assets being depreciated				
Building and improvements	15,694,505	16,278	-	15,710,783
Land improvements	334,641	65,194	-	399,835
Machinery and equipment	2,145,597	126,039	(13,428)	2,258,208
Vehicles	12,340,174	691,644	(249,177)	12,782,641
Subtotal	30,514,917	899,155	(262,605)	31,151,467
Less accumulated depreciation for:				
Building and improvements	(4,144,820)	(415,970)	-	(4,560,790)
Land improvements	(299,714)	(9,314)	-	(309,028)
Machinery and equipment	(1,298,044)	(187,295)	13,428	(1,471,911)
Vehicles	(5,794,372)	(1,068,971)	223,655	(6,639,688)
Subtotal	(11,536,950)	(1,681,550)	237,083	(12,981,417)
Net capital assets being depreciated	18,977,967	(782,395)	(25,522)	18,170,050
Capital assets, net	<u>\$ 21,063,445</u>	<u>\$ 118,189</u>	<u>\$ (90,716)</u>	<u>\$ 21,090,918</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE F: CAPITAL ASSETS - CONCLUDED

Component Units - Concluded

	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010
Kalamazoo Municipal Golf Association				
Capital assets not being depreciated				
Rights to liquor license	\$ 96,482	\$ -	\$ -	\$ 96,482
Capital assets being depreciated				
Land improvements	2,067,561	-	-	2,067,561
Building and improvements	1,071,306	84,076	-	1,155,382
Machinery and equipment	1,027,004	-	-	1,027,004
Sprinkler systems	193,063	-	-	193,063
Subtotal	4,358,934	84,076	-0-	4,443,010
Less accumulated depreciation for:				
Land improvements	(1,462,282)	(64,535)	-	(1,526,817)
Building and improvements	(779,574)	(13,111)	-	(792,685)
Machinery and equipment	(841,851)	(14,661)	-	(856,512)
Sprinkler systems	(176,707)	(1,072)	-	(177,779)
Subtotal	(3,260,414)	(93,379)	-0-	(3,353,793)
Net capital assets being depreciated	1,098,520	(9,303)	-0-	1,089,217
Capital assets, net	<u>\$ 1,195,002</u>	<u>\$ (9,303)</u>	<u>\$ -0-</u>	<u>\$ 1,185,699</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, 2010.

Primary Government

	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	\$ 49,590,000	\$ 2,855,000	\$ (3,670,000)	\$ 48,775,000	\$ 3,950,000
Revenue bonds	9,735,000	-	(1,410,000)	8,325,000	1,480,000
Special assessment bonds	185,000	-	(45,000)	140,000	45,000
Compensated absences	7,890,984	3,336,884	(3,223,233)	8,004,635	1,000,583
Environmental matters	539,812	-	(451,250)	88,562	-
Uninsured claim liability	3,430,491	14,860,049	(15,092,886)	3,197,654	1,603,778
Subtotal	71,371,287	21,051,933	(23,892,369)	68,530,851	8,079,361
Deferred amounts on refunding	125,534	44,352	(9,937)	159,949	9,937
Total Governmental Activities	71,496,821	21,096,285	(23,902,306)	68,690,800	8,089,298

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE G: LONG-TERM DEBT - CONTINUED

Primary Government - Concluded

	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Business-type Activities					
Revenue bonds	\$ 31,490,000	\$ -	\$ (1,690,000)	\$ 29,800,000	\$ 1,735,000
Compensated absences	1,755,072	-	(99,232)	1,655,840	206,981
Subtotal	33,245,072	-0-	(1,789,232)	31,455,840	1,941,981
Deferred amounts on refunding	(393,905)	-	41,784	(352,121)	(41,784)
Total Business-type Activities	32,851,167	-0-	(1,747,448)	31,103,719	1,900,197
TOTAL PRIMARY GOVERNMENT	\$ 104,347,988	\$ 21,096,285	\$ (25,649,754)	\$ 99,794,519	\$ 9,989,495

Component Units

	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 1,031,712	\$ -	\$ (269,553)	\$ 762,159	\$ 176,750
Economic Development Corporation					
Compensated absences	\$ 17,306	\$ 2,216	\$ -	\$ 19,522	\$ 2,440
Brownfield Redevelopment Authority					
Compensated absences	\$ -	\$ 9,526	\$ -	\$ 9,526	\$ 1,191
Metro Transit					
Compensated absences	\$ 308,816	\$ 527,671	\$ (544,212)	\$ 292,275	\$ 36,534
Kalamazoo Municipal Golf Association					
City of Kalamazoo contracts	\$ 1,013,375	\$ -	\$ (87,134)	\$ 926,241	\$ 151,720
EDC contract	225,000	-	-	225,000	-
Milham Park Enterprises advances	19,969	-	-	19,969	-
Total Kalamazoo Municipal Golf Association	\$ 1,258,344	\$ -0-	\$ (87,134)	\$ 1,171,210	\$ 151,720

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 \$73,100,000. General obligation bonds currently outstanding are as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE G: LONG-TERM DEBT - CONTINUED

General Obligation Bonds - Concluded

Primary Government

	Issuance Date	Interest Rates	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Governmental Activities							
1992 Downtown Development	3/1/1992	5.50%-5.80%	\$ 900,000	\$ -	\$ (225,000)	\$ 675,000	\$ 225,000
1993 Downtown Development Refunding	6/15/1993	4.30%-5.50%	1,165,000	-	(270,000)	895,000	280,000
1997 Downtown Development Refunding	10/1/1997	4.70%-5.35%	2,095,000	-	(10,000)	2,085,000	15,000
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	3,570,000	-	(585,000)	2,985,000	590,000
1998 Building Authority KMGA	12/1/1998	3.80%-5.00%	985,000	-	(90,000)	895,000	95,000
2001 Building Authority	4/1/2001	4.00%-5.00%	2,765,000	-	(110,000)	2,655,000	115,000
2002 Building Authority	1/1/2002	2.00%-4.75%	585,000	-	(75,000)	510,000	75,000
2003 Building Authority	1/27/2003	1.75%-3.75%	850,000	-	(200,000)	650,000	210,000
2004 Capital Improvement	4/27/2004	2.00%-4.70%	5,090,000	-	(710,000)	4,380,000	735,000
2005 Parking Ramp	4/11/2005	5.00%-5.25%	5,885,000	-	(285,000)	5,600,000	275,000
2005B Parking Ramp	10/12/2005	5.00%-5.25%	2,365,000	-	(115,000)	2,250,000	115,000
2005 Refunding	7/26/2005	5.125%-5.50%	7,565,000	-	(320,000)	7,245,000	330,000
2006A Building Authority	1/23/2006	4.85%-5.50%	2,585,000	-	(70,000)	2,515,000	70,000
2006B Building Authority	10/26/2006	4.00%-4.40%	3,810,000	-	(160,000)	3,650,000	170,000
2007 Capital Improvement	7/12/2007	3.90%-4.75%	805,000	-	(30,000)	775,000	35,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	3,985,000	-	(225,000)	3,760,000	230,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	4,585,000	-	(190,000)	4,395,000	245,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	-	2,855,000	-	2,855,000	140,000
Total General Obligation Bonds			\$ 49,590,000	\$ 2,855,000	\$ (3,670,000)	\$ 48,775,000	\$ 3,950,000

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 \$37,295,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Governmental Activities							
1996 Michigan Transportation Fund	3/1/1996	3.90%-5.10%	\$ 475,000	\$ -	\$ (230,000)	\$ 245,000	\$ 245,000
1998 Michigan Transportation Fund	4/1/1998	3.60%-4.75%	790,000	-	(180,000)	610,000	190,000
2000 Michigan Transportation Fund	4/24/2000	4.88%-5.13%	1,430,000	-	(205,000)	1,225,000	215,000
2002 Michigan Transportation Fund Improvement and Refunding	4/1/2002	4.88%-5.13%	1,255,000	-	(155,000)	1,100,000	165,000
2004 Michigan Transportation Fund	4/27/2004	3.00%-3.70%	2,290,000	-	(430,000)	1,860,000	445,000
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	3,495,000	-	(210,000)	3,285,000	220,000
Total Governmental Activities			9,735,000	-0-	(1,410,000)	8,325,000	1,480,000

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE G: LONG-TERM DEBT - CONTINUED

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Business-type Activities							
2001 Wastewater System Refunding	4/1/2001	3.00%-5.00%	\$ 3,195,000	\$ -	\$ (230,000)	\$ 2,965,000	\$ 240,000
2002 Water System Refunding	6/6/2002	4.50%-4.75%	6,080,000	-	(520,000)	5,560,000	545,000
2002B Water System Refunding	10/23/2002	2.00%-3.88%	1,880,000	-	(310,000)	1,570,000	325,000
2004 Water System Refunding	4/27/2004	2.00%-4.65%	4,315,000	-	(150,000)	4,165,000	155,000
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	3,935,000	-	(330,000)	3,605,000	350,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,815,000	-	(50,000)	1,765,000	50,000
2009 Wastewater System	12/22/2009	1.90%-6.66%	2,585,000	-	(100,000)	2,485,000	70,000
2009 Water Supply System	12/22/2009	5.57%-6.71%	7,685,000	-	-	7,685,000	-
Total Business-type Activities			31,490,000	-0-	(1,690,000)	29,800,000	1,735,000
Total Revenue Bonds			\$ 41,225,000	\$ -0-	\$ (3,100,000)	\$ 38,125,000	\$ 3,215,000

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, 2010	Additions	Deletions	Balance Dec. 31, 2010	Amounts Due Within One Year
Governmental Activities							
1999 Special Assessments Limited Tax	9/1/1999	4.40%-7.00%	\$ 185,000	\$ -	\$ (45,000)	\$ 140,000	\$ 45,000

Environmental Matters

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

Uninsured Claim Liability

The City estimates the liability for its self-insured 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:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE G: LONG-TERM DEBT - CONTINUED

Uninsured Claim Liability - Concluded

	<u>2010</u>	<u>2009</u>
Estimated liability, beginning of year	\$ 3,430,491	\$ 3,828,814
Estimated claims incurred, including changes in estimates	14,860,049	14,450,429
Claim payments	<u>(15,092,886)</u>	<u>(14,848,752)</u>
Estimated liability, end of year	<u>\$ 3,197,654</u>	<u>\$ 3,430,491</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 \$8,004,635 and \$1,655,840 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2010. Of those amounts, \$1,000,583 and \$206,981 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, 2010, \$1,736,108 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 \$271,930,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

Component Units

Downtown Development Authority

Long-term bonds and notes at December 31, 2010, are comprised of the following:

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE G: LONG-TERM DEBT - CONTINUED

Component Units - Concluded

Downtown Development Authority - Concluded

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2004 Revenue Bonds	11/1/2014	4.40%	\$ 305,000
Catalyst Development Co. 3, L.L.C. Note	12/1/2014	7.00%	<u>457,159</u>
			<u>\$ 762,159</u>

The Downtown Development Authority is also responsible for debt service payments on \$3,655,000 of outstanding governmental activities general obligation bonds.

Economic Development Corporation

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the EDC follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$19,522 for vacation and sick at December 31, 2010. Of that total amount, \$2,440 has been recorded as a current liability.

Brownfield Redevelopment Authority

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the BRDA follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$9,526 for vacation and sick at December 31, 2010. Of that total amount, \$1,191 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 \$292,275 for vacation and sick at December 31, 2010. The amounts of \$36,534 and \$255,741 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 2011 and 2012.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE G: LONG-TERM DEBT - 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
2011	\$ 3,950,000	\$ 2,167,629	\$ 1,480,000	\$ 329,065	\$ 1,735,000	\$ 1,535,144
2012	4,060,000	1,983,745	1,285,000	274,474	1,800,000	1,464,026
2013	4,150,000	1,814,957	1,345,000	216,564	1,870,000	1,388,223
2014	3,710,000	1,651,699	1,180,000	163,251	1,975,000	1,306,630
2015	2,845,000	1,506,472	725,000	121,943	2,060,000	1,214,797
2016-2020	13,760,000	5,582,662	1,645,000	318,463	6,745,000	4,911,658
2021-2025	12,050,000	2,718,198	665,000	30,263	3,970,000	3,594,141
2026-2030	4,250,000	467,054	-	-	4,900,000	2,444,375
2031-2033	-	-	-	-	4,745,000	799,514
	<u>\$ 48,775,000</u>	<u>\$ 17,892,416</u>	<u>\$ 8,325,000</u>	<u>\$ 1,454,023</u>	<u>\$ 29,800,000</u>	<u>\$ 18,658,508</u>

Year Ending Dec. 31,	Primary Government Special Assessment Bonds		Component Units			
	Principal	Interest	Kalamazoo Municipal Golf Association		Downtown Development Authority	
			Principal	Interest	Principal	Interest
2011	\$ 45,000	\$ 7,280	\$ 151,720	\$ 48,724	\$ 176,750	\$ 50,175
2012	50,000	4,985	128,897	44,925	224,330	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	-	-	142,867	27,867	-	-
2016-2020 6869	-	-	484,120	43,564	-	-
	<u>\$ 140,000</u>	<u>\$ 14,650</u>	<u>\$ 1,171,210</u>	<u>\$ 238,351</u>	<u>\$ 762,159</u>	<u>\$ 113,852</u>

NOTE H: SHORT-TERM DEBT

During the year ended December 31, 2010 the City issued and repaid \$3,000,000 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.

NOTE I: DEFINED BENEFIT PENSION PLAN

Plan 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, MI 49007.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE I: DEFINED BENEFIT PENSION PLAN - CONCLUDED

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, 2010.

Annual Pension Cost

For year ended December 31, 2010 the City's annual pension cost was \$0 as the plan is overfunded. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2009, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return (b) projected salary increases of 4.0% percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 4.0% to 12.0% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. When applicable, the unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis.

Schedule of Funding Progress:

	As of December 31,		
	2008	2009	2010
Actuarial value of assets	\$ 506,592,573	\$ 509,060,409	\$ 518,339,022
Actuarial accrued liability (AAL)	344,799,153	358,160,400	367,423,552
Overfunded AAL (OAAL)	161,793,420	150,900,009	150,915,470
Funded ratio	147%	142%	141%
Annual covered payroll	44,159,590	44,435,753	43,007,800
Ratio of OAAL to covered payroll	366.4%	339.6%	350.9%

Schedule of employer contributions:

	Year Ended December 31,		
	2008	2009	2010
Annual pension cost	-	-	-
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE J: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures that have been implemented prospectively by the City.

Membership in the plan at December 31, 2010 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	912
Active plan members	<u>757</u>
	<u><u>1,669</u></u>

This 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.

Actuarial Methods and Assumptions

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

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED

Actuarial Methods and Assumptions - Concluded

For year ended December 31, 2010 the City's annual OPEB cost was \$22,717,456. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2009 using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 4.5 percent investment rate of return (b) projected salary increases of 4.0% percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0.0% to 8.0% per year depending on age, seniority and merit, (d) the healthcare cost trend rate of 5.0% to 10.0%, and (e) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis.

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

Annual required contribution (ARC)	\$ 23,118,784
Interest on net OPEB obligation	1,101,775
Adjustment to annual required contribution	<u>(1,503,103)</u>
Annual OPEB cost	22,717,456
Contributions made	<u>7,163,849</u>
Increase in net OPEB obligation	15,553,607
Net OPEB obligation - beginning of year	<u>24,483,885</u>
Net OPEB obligation - end of year	<u><u>\$ 40,037,492</u></u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual OPEB cost	\$ 18,129,246	\$ 18,959,646	\$ 22,717,456
Percentage contributed	34.2%	33.7%	31.5%
Net OPEB obligation	11,920,257	24,483,885	40,037,492

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

	<u>2007</u>	<u>2009</u>
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL)	206,854,739	263,182,000
Unfunded AAL (UAAL)	206,854,739	263,182,000
Funded ratio	0%	0%
Annual covered payroll	45,214,897	44,060,796
Ratio of UAAL to covered payroll	457.5%	597.3%

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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.

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 \$88,562 in the government-wide statements. The City has set aside \$966,305 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE L: CONTINGENT LIABILITIES - CONCLUDED

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$6,008,402, bus purchases for \$2,783,495, and general contractual commitments for \$2,508,284. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. However, \$1,368,184 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 Basis</u>	<u>Accounting Basis Difference</u>	<u>GAAP Basis</u>
General Fund			
Deferred revenue	\$ 793,222	\$ 4,902,292	\$ 5,695,514
Property taxes	32,837,675	(376,020)	32,461,655
Fund balance, beginning of year	9,770,980	(4,526,272)	5,244,708
Fund balance, end of year	9,287,475	(4,902,292)	4,385,183
 Solid Waste Fund			
Deferred revenue	977	239,620	240,597
Property taxes	2,471,834	138,007	2,609,841
Fund balance, beginning of year	1,788,972	(377,627)	1,411,345
Fund balance, end of year	1,770,202	(239,620)	1,530,582

NOTE N: 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, 2010:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 6,230,130
Expendable	
Major and local street projects	2,389,965
Solid waste program	1,530,582
Neighborhood and community development	670,952
Capital improvements	267,099
Other purposes	
Drug enforcement	558,644
Grants and donations	279,111
Cemeteries	123,538
	<u>\$ 12,050,021</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE N: RESTRICTED NET ASSETS - CONCLUDED

PRIMARY GOVERNMENT - CONCLUDED

Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 456,532
Water Fund	<u>2,121,428</u>
	<u>\$ 2,577,960</u>

NOTE O: 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, 2010, of \$1,905,689; \$978,112; and \$123,800, 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 P: SUBSEQUENT EVENT

The City issued two bonds and one note after the end of the current fiscal year. On January, 26, 2011 the Tax Anticipation Note, Series 2011 was obligated for \$3,000,000.

On February 24, 2011 the 2011 Downtown Development Refunding Bonds were issued for \$2,115,000 in order to refund the 1997 Downtown Development Refunding Bonds. Also on this date, the 2011 Building Authority Refunding Bonds were issued for \$4,105,000 in order to refund the 1998, 2001, and 2002 Building Authority Bonds.

NOTE Q: GASB PRONOUNCEMENT

In February 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 BENEFIT PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Overfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2010	\$ 518,339,022	\$ 367,423,552	\$ 150,915,470	141.1%	\$ 43,007,800	350.9%
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%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contribution
2010	\$ -	100%
2009	-	100%
2008	-	100%
2007	-	100%
2006	-	100%
2005	-	100%
2004	-	100%
2003	-	100%
2002	-	100%
2001	-	100%

City of Kalamazoo

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2010

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, 2010
Basis for contribution	December 31, 2009
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 SUPPLEMENTARY INFORMATION

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,551,952	\$ 43,667	\$ 891,561	\$ 55,570	\$ 3,542,750
Cash and cash equivalents - restricted	1,495,573	-	4,244,017	-	5,739,590
Investments	1,813,707	-	-	3,955,417	5,769,124
Investments with agents	18,267	-	-	2,223,269	2,241,536
Receivables					
Accounts	662,223	22,620	45,417	-	730,260
Special assessments	149	20,909	-	-	21,058
Taxes	284,993	-	-	-	284,993
Notes	683,627	-	100,000	-	783,627
Due from other funds	970,931	100	154,248	-	1,125,279
Due from other governmental units	2,462,940	-	-	-	2,462,940
Advances to other governmental units	3,620,275	-	-	-	3,620,275
Prepays	8,045	-	-	-	8,045
TOTAL ASSETS	\$ 14,572,682	\$ 87,296	\$ 5,435,243	\$ 6,234,256	\$ 26,329,477
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 587,237	\$ -	\$ 137,059	\$ -	\$ 724,296
Accrued liabilities	366,065	-	-	4,126	370,191
Due to other funds	2,700,081	572	1,976,525	-	4,677,178
Due to other governmental units	165,671	-	-	-	165,671
Deposits payable	10,718	-	966,305	-	977,023
Deferred revenue	960,798	43,528	4,404	-	1,008,730
TOTAL LIABILITIES	4,790,570	44,100	3,084,293	4,126	7,923,089
FUND BALANCES					
Reserved for:					
Encumbrances	1,125,409	-	231,010	-	1,356,419
Prepays	8,045	-	-	-	8,045
Advances	3,620,275	-	-	-	3,620,275
Cemetery perpetual care	-	-	-	4,006,861	4,006,861
Recreational activities	-	-	-	2,223,269	2,223,269
Noncurrent notes receivable	-	-	100,000	-	100,000
Debt-financed projects	-	-	25,397	-	25,397
Unreserved					
Designated for subsequent years' expenditures	-	-	1,727,444	-	1,727,444
Undesignated	5,028,383	43,196	267,099	-	5,338,678
TOTAL FUND BALANCES	9,782,112	43,196	2,350,950	6,230,130	18,406,388
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,572,682	\$ 87,296	\$ 5,435,243	\$ 6,234,256	\$ 26,329,477

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Property taxes	\$ 2,609,841	\$ -	\$ -	\$ -	\$ 2,609,841
Intergovernmental	9,033,061	-	142,833	-	9,175,894
Charges for services	489,140	-	-	30,063	519,203
Fines and forfeits	254,286	-	-	-	254,286
Interest and dividends	95,158	2,173	12,462	177,633	287,426
Net investment earnings	-	-	-	780,472	780,472
Other	461,081	16,335	661,443	5,575	1,144,434
TOTAL REVENUES	12,942,567	18,508	816,738	993,743	14,771,556
EXPENDITURES					
Current					
General government	424,709	-	-	21,400	446,109
Public safety	1,790,229	-	-	-	1,790,229
Public works	2,538,349	-	-	-	2,538,349
Streets	8,191,630	-	-	-	8,191,630
Community and economic development	1,898,687	-	-	-	1,898,687
Parks and recreation	302,178	-	-	38,581	340,759
Debt service					
Principal	-	2,610,000	-	-	2,610,000
Interest and fiscal charges	-	980,165	-	-	980,165
Capital outlay	-	-	2,861,401	-	2,861,401
TOTAL EXPENDITURES	15,145,782	3,590,165	2,861,401	59,981	21,657,329
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,203,215)	(3,571,657)	(2,044,663)	933,762	(6,885,773)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	2,170,080	-	684,920	-	2,855,000
Bond premium	44,067	-	13,916	-	57,983
Bond original issue discount	(10,359)	-	(3,271)	-	(13,630)
Transfers in	3,337,910	3,535,038	1,649,996	-	8,522,944
Transfers out	(2,740,905)	-	(3,802,998)	(319,062)	(6,862,965)
TOTAL OTHER FINANCING SOURCES (USES)	2,800,793	3,535,038	(1,457,437)	(319,062)	4,559,332
NET CHANGE IN FUND BALANCES	597,578	(36,619)	(3,502,100)	614,700	(2,326,441)
Fund balances, beginning of year	9,184,534	79,815	5,853,050	5,615,430	20,732,829
Fund balances, end of year	\$ 9,782,112	\$ 43,196	\$ 2,350,950	\$ 6,230,130	\$ 18,406,388

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.

Public Safety Contracts - The Public Safety Contracts Fund is used to account for contractual public safety services provided to entities outside the primary government.

City of Kalamazoo
 Nonmajor Special Revenue Funds
 COMBINING BALANCE SHEET
 December 31, 2010

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>
ASSETS			
Cash and cash equivalents	\$ 558,153	\$ 54,064	\$ 127,344
Cash and cash equivalents - restricted	1,299,775	195,798	-
Investments	-	-	-
Investments with agents	-	-	-
Receivables			
Accounts	505,460	7,495	15,236
Special assessments	-	149	-
Taxes	-	-	-
Notes	-	-	-
Due from other funds	22,559	454,862	6,440
Due from other governmental units	771,977	164,872	-
Advances to other governmental units	1,065,254	-	-
Prepays	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,223,178</u>	<u>\$ 877,240</u>	<u>\$ 149,020</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 227,498	\$ 32,471	\$ 20,849
Accrued liabilities	-	-	-
Due to other funds	789,103	159,026	4,633
Due to other governmental units	-	-	-
Deposits payable	-	-	-
Deferred revenue	-	6,782	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,016,601	198,279	25,482
FUND BALANCES			
Reserved for:			
Encumbrances	667,924	52,664	-
Prepays	-	-	-
Advances	1,065,254	-	-
Unreserved, undesignated	1,473,399	626,297	123,538
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>3,206,577</u>	<u>678,961</u>	<u>123,538</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,223,178</u>	<u>\$ 877,240</u>	<u>\$ 149,020</u>

<u>Solid Waste</u>	<u>Grants and Donations</u>	<u>Economic Development Programs</u>	<u>Drug Enforcement</u>	<u>Public Safety Contracts</u>	<u>Total</u>
\$ 467,180	\$ 235,534	\$ 768,175	\$ 341,418	\$ 84	\$ 2,551,952
-	-	-	-	-	1,495,573
1,174,520	-	18,689	620,498	-	1,813,707
-	18,267	-	-	-	18,267
-	111,076	-	-	22,956	662,223
-	-	-	-	-	149
284,993	-	-	-	-	284,993
-	-	683,627	-	-	683,627
145,873	314,942	663	-	25,592	970,931
5,452	1,475,128	-	1,047	44,464	2,462,940
-	-	2,555,021	-	-	3,620,275
-	8,045	-	-	-	8,045
<u>\$ 2,078,018</u>	<u>\$ 2,162,992</u>	<u>\$ 4,026,175</u>	<u>\$ 962,963</u>	<u>\$ 93,096</u>	<u>\$ 14,572,682</u>
\$ 107,027	\$ 179,730	\$ -	\$ 19,662	\$ -	\$ 587,237
-	-	-	366,065	-	366,065
197,167	1,449,182	-	7,874	93,096	2,700,081
2,645	177	162,849	-	-	165,671
-	-	-	10,718	-	10,718
240,597	254,792	458,627	-	-	960,798
547,436	1,883,881	621,476	404,319	93,096	4,790,570
158,755	246,066	-	-	-	1,125,409
-	8,045	-	-	-	8,045
-	-	2,555,021	-	-	3,620,275
1,371,827	25,000	849,678	558,644	-	5,028,383
<u>1,530,582</u>	<u>279,111</u>	<u>3,404,699</u>	<u>558,644</u>	<u>-0-</u>	<u>9,782,112</u>
<u>\$ 2,078,018</u>	<u>\$ 2,162,992</u>	<u>\$ 4,026,175</u>	<u>\$ 962,963</u>	<u>\$ 93,096</u>	<u>\$ 14,572,682</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2010

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	4,885,277	1,076,655	-
Charges for services	-	-	168,736
Fines and forfeits	-	-	-
Interest	4,562	2,340	326
Other	47,609	8,455	2,693
TOTAL REVENUES	4,937,448	1,087,450	171,755
EXPENDITURES			
Current			
General government	-	-	424,709
Public safety	-	-	-
Public works	-	-	-
Streets	5,384,474	2,807,156	-
Community and economic development	-	-	-
Parks and recreation	-	-	-
TOTAL EXPENDITURES	5,384,474	2,807,156	424,709
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(447,026)	(1,719,706)	(252,954)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	2,170,080	-	-
Bond premium	44,067	-	-
Bond original issue discount	(10,359)	-	-
Transfers in	75,152	2,754,372	321,402
Transfers out	(2,037,483)	(680,978)	-
TOTAL OTHER FINANCING SOURCES (USES)	241,457	2,073,394	321,402
NET CHANGE IN FUND BALANCES	(205,569)	353,688	68,448
Fund balances, beginning of year	3,412,146	325,273	55,090
Fund balances, end of year	<u>\$ 3,206,577</u>	<u>\$ 678,961</u>	<u>\$ 123,538</u>

<u>Solid Waste</u>	<u>Grants and Donations</u>	<u>Economic Development Programs</u>	<u>Drug Enforcement</u>	<u>Public Safety Contracts</u>	<u>Total</u>
\$ 2,609,841	\$ -	\$ -	\$ -	\$ -	\$ 2,609,841
-	3,022,139	-	48,990	-	9,033,061
-	5,793	-	-	314,611	489,140
-	-	-	254,286	-	254,286
10,473	3,084	70,434	3,939	-	95,158
288	211,999	141,950	48,087	-	461,081
<u>2,620,602</u>	<u>3,243,015</u>	<u>212,384</u>	<u>355,302</u>	<u>314,611</u>	<u>12,942,567</u>
-	-	-	-	-	424,709
-	1,159,136	-	316,482	314,611	1,790,229
2,538,349	-	-	-	-	2,538,349
-	-	-	-	-	8,191,630
-	1,797,687	101,000	-	-	1,898,687
-	302,178	-	-	-	302,178
<u>2,538,349</u>	<u>3,259,001</u>	<u>101,000</u>	<u>316,482</u>	<u>314,611</u>	<u>15,145,782</u>
82,253	(15,986)	111,384	38,820	-0-	(2,203,215)
-	-	-	-	-	2,170,080
-	-	-	-	-	44,067
-	-	-	-	-	(10,359)
36,984	150,000	-	-	-	3,337,910
-	(9,536)	(12,908)	-	-	(2,740,905)
<u>36,984</u>	<u>140,464</u>	<u>(12,908)</u>	<u>-0-</u>	<u>-0-</u>	<u>2,800,793</u>
119,237	124,478	98,476	38,820	-0-	597,578
<u>1,411,345</u>	<u>154,633</u>	<u>3,306,223</u>	<u>519,824</u>	<u>-</u>	<u>9,184,534</u>
<u>\$ 1,530,582</u>	<u>\$ 279,111</u>	<u>\$ 3,404,699</u>	<u>\$ 558,644</u>	<u>\$ -0-</u>	<u>\$ 9,782,112</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2010

Major Streets Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental				
Federal revenue	\$ 2,259,000	\$ -	\$ -	\$ -0-
State trunkline maintenance	250,000	250,000	178,857	(71,143)
Gas and weight tax distribution	3,845,131	3,845,131	3,803,492	(41,639)
Other state revenue	465,000	405,087	355,473	(49,614)
Local revenue	-	170,992	547,455	376,463
Interest	30,000	30,000	4,562	(25,438)
Other	5,000	597,900	47,609	(550,291)
TOTAL REVENUES	6,854,131	5,299,110	4,937,448	(361,662)
EXPENDITURES				
Current				
Streets				
Administration	1,134,307	1,178,045	976,355	201,690
Repair	167,274	167,274	337,200	(169,926)
Maintenance	710,876	710,876	663,973	46,903
Pavement painting	75,663	75,663	75,733	(70)
Traffic signals	472,619	472,619	390,196	82,423
Traffic signs	32,955	32,955	111,510	(78,555)
Construction	4,566,000	4,276,550	2,829,507	1,447,043
TOTAL EXPENDITURES	7,159,694	6,913,982	5,384,474	1,529,508
EXCESS OF REVENUES (UNDER) EXPENDITURES	(305,563)	(1,614,872)	(447,026)	1,167,846
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,107,000	2,170,080	2,170,080	-0-
Bond premium	-	44,067	44,067	-0-
Bond original issue discount	-	(10,359)	(10,359)	-0-
Transfers in	62,248	123,520	75,152	(48,368)
Transfers out	(2,037,576)	(2,037,576)	(2,037,483)	93
TOTAL OTHER FINANCING SOURCES (USES)	131,672	289,732	241,457	(48,275)
NET CHANGE IN FUND BALANCE	(173,891)	(1,325,140)	(205,569)	1,119,571
Fund balance, beginning of year	3,412,146	3,412,146	3,412,146	-0-
Fund balance, end of year	<u>\$ 3,238,255</u>	<u>\$ 2,087,006</u>	<u>\$ 3,206,577</u>	<u>\$ 1,119,571</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, 2010

	<u>Local Streets Fund</u>			
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental				
Gas and weight tax distribution	\$ 1,077,171	\$ 1,077,171	\$ 1,076,655	\$ (516)
Interest	15,000	15,000	2,340	(12,660)
Other	3,000	3,000	8,455	5,455
TOTAL REVENUES	1,095,171	1,095,171	1,087,450	(7,721)
EXPENDITURES				
Current				
Streets				
Administration	877,165	877,165	743,695	133,470
Repair	55,497	355,497	577,819	(222,322)
Maintenance	936,077	636,077	330,970	305,107
Pavement painting	23,875	23,875	7,702	16,173
Traffic signs	22,650	22,650	45,702	(23,052)
Construction	1,200,000	1,278,313	1,101,268	177,045
TOTAL EXPENDITURES	3,115,264	3,193,577	2,807,156	386,421
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,020,093)	(2,098,406)	(1,719,706)	378,700
OTHER FINANCING SOURCES (USES)				
Transfers in	2,754,372	2,754,372	2,754,372	-0-
Transfers out	(681,202)	(681,202)	(680,978)	224
TOTAL OTHER FINANCING SOURCES (USES)	2,073,170	2,073,170	2,073,394	224
NET CHANGE IN FUND BALANCE	53,077	(25,236)	353,688	378,924
Fund balance, beginning of year	325,273	325,273	325,273	-0-
Fund balance, end of year	<u>\$ 378,350</u>	<u>\$ 300,037</u>	<u>\$ 678,961</u>	<u>\$ 378,924</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, 2010

Cemeteries Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 179,340	\$ 179,340	\$ 168,736	\$ (10,604)
Interest	-	-	326	326
Other revenue	-	-	2,693	2,693
	<u>179,340</u>	<u>179,340</u>	<u>171,755</u>	<u>(7,585)</u>
TOTAL REVENUES	179,340	179,340	171,755	(7,585)
EXPENDITURES				
Current				
General government	491,448	491,448	424,709	66,739
	<u>491,448</u>	<u>491,448</u>	<u>424,709</u>	<u>66,739</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(312,108)	(312,108)	(252,954)	59,154
OTHER FINANCING SOURCES				
Transfers in	332,458	332,458	321,402	(11,056)
	<u>332,458</u>	<u>332,458</u>	<u>321,402</u>	<u>(11,056)</u>
NET CHANGE IN FUND BALANCE	20,350	20,350	68,448	48,098
Fund balance, beginning of year	55,090	55,090	55,090	-0-
	<u>55,090</u>	<u>55,090</u>	<u>55,090</u>	<u>-0-</u>
Fund balance, end of year	\$ 75,440	\$ 75,440	\$ 123,538	\$ 48,098
	<u>\$ 75,440</u>	<u>\$ 75,440</u>	<u>\$ 123,538</u>	<u>\$ 48,098</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, 2010

Solid Waste Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 2,490,933	\$ 2,490,933	\$ 2,471,834	\$ (19,099)
Interest	10,000	10,000	10,473	473
TOTAL REVENUES	2,500,933	2,500,933	2,482,595	(18,338)
EXPENDITURES				
Current				
Public works	2,449,223	2,702,955	2,538,349	164,606
EXCESS OF REVENUES (UNDER) EXPENDITURES	51,710	(202,022)	(55,754)	146,268
OTHER FINANCING SOURCES				
Transfers in	36,983	36,983	36,984	1
NET CHANGE IN FUND BALANCE	88,693	(165,039)	(18,770)	146,269
Fund balance, beginning of year	1,788,972	1,788,972	1,788,972	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 1,877,665</u>	<u>\$ 1,623,933</u>	1,770,202	<u>\$ 146,269</u>
Accounting basis difference			<u>(239,620)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,530,582</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, 2010

Grants and Donations Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 712,850	\$ 14,343,612	\$ 3,022,139	\$(11,321,473)
Charges for services	-	-	5,793	5,793
Interest	-	-	3,084	3,084
Other	-	-	211,999	211,999
TOTAL REVENUES	712,850	14,343,612	3,243,015	(11,100,597)
EXPENDITURES				
Current				
Public safety	712,850	1,694,928	1,159,136	535,792
Community and economic development	-	12,507,403	1,797,687	10,709,716
Parks and recreation	-	310,726	302,178	8,548
TOTAL EXPENDITURES	712,850	14,513,057	3,259,001	11,254,056
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(169,445)	(15,986)	153,459
OTHER FINANCING SOURCES (USES)				
Transfers in	-	166,864	150,000	(16,864)
Transfers out	-	-	(9,536)	(9,536)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	166,864	140,464	(26,400)
NET CHANGE IN FUND BALANCE	-0-	(2,581)	124,478	127,059
Fund balance, beginning of year	154,633	154,633	154,633	-0-
Fund balance, end of year	<u>\$ 154,633</u>	<u>\$ 152,052</u>	<u>\$ 279,111</u>	<u>\$ 127,059</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, 2010

Economic Development Programs Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Interest	\$ 83,163	\$ 83,163	\$ 70,434	\$ (12,729)
Other revenue	-	-	141,950	141,950
TOTAL REVENUES	83,163	83,163	212,384	129,221
EXPENDITURES				
Current				
Community and economic development	563,550	528,020	101,000	427,020
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(480,387)	(444,857)	111,384	556,241
OTHER FINANCING (USES)				
Transfers out	-	(35,530)	(12,908)	22,622
NET CHANGE IN FUND BALANCE	(480,387)	(480,387)	98,476	578,863
Fund balance, beginning of year	3,306,223	3,306,223	3,306,223	-0-
Fund balance, end of year	<u>\$ 2,825,836</u>	<u>\$ 2,825,836</u>	<u>\$ 3,404,699</u>	<u>\$ 578,863</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, 2010

Drug Enforcement Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 48,990	\$ 23,990
Fines and forfeitures	225,000	225,000	254,286	29,286
Interest	25,000	25,000	3,939	(21,061)
Other	<u>25,000</u>	<u>25,000</u>	<u>48,087</u>	<u>23,087</u>
TOTAL REVENUES	300,000	300,000	355,302	55,302
EXPENDITURES				
Current				
Public safety	<u>471,889</u>	<u>471,889</u>	<u>316,482</u>	<u>155,407</u>
NET CHANGE IN FUND BALANCE	(171,889)	(171,889)	38,820	210,709
Fund balance, beginning of year	<u>519,824</u>	<u>519,824</u>	<u>519,824</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 347,935</u>	<u>\$ 347,935</u>	<u>\$ 558,644</u>	<u>\$ 210,709</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, 2010

Public Safety Contracts Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ 322,231	\$ 322,231	\$ 314,611	\$ (7,620)
EXPENDITURES				
Current				
Public safety	<u>322,231</u>	<u>322,231</u>	<u>314,611</u>	<u>7,620</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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, 2010

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
ASSETS				
Cash and cash equivalents	\$ 43,492	\$ 175	\$ -	\$ 43,667
Receivables				
Accounts	22,620	-	-	22,620
Special assessments	20,909	-	-	20,909
Due from other funds	-	-	100	100
TOTAL ASSETS	\$ 87,021	\$ 175	\$ 100	\$ 87,296
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 297	\$ 175	\$ 100	\$ 572
Deferred revenue	43,528	-	-	43,528
TOTAL LIABILITIES	43,825	175	100	44,100
FUND BALANCES				
Unreserved, undesignated	43,196	-	-	43,196
TOTAL LIABILITIES AND FUND BALANCES	\$ 87,021	\$ 175	\$ 100	\$ 87,296

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2010

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
REVENUES				
Interest	\$ 2,173	\$ -	\$ -	\$ 2,173
Other	16,335	-	-	16,335
TOTAL REVENUES	18,508	-0-	-0-	18,508
EXPENDITURES				
Debt service				
Principal	45,000	1,410,000	1,155,000	2,610,000
Interest and fiscal charges	10,127	390,755	579,283	980,165
TOTAL EXPENDITURES	55,127	1,800,755	1,734,283	3,590,165
EXCESS OF REVENUES (UNDER) EXPENDITURES	(36,619)	(1,800,755)	(1,734,283)	(3,571,657)
OTHER FINANCING SOURCES				
Transfers in	-	1,800,755	1,734,283	3,535,038
NET CHANGE IN FUND BALANCES	(36,619)	-0-	-0-	(36,619)
Fund balances, beginning of year	79,815	-	-	79,815
Fund balances, end of year	<u>\$ 43,196</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 43,196</u>

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, 2010

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 865,840	\$ 25,721	\$ 891,561
Cash and cash equivalents - restricted	2,064,225	2,179,792	-	4,244,017
Receivables				
Accounts	41,263	4,154	-	45,417
Notes	-	100,000	-	100,000
Due from other funds	-	154,248	-	154,248
TOTAL ASSETS	\$ 2,105,488	\$ 3,304,034	\$ 25,721	\$ 5,435,243
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 137,059	\$ -	\$ 137,059
Due to other funds	872,084	1,104,117	324	1,976,525
Deposits payable	966,305	-	-	966,305
Deferred revenue	-	4,404	-	4,404
TOTAL LIABILITIES	1,838,389	1,245,580	324	3,084,293
FUND BALANCES				
Reserved for:				
Encumbrances	-	231,010	-	231,010
Noncurrent notes receivable	-	100,000	-	100,000
Debt-financed projects	-	-	25,397	25,397
Unreserved				
Designated for subsequent years' expenditures	-	1,727,444	-	1,727,444
Undesignated	267,099	-	-	267,099
TOTAL FUND BALANCES	267,099	2,058,454	25,397	2,350,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,105,488	\$ 3,304,034	\$ 25,721	\$ 5,435,243

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2010

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
REVENUES				
Intergovernmental	\$ -	\$ 142,833	\$ -	\$ 142,833
Interest	-	12,403	59	12,462
Other	4,939	656,504	-	661,443
TOTAL REVENUES	4,939	811,740	59	816,738
EXPENDITURES				
Capital outlay	92,810	2,768,267	324	2,861,401
EXCESS OF REVENUES (UNDER) EXPENDITURES	(87,871)	(1,956,527)	(265)	(2,044,663)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	684,920	-	684,920
Bond premium	-	13,916	-	13,916
Bond original issue discount	-	(3,271)	-	(3,271)
Transfers in	-	1,649,996	-	1,649,996
Transfers out	-	(3,802,998)	-	(3,802,998)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(1,457,437)	-0-	(1,457,437)
NET CHANGE IN FUND BALANCES	(87,871)	(3,413,964)	(265)	(3,502,100)
Fund balances, beginning of year	354,970	5,472,418	25,662	5,853,050
Fund balances, end of year	\$ 267,099	\$ 2,058,454	\$ 25,397	\$ 2,350,950

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, 2010

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 55,570	\$ -	\$ -	\$ 55,570
Investments	3,955,417	-	-	3,955,417
Investments with agents	-	1,194,746	1,028,523	2,223,269
	<u>4,010,987</u>	<u>1,194,746</u>	<u>1,028,523</u>	<u>6,234,256</u>
TOTAL ASSETS				
	<u>\$ 4,010,987</u>	<u>\$ 1,194,746</u>	<u>\$ 1,028,523</u>	<u>\$ 6,234,256</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,126	\$ -	\$ -	\$ 4,126
FUND BALANCES				
Reserved for:				
Cemetery perpetual care	4,006,861	-	-	4,006,861
Recreational activities	-	1,194,746	1,028,523	2,223,269
	<u>4,006,861</u>	<u>1,194,746</u>	<u>1,028,523</u>	<u>6,230,130</u>
TOTAL FUND BALANCES				
	<u>4,006,861</u>	<u>1,194,746</u>	<u>1,028,523</u>	<u>6,230,130</u>
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 4,010,987</u>	<u>\$ 1,194,746</u>	<u>\$ 1,028,523</u>	<u>\$ 6,234,256</u>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2010

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 30,063	\$ -	\$ -	\$ 30,063
Interest and dividends	177,633	-	-	177,633
Net investment earnings	448,094	179,187	153,191	780,472
Other	-	5,575	-	5,575
TOTAL REVENUES	655,790	184,762	153,191	993,743
EXPENDITURES				
Current				
General government	21,400	-	-	21,400
Parks and recreation	-	33,089	5,492	38,581
TOTAL EXPENDITURES	21,400	33,089	5,492	59,981
EXCESS OF REVENUES OVER EXPENDITURES	634,390	151,673	147,699	933,762
OTHER FINANCING (USES)				
Transfers out	(319,062)	-	-	(319,062)
NET CHANGE IN FUND BALANCES	315,328	151,673	147,699	614,700
Fund balances, beginning of year	3,691,533	1,043,073	880,824	5,615,430
Fund balances, end of year	<u>\$ 4,006,861</u>	<u>\$ 1,194,746</u>	<u>\$ 1,028,523</u>	<u>\$ 6,230,130</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, 2010

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
ASSETS			
Current assets			
Cash and cash equivalents	\$ 385,382	\$ 286,259	\$ 169,998
Investments	-	-	999,076
Investments with agents	-	-	-
Accounts receivable	-	-	1,732
Due from other funds	490,572	489,739	256,547
Due from other governmental units	-	659	5,732
Inventories	-	-	-
Total current assets	875,954	776,657	1,433,085
Noncurrent assets			
Capital assets not being depreciated	-	-	4,337
Capital assets, net of accumulated depreciation	-	-	719,701
Total noncurrent assets	-0-	-0-	724,038
TOTAL ASSETS	875,954	776,657	2,157,123
LIABILITIES			
Current liabilities			
Accounts payable	2,091	12,582	12,313
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	93,764	42,877	63,571
Due to other governmental units	-	-	-
Unearned revenue	-	-	17,600
Current portion of compensated absences	19,685	11,214	5,218
Current portion of uninsured claim liability	-	-	-
Total current liabilities	115,540	66,673	98,702
Noncurrent liabilities			
Advances from other funds	-	-	-
Noncurrent portion of compensated absences	137,787	78,490	36,522
Net other post-employment benefits obligation	544,481	568,245	342,670
Noncurrent portion of uninsured claim liability	-	-	-
Total noncurrent liabilities	682,268	646,735	379,192
TOTAL LIABILITIES	797,808	713,408	477,894
NET ASSETS			
Invested in capital assets	-	-	724,038
Unrestricted	78,146	63,249	955,191
TOTAL NET ASSETS	\$ 78,146	\$ 63,249	\$ 1,679,229

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ 145,057	\$ 893,911	\$ 1,880,607	\$ 622,971	\$ 2,503,578
-	5,915,548	6,914,624	981,557	7,896,181
-	25,506	25,506	-	25,506
4,876	193,528	200,136	-	200,136
672,441	3,096,030	5,005,329	369,481	5,374,810
-	209,686	216,077	-	216,077
382,097	-	382,097	37,614	419,711
1,204,471	10,334,209	14,624,376	2,011,623	16,635,999
-	-	4,337	-	4,337
789,264	-	1,508,965	949,748	2,458,713
789,264	-0-	1,513,302	949,748	2,463,050
1,993,735	10,334,209	16,137,678	2,961,371	19,099,049
34,033	117,812	178,831	67,519	246,350
-	1,203,469	1,203,469	-	1,203,469
-	1,127,328	1,127,328	-	1,127,328
235,382	948,853	1,384,447	44,226	1,428,673
-	34,357	34,357	-	34,357
-	-	17,600	-	17,600
8,429	-	44,546	4,916	49,462
-	1,603,778	1,603,778	-	1,603,778
277,844	5,035,597	5,594,356	116,661	5,711,017
-	340,000	340,000	-	340,000
58,996	-	311,795	34,407	346,202
289,328	-	1,744,724	355,736	2,100,460
-	1,593,876	1,593,876	-	1,593,876
348,324	1,933,876	3,990,395	390,143	4,380,538
626,168	6,969,473	9,584,751	506,804	10,091,555
789,264	-	1,513,302	949,748	2,463,050
578,303	3,364,736	5,039,625	1,504,819	6,544,444
<u>\$ 1,367,567</u>	<u>\$ 3,364,736</u>	<u>\$ 6,552,927</u>	<u>\$ 2,454,567</u>	<u>\$ 9,007,494</u>

City of Kalamazoo

Internal Service Funds

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

Year Ended December 31, 2010

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
OPERATING REVENUES			
Charges for services	\$ 1,486,376	\$ 1,328,973	\$ 1,520,037
OPERATING EXPENSES			
Operation and maintenance	1,697,883	1,549,848	1,979,957
Risk management	-	-	-
Depreciation	-	-	336,755
TOTAL OPERATING EXPENSES	<u>1,697,883</u>	<u>1,549,848</u>	<u>2,316,712</u>
OPERATING INCOME (LOSS)	(211,507)	(220,875)	(796,675)
NONOPERATING REVENUES			
Interest revenue	-	-	10,384
Gain on sale of capital assets	-	-	969
TOTAL NONOPERATING REVENUES	<u>-0-</u>	<u>-0-</u>	<u>11,353</u>
INCOME (LOSS) BEFORE TRANSFERS	(211,507)	(220,875)	(785,322)
TRANSFERS IN	276,464	277,518	175,410
TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	64,957	56,643	(609,912)
Net assets, beginning of year	<u>13,189</u>	<u>6,606</u>	<u>2,289,141</u>
Net assets, end of year	<u>\$ 78,146</u>	<u>\$ 63,249</u>	<u>\$ 1,679,229</u>

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ 2,275,047	\$ 21,023,832	\$ 27,634,265	\$ 1,388,535	\$ 29,022,800
1,978,103	-	7,205,791	1,017,143	8,222,934
-	19,847,824	19,847,824	-	19,847,824
267,668	-	604,423	289,172	893,595
<u>2,245,771</u>	<u>19,847,824</u>	<u>27,658,038</u>	<u>1,306,315</u>	<u>28,964,353</u>
29,276	1,176,008	(23,773)	82,220	58,447
-	67,486	77,870	3,722	81,592
-	-	969	11,703	12,672
<u>-0-</u>	<u>67,486</u>	<u>78,839</u>	<u>15,425</u>	<u>94,264</u>
29,276	1,243,494	55,066	97,645	152,711
152,422	-	881,814	173,032	1,054,846
-	(2,229,022)	(2,229,022)	-	(2,229,022)
181,698	(985,528)	(1,292,142)	270,677	(1,021,465)
<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>
<u>\$ 1,367,567</u>	<u>\$ 3,364,736</u>	<u>\$ 6,552,927</u>	<u>\$ 2,454,567</u>	<u>\$ 9,007,494</u>

City of Kalamazoo

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services provided	\$ 1,613,403	\$ 1,358,690	\$ 1,815,741
Cash paid to suppliers	(413,898)	(533,963)	(1,238,764)
Cash paid to employees	(798,501)	(527,767)	(470,183)
Cash paid for employee benefits	(292,586)	(288,775)	(192,849)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	108,418	8,185	(86,055)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	276,464	277,518	175,410
Transfers out	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	276,464	277,518	175,410
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	-	(62,086)
Proceeds from sales of capital assets	-	-	969
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	-0-	(61,117)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Maturity of investments	-	-	4,961
Interest received	-	-	10,384
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-0-	-0-	15,345
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	384,882	285,703	43,583
Cash and cash equivalents, beginning of year	500	556	126,415
Cash and cash equivalents, end of year	<u>\$ 385,382</u>	<u>\$ 286,259</u>	<u>\$ 169,998</u>

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ 2,094,811	\$ 21,673,088	\$ 28,555,733	\$ 643,851	\$ 29,199,584
(1,381,725)	-	(3,568,350)	(506,291)	(4,074,641)
(432,224)	-	(2,228,675)	(236,645)	(2,465,320)
(244,980)	(19,903,694)	(20,922,884)	(144,948)	(21,067,832)
35,882	1,769,394	1,835,824	(244,033)	1,591,791
152,422	-	881,814	173,032	1,054,846
-	(2,229,022)	(2,229,022)	-	(2,229,022)
152,422	(2,229,022)	(1,347,208)	173,032	(1,174,176)
(74,619)	-	(136,705)	(87,548)	(224,253)
-	-	969	11,703	12,672
(74,619)	-0-	(135,736)	(75,845)	(211,581)
-	-	-0-	(981,557)	(981,557)
-	313,031	317,992	-	317,992
-	67,486	77,870	3,722	81,592
-0-	380,517	395,862	(977,835)	(581,973)
113,685	(79,111)	748,742	(1,124,681)	(375,939)
31,372	973,022	1,131,865	1,747,652	2,879,517
\$ 145,057	\$ 893,911	\$ 1,880,607	\$ 622,971	\$ 2,503,578

City of Kalamazoo

Internal Services Funds

COMBINING STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2010

	Governmental		
	<u>Engineering</u>	<u>City-Wide Maintenance</u>	<u>Information Technology</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (211,507)	\$ (220,875)	\$ (796,675)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	-	336,755
Changes in assets and liabilities:			
Other receivables	-	-	2,364
Due from other funds	228,089	301,169	309,442
Due from other governmental units	-	(659)	36,093
Prepays	-	-	750
Inventories	-	-	-
Accounts payable	793	(26,567)	(66,845)
Accrued liabilities	-	-	-
Due to other funds	(101,062)	(270,793)	(52,195)
Due to other governmental units	-	-	-
Compensated absences	(19,403)	5,140	11,146
Other post-employment benefits obligation	211,508	220,770	133,110
Uninsured claim liability	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 108,418</u>	<u>\$ 8,185</u>	<u>\$ (86,055)</u>

Activities			Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ 29,276	\$ 1,176,008	\$ (23,773)	\$ 82,220	\$ 58,447
267,668	-	604,423	289,172	893,595
8,158	(73,154)	(62,632)	-	(62,632)
286,221	1,842,000	2,966,921	537,308	3,504,229
-	124,152	159,586	2,433	162,019
-	-	750	-	750
(113,903)	-	(113,903)	(11,020)	(124,923)
(103,160)	8,905	(186,874)	1,156	(185,718)
-	168,062	168,062	-	168,062
(474,615)	(1,274,030)	(2,172,695)	(1,284,425)	(3,457,120)
-	30,288	30,288	-	30,288
23,847	-	20,730	915	21,645
112,390	-	677,778	138,208	815,986
-	(232,837)	(232,837)	-	(232,837)
<u>\$ 35,882</u>	<u>\$ 1,769,394</u>	<u>\$ 1,835,824</u>	<u>\$ (244,033)</u>	<u>\$ 1,591,791</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, 2010

Tax Collector's Fund

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
ASSETS				
Cash and cash equivalents	\$ 12,669,558	\$ 96,330,160	\$ 97,556,333	\$ 11,443,385
Taxes receivable	35,246,548	64,093,946	64,513,125	34,827,369
Other receivables	-	1,650	768	882
TOTAL ASSETS	<u>\$ 47,916,106</u>	<u>\$ 160,425,756</u>	<u>\$ 162,070,226</u>	<u>\$ 46,271,636</u>
LIABILITIES				
Due to individuals and agencies	\$ 375	\$ 1,720,036	\$ 1,720,236	\$ 175
Due to other governmental units	47,915,731	78,973,402	80,617,672	46,271,461
TOTAL LIABILITIES	<u>\$ 47,916,106</u>	<u>\$ 80,693,438</u>	<u>\$ 82,337,908</u>	<u>\$ 46,271,636</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2010

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 587,956
Investments	1,174,149
Receivables	
Accounts	283,239
Notes	<u>922,143</u>
 TOTAL ASSETS	 <u><u>\$ 2,967,487</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 10,909
Due to other governmental units	14,704
Advance from other governmental units	892,143
Deferred revenue	<u>68,452</u>
 TOTAL LIABILITIES	 986,208
 FUND BALANCE	
Reserved for:	
Encumbrances	75,005
Notes receivable	30,000
Unreserved, undesignated	<u>1,876,274</u>
 TOTAL FUND BALANCE	 <u>1,981,279</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 2,967,487</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2010

Total fund balance - governmental fund \$ 1,981,279

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

Deferred revenues 65,907

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences (9,526)

Net assets of governmental activities \$ 2,037,660

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2010

	<u>General</u>
REVENUES	
Taxes	\$ 1,022,505
Intergovernmental	55,352
Interest	12,387
Other	<u>19,523</u>
 TOTAL REVENUES	 1,109,767
EXPENDITURES	
Current	
Community and economic development	<u>1,086,394</u>
 NET CHANGE IN FUND BALANCE	 23,373
 Fund balance, beginning of year	 <u>1,957,906</u>
 Fund balance, end of year	 <u><u>\$ 1,981,279</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, 2010

Net change in fund balance - governmental fund \$ 23,373

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

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

Change in deferred revenue 7,947

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 component unit activities.

Net revenue allocated to the component unit from
governmental activity internal service funds (3,936)

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

Change in compensated absences (9,526)

Change in net assets of governmental activities \$ 17,858

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2010

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 329,207
Accounts receivable	108,361
Due from other governmental units	<u>10,546</u>
TOTAL ASSETS	<u><u>\$ 448,114</u></u>
LIABILITIES AND FUND BALANCE (DEFICIT)	
LIABILITIES	
Due to other governmental units	\$ 192,047
Advance from other governmental units	1,234,179
Deferred revenue	<u>8,346</u>
TOTAL LIABILITIES	1,434,572
FUND BALANCE (DEFICIT)	
Unreserved, undesignated	<u>(986,458)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ 448,114</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2010

Total fund balance (deficit) - governmental fund \$ (986,458)

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

Deferred revenues 8,346

Net assets of governmental activities \$ (978,112)

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2010

	<u>General</u>
REVENUES	
Taxes	\$ 470,002
EXPENDITURES	
Current	
Community and economic development	<u>272,716</u>
NET CHANGE IN FUND BALANCE	197,286
Fund (deficit), beginning of year	<u>(1,183,744)</u>
Fund (deficit), end of year	<u><u>\$ (986,458)</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, 2010

Net change in fund balance - governmental fund \$ 197,286

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

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

Change in deferred revenue 422

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 component unit activities.

Net revenue allocated to the component unit from
governmental activity internal service funds (133)

Change in net assets of governmental activities \$ 197,575

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	102-111
<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	112-116
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	117-123
<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	124-125
<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	126-132
<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	133-165

NET ASSETS BY COMPONENT

2003-2010
(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>	<u>2010</u>
\$ 109,408,557	\$ 114,330,019	\$ 117,057,211	\$ 116,294,415	\$ 123,355,990
28,757,898	30,795,758	26,784,242	12,721,683	12,050,021
<u>18,356,265</u>	<u>15,674,572</u>	<u>6,069,437</u>	<u>13,197,414</u>	<u>(8,666,188)</u>
<u><u>\$ 156,522,720</u></u>	<u><u>\$ 160,800,349</u></u>	<u><u>\$ 149,910,890</u></u>	<u><u>\$ 142,213,512</u></u>	<u><u>\$ 126,739,823</u></u>
\$ 152,082,594	\$ 154,384,778	\$ 154,535,045	\$ 143,501,852	\$ 150,485,254
11,618,293	10,915,639	-	2,577,935	2,577,960
<u>13,279,738</u>	<u>9,931,524</u>	<u>21,785,289</u>	<u>26,067,765</u>	<u>18,046,633</u>
<u><u>\$ 176,980,625</u></u>	<u><u>\$ 175,231,941</u></u>	<u><u>\$ 176,320,334</u></u>	<u><u>\$ 172,147,552</u></u>	<u><u>\$ 171,109,847</u></u>
\$ 261,491,151	\$ 268,714,797	\$ 271,592,256	\$ 259,796,267	\$ 273,841,244
40,376,191	41,711,397	26,784,242	15,299,618	14,627,981
<u>31,636,003</u>	<u>25,606,096</u>	<u>27,854,726</u>	<u>39,265,179</u>	<u>9,380,445</u>
<u><u>\$ 333,503,345</u></u>	<u><u>\$ 336,032,290</u></u>	<u><u>\$ 326,231,224</u></u>	<u><u>\$ 314,361,064</u></u>	<u><u>\$ 297,849,670</u></u>

CHANGES IN NET ASSETS

2003-2010
(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

2006	2007	2008	2009	2010
\$ 6,491,807	\$ 3,370,219	\$ 11,449,623	\$ 8,805,148	\$ 9,371,185
29,898,894	31,437,072	37,207,556	43,098,269	43,495,846
11,891,558	19,369,127	17,285,103	13,479,086	13,814,938
5,578,544	5,685,485	7,505,930	6,430,431	8,746,176
2,749,809	3,093,331	2,099,090	2,554,547	3,223,463
3,091,454	2,986,121	2,957,164	2,792,089	2,672,721
<u>59,702,066</u>	<u>65,941,355</u>	<u>78,504,466</u>	<u>77,159,570</u>	<u>81,324,329</u>
20,370,767	20,240,292	20,584,823	22,079,492	22,825,084
11,875,242	13,819,287	14,686,137	13,944,668	14,946,226
40,649	44,672	49,291	48,805	44,230
<u>32,286,658</u>	<u>34,104,251</u>	<u>35,320,251</u>	<u>36,072,965</u>	<u>37,815,540</u>
<u>\$ 91,988,724</u>	<u>\$ 100,045,606</u>	<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>
\$ 2,988,396	\$ 2,797,940	\$ -	\$ 5,094,411	\$ 4,731,626
1,166,367	1,748,885	-	642,866	246,453
1,085,864	1,310,053	-	616,485	733,970
13,439,433	15,685,545	12,966,562	12,915,313	15,255,631
393,565	661,968	151,241	21,686	868,221
<u>19,073,625</u>	<u>22,204,391</u>	<u>13,117,803</u>	<u>19,290,761</u>	<u>21,835,901</u>
17,996,945	15,941,791	21,201,437	18,220,534	19,085,813
10,933,129	11,774,026	11,604,749	11,922,529	12,759,940
45,611	45,071	50,244	52,059	58,832
1,010,733	962,170	451,421	-	-
3,618,003	3,965,417	2,959,418	2,599,746	4,001,255
<u>33,604,421</u>	<u>32,688,475</u>	<u>36,267,269</u>	<u>32,794,868</u>	<u>35,905,840</u>
<u>\$ 52,678,046</u>	<u>\$ 54,892,866</u>	<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>
\$(40,628,441)	\$(43,736,964)	\$(65,386,663)	\$(57,868,809)	\$(59,488,428)
1,317,763	(1,415,776)	947,018	(3,278,097)	(1,909,700)
<u>\$(39,310,678)</u>	<u>\$(45,152,740)</u>	<u>\$(64,439,645)</u>	<u>\$(61,146,906)</u>	<u>\$(61,398,128)</u>

CHANGES IN NET ASSETS - CONCLUDED

2003-2010
(unaudited)
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
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	<u>(1,682,296)</u>	<u>2,936,989</u>	<u>1,840,542</u>
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>	<u>2010</u>
\$ 35,148,859	\$ 35,263,246	\$ 36,221,234	\$ 36,421,813	\$ 34,292,608
10,967,559	10,243,913	10,548,626	8,968,211	8,669,650
1,757,763	2,038,489	1,382,472	1,999,482	1,411,281
-	-	-	-	-
44,577	36,458	34,800	-	-
-	-	-	60,947	304,588
-	432,487	(97,939)	(455,622)	(663,388)
<u>47,918,758</u>	<u>48,014,593</u>	<u>48,089,193</u>	<u>46,994,831</u>	<u>44,014,739</u>
8,645	7,390	1,326	-	-
36,799	41,592	3,590	165,786	28,161
146,851	50,597	38,520	41,767	7,418
-	-	-	572,923	173,028
-	(432,487)	97,939	455,622	663,388
-	-	-	-	-
<u>192,295</u>	<u>(332,908)</u>	<u>141,375</u>	<u>1,236,098</u>	<u>871,995</u>
<u>\$ 48,111,053</u>	<u>\$ 47,681,685</u>	<u>\$ 48,230,568</u>	<u>\$ 48,230,929</u>	<u>\$ 44,886,734</u>
\$ 7,290,317	\$ 4,277,629	\$ (17,297,470)	\$ (10,873,978)	\$ (15,473,689)
<u>1,510,058</u>	<u>(1,748,684)</u>	<u>1,088,393</u>	<u>(2,041,999)</u>	<u>(1,037,705)</u>
<u>\$ 8,800,375</u>	<u>\$ 2,528,945</u>	<u>\$ (16,209,077)</u>	<u>\$ (12,915,977)</u>	<u>\$ (16,511,394)</u>

FUND BALANCES

GOVERNMENTAL FUNDS

2003-2010
(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 preceding 2003 is not available.

Table 3

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 673,046	\$ 756,760	\$ 504,595	\$ 504,164
<u>4,617,629</u>	<u>3,461,861</u>	<u>4,740,113</u>	<u>3,881,019</u>
<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>
\$ 12,935,798	\$ 9,410,736	\$ 10,641,923	\$ 12,011,218
4,141,477	4,241,786	4,874,600	5,028,383
210,130	124,551	127,942	91,569
3,751,120	3,934,958	3,847,713	1,994,543
<u>2,658,294</u>	<u>1,195,345</u>	<u>1,956,373</u>	<u>-</u>
<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2003-2010
(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	2010
\$ 34,508,937	\$ 35,199,103	\$ 35,569,119	\$ 37,997,860	\$ 35,071,496
1,937,580	2,077,407	1,951,085	1,770,824	1,867,123
20,120,520	21,082,782	20,762,621	19,150,714	22,470,227
1,599,259	1,417,088	1,582,665	5,289,988	5,622,676
241,075	288,650	279,435	326,755	296,200
4,936,149	5,310,737	4,507,507	3,989,784	3,429,583
660,122	(22,516)	(1,858,775)	1,207,786	780,472
7,580,521	7,650,248	6,696,145	1,699,387	1,668,632
<u>71,584,163</u>	<u>73,003,499</u>	<u>69,489,802</u>	<u>71,433,098</u>	<u>71,206,409</u>
9,543,763	9,992,094	10,767,415	7,300,485	7,169,369
30,547,482	33,513,942	33,718,520	34,409,853	34,804,767
12,964,423	13,413,733	12,038,364	11,703,326	11,981,237
5,692,502	5,743,272	6,921,457	5,803,640	7,763,530
2,587,159	2,971,644	2,820,672	2,598,348	2,806,451
169,271	50,000	-	1,184,639	2,761,908
5,067,709	5,206,300	4,997,000	5,245,000	5,125,000
2,912,669	2,930,686	2,932,497	2,796,889	2,721,982
5,125,701	5,692,545	5,264,042	1,869,810	2,861,401
<u>74,610,679</u>	<u>79,514,216</u>	<u>79,459,967</u>	<u>72,911,990</u>	<u>77,995,645</u>
(3,026,516)	(6,510,717)	(9,970,165)	(1,478,892)	(6,789,236)
10,001,607	11,474,277	8,280,263	8,772,072	10,646,777
(10,758,458)	(11,041,790)	(8,378,202)	(8,272,072)	(9,962,957)
36,705	274,136	32,020	-	-
7,110,000	4,715,000	4,165,000	4,585,000	2,855,000
23,732	(20,235)	9,587	(38,846)	68,053
<u>6,413,586</u>	<u>5,401,388</u>	<u>4,108,668</u>	<u>5,046,154</u>	<u>3,606,873</u>
<u>\$ 3,387,070</u>	<u>\$ (1,109,329)</u>	<u>\$ (5,861,497)</u>	<u>\$ 3,567,262</u>	<u>\$ (3,182,363)</u>
13.0%	12.4%	12.0%	12.8%	11.7%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years
(unaudited)

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
2001	\$ 1,090,113,040	\$ 238,143,600	\$ 32,089,500	\$ 1,360,346,140	21.5667	\$ 3,076,324,910	44.2%
2002	1,175,434,380	238,009,950	15,096,550	1,428,540,880	21.9205	3,219,520,360	44.4%
2003	1,213,441,494	244,276,534	35,442,050	1,493,160,078	21.9205	3,404,210,728	43.9%
2004	1,274,216,408	219,353,550	36,821,197	1,530,391,155	22.1405	3,546,183,600	43.2%
2005	1,330,662,249	213,784,700	33,929,243	1,578,376,192	22.1405	3,657,698,240	43.2%
2006	1,393,452,901	225,841,898	23,178,428	1,642,473,227	21.9049	3,841,553,300	42.8%
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205	3,952,364,600	43.4%
2008	1,502,840,795	218,611,900	31,002,494	1,752,455,189	21.8205	4,016,038,212	43.6%
2009	1,484,940,414	228,339,500	34,292,423	1,747,572,337	20.8205	3,795,628,106	46.0%
2010	1,407,653,177	226,482,900	55,290,258	1,689,426,335	21.4205	3,653,847,390	46.2%

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, 2010. 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 2010 roll by \$4,040,414.

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
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
2010	19.2705	1.5500	0.6000	21.4205	23.3500	6.7412	6.0000	4.8566	2.8135	3.9583	69.1401	51.1401

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, 2010 ranged from \$23.3500 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	2010			Rank	(B) Percent of Total	2000 (C)		
		Taxable Value of Property					Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Pfizer Corporation	Pharmaceuticals	\$ 81,547,128	\$14,296,300	\$ 95,843,428	1	5.59%	\$ 120,233,125	1	8.78%
Graphic Packaging	Paper Products	26,832,103	8,618,800	35,450,903	2	2.07%	39,097,750	2	2.85%
Catalyst Development	Real Estate	34,399,389	-	34,399,389	3	2.01%	-		0.00%
Consumer's Energy	Utility	28,487,091	-	28,487,091	4	1.66%	30,530,400	3	2.23%
MPI Research	Pharmaceuticals Research	20,568,964	-	20,568,964	5	1.20%	-		0.00%
American Greetings	Paper Products	11,336,800	-	11,336,800	6	0.66%	10,418,825	5	0.76%
James S. Smith Trust	Rental Properties	10,537,000	-	10,537,000	7	0.61%	11,908,150	4	0.87%
Lifecare (Friendship Village)	Retirement Community	10,261,385	-	10,261,385	8	0.60%	8,613,700	9	0.63%
Cytec Industries	Chemical Manufacturing	6,427,278	3,615,700	10,042,978	9	0.59%	8,150,500	10	0.59%
The Herald Co (Kal Gazette)	Newspaper Publication	8,578,698	1,038,700	9,617,398	10	0.56%	-		0.00%
Former Top 10 Taxpayers	various						26,437,100		1.93%
		<u>\$238,975,836</u>	<u>\$27,569,500</u>	<u>\$ 266,545,336</u>		<u>15.56%</u>	<u>\$ 255,389,550</u>		<u>18.64%</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 \$1,713,509,983 for the year ending December 31, 2010 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 2000 Assessment Roll and the 2000 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,369,932,250.

PROPERTY TAX LEVIES AND COLLECTIONS

General Property Tax Levy

Last Ten Years
(unaudited)

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B)		
				Collection Subsequent to the Year of Tax Levy	Percent of Total Collections to Tax Levy	
				Total Collections		
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	33,370,999	30,786,313	92.25%	2,470,395	33,256,708	99.66%
2010	32,051,391	29,781,694	92.92%	-	29,781,694	92.92%

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, 2010. Data totals for tax years 2001-2008 are frozen as of December 31, 2009 due to a change in methodology for collection of these delinquent taxes. All real taxes (excluding buildings on leased land) for these years were turned over to the County of Kalamazoo for collection rather than continuing to be retained by the City for collection.

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			
2001	\$ 37,520,000	\$ 10,505,000	\$ 2,899,955	\$ 575,000	\$ 500,000	\$ 21,055,000	\$ 296,000	\$ 73,350,955	4.43%	951
2002	36,320,000	11,575,000	2,425,594	525,000	-	20,850,000	204,000	71,899,594	4.19%	932
2003	35,065,000	10,120,000	1,831,084	475,000	-	30,010,000	105,000	77,606,084	4.40%	1,006
2004	40,740,000	12,925,000	970,085	425,000	-	23,885,000	-	78,945,085	4.37%	1,023
2005	46,940,000	11,395,000	736,009	380,000	-	22,690,000	-	82,141,009	4.10%	1,065
2006	50,920,000	9,805,000	433,300	335,000	-	23,735,000	-	85,228,300	4.40%	1,105
2007	48,070,000	12,480,000	167,000	285,000	-	24,215,000	-	85,217,000	4.85%	1,173
2008	48,765,000	11,090,000	80,000	235,000	-	22,755,000	-	82,925,000	4.35%	1,142
2009	49,590,000	9,735,000	-	185,000	-	31,490,000	-	91,000,000	5.10%	1,250
2010	48,775,000	8,325,000	-	140,000	-	29,800,000	-	87,040,000	4.78%	1,172

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)
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%	679.19
2010	48,775,000	49,257	48,725,743	1.33%	656.13

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, 2010
(unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 9,621,000	13.75%	\$ 1,322,888
Kalamazoo School District	159,180,000	59.74%	95,094,132
Parchment School District	33,806,014	1.05%	354,963
Portage School District	130,750,000	1.49%	1,948,175
Kalamazoo County	35,979,704	20.31%	7,307,478
Kalamazoo Intermediate School District	22,575,000	21.99%	4,964,243
Kalamazoo Library District	4,000,000	56.70%	2,268,000
Total overlapping debt	<u>\$ 395,911,718</u>		<u>\$ 113,259,879</u>

Direct:

	<u>Gross Debt</u>	<u>Self- Supporting (A)</u>	<u>Net Direct Debt</u>
General obligation bonds:			
Building Authority	\$ 28,965,000	\$ 21,261,939	\$ 7,703,061
Downtown Development	3,655,000	3,655,000	-
Capital improvement	16,165,000	-	16,165,000
Revenue bonds:			
Michigan Transportation Fund	8,325,000	8,325,000	-
Special assessment bonds	140,000	140,000	-
Total direct debt	<u>\$ 57,250,000</u>	<u>\$ 33,381,939</u>	<u>\$ 23,868,061</u>

Total net direct and overlapping debt of governmental activities**\$ 137,127,940**

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, 2010
(unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,750,636,695
Tax abated property	<u>29,783,150</u>
Total State Equalized Value (SEV)	<u><u>\$ 1,780,419,845</u></u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
Legal Limitation	<u><u>\$ 178,041,985</u></u>
Debt Obligations of the Primary Government (B)	\$ 87,040,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (29,800,000)
Michigan Transportation Fund Bonds	(8,325,000)
Special Assessment Bonds	<u>(140,000)</u>
	<u>(38,265,000)</u>
Total Debt of the City Subject to Limitation	<u><u>48,775,000</u></u>
LEGAL DEBT MARGIN	<u><u>\$ 129,266,985</u></u>

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

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

(A) State equalized assessed property values are assessed at December 31, 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
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%
2010	178,041,985	48,775,000	129,266,985	27.4%

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		
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	
2010	4,880,147	1,410,000	388,805	1,798,805	2.71	

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	
2010	14,704	45,000	9,530	54,530	0.27	

(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			Coverage
				Principal	Interest	Total	
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
2010	20,667,651	16,369,379	4,298,272	330,000	228,012	558,012	7.70

Water System Revenue Bonds							
Year	Revenues (C)	Direct Operating Expense (D)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2010	13,391,306	8,869,353	4,521,953	1,360,000	1,083,573	2,443,573	1.85

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
2001	77,145	21,471	1,656,351,443	26.1	16,124	5.7%
2002	77,145	22,244	1,716,030,969	26.1	16,195	6.6%
2003	77,145	22,856	1,763,222,108	26.1	15,859	7.6%
2004	77,145	23,422	1,806,902,687	26.1	15,019	7.9%
2005	77,145	25,943	2,001,393,040	26.1	15,285	7.2%
2006	77,145	25,089	1,935,469,721	26.1	15,800	7.1%
2007	72,637	24,180	1,756,362,892	26.1	15,150	7.2%
2008	72,637	26,241	1,906,069,914	26.2	16,688	8.6%
2009	72,825	24,517	1,785,459,351	26.2	15,851	13.4%
2010	74,262	24,517	1,820,690,455	24.7	15,598	13.9%

Data Sources:

- (A) United States Census, 2000 with 2001-2009 estimates.
- (B) Bureau of Economic Analysis for 2001 to 2009 data.
Updated 2010 data is not yet available.
Kalamazoo County PCI times city average to arrive at est. of city PCI.
- (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 12,409 in 2010.
- (E) Michigan Department of Labor and Economic Growth - Office of Labor Market Information
See the Schedule of Employment Statistics at Table 27 for employment data.

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

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago
(unaudited)

Company	Principal Product or Service	2010			2001		
		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	4,201	1	3.1%	2,410	5	1.8%
Western Michigan University	Education	4,045	2	3.0%	3,200	2	2.4%
Bronson Methodist Hospital	Health Care	3,779	3	2.8%	2,800	4	2.1%
Pfizer Corporation	Pharmaceuticals	3,200	4	2.3%	5,200	1	3.9%
Stryker Corporation	Medical Equipment	2,083	5	1.5%	900	10	0.7%
National City Bank/PNC	Banking Services	2,000	6	1.5%	2,922	3	2.2%
Kalamazoo Public Schools	Education	1,848	7	1.4%	2,200	6	1.7%
Kalamazoo Valley CC	Education	1,150	8	0.8%	844	12	0.0%
Kalamazoo County	Government	1,000	9	0.7%	1,000	8	0.8%
Portage Public Schools	Education	977	10	0.7%	-	-	0.0%
Greenleaf Hospitality	Hotels	850	11	0.6%	-	-	0.0%
Summit Polymers	Auto Supply-Interior Trim	830	12	0.6%	-	-	0.0%
Total		25,963		19.0%	21,476		16.2%

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 Eight Years
(unaudited)

Function/Program	Full-time Equivalent Employees (A)							
	2003	2004	2005	2006	2007	2008	2009	2010
General government	80	79	75	74	74	74	75	65
Public safety	307	308	301	296	301	301	301	287
Economic development	6	6	7	7	6	6	6	6
Community development and planning	44	43	42	41	40	40	40	39
Parks and recreation	26	26	20	20	19	19	19	18
Public works	52	52	44	44	50	49	44	43
Streets	27	27	28	28	33	33	33	30
Wastewater	97	97	112	111	103	90	94	87
Water	95	95	88	88	85	85	79	76
Total	734	733	717	709	711	697	691	651

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

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

OPERATING INDICATORS BY FUNCTION

Last Six Years
(unaudited)

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

Table 17

2008	2009 (B)	2010 (A)
22,848	23,430	24,145
\$17.29	\$21.90	\$19.94
\$11.00	(\$9.70)	(\$85.14)
3,180	3,632	3,857
\$37.18	\$49.89	\$49.84
150	292	289
84%	92%	93%
T-Bill + 22 basis pts	T-Bill + 203 basis pts	T-Bill + 50 basis pts
140 / 1	140 / 2	140 / 0
2,700	2,700	2,700
989	989	950
704	783	850
96,603	97,100	94,100
8,975	8,672	8,900
30,567	28,058	25,000
3,001 / 373	3,069 / 393	3,069 / 400
34.4	34.4	6.1
\$17,000,000 / 82	\$17,000,000 / 82	\$2,700,000 / 41
\$4,200,000	\$4,200,000	\$500,000
14,357	13,654	13,200
N/A	N/A	N/A
N/A	N/A	N/A
216	235	213
2,452	2,063	2,156
196	194	206
12	12	12
7,311	9,083	7,920
56	57	57
9,520	10,818	10,744
-	-	-

OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Six Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	127	127	127
Volume of leaves collected (cubic yards)	67,879	67,879	67,879
Volume of material recycled (tons)	2,831	2,224	2,224
Number of housing units participating in recycling activities	20,000	50,000	20,000
Volume of solid waste collected (cubic yards)	9,972	9,972	9,972
Streets:			
Number of repairs on major streets	185	185	105
Value of Repairs per staff hour on major streets	\$298	\$298	\$326
Number of repairs on local streets	482	482	307
Value of Repairs per staff hour on local streets	\$252	\$252	\$226
Water:			
Cubic meters of water billed (millions)	22.7	22.8	22.8
Average operating cost to produce one cubic meter of water	\$0.451	\$0.438	\$0.438
Number of utility bills mailed	238,689	225,961	225,961
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.0	36.0
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442	\$0.442
Number of sanitary main line stoppages	14	14	26

Source: City of Kalamazoo Budget

(A) 2010 data is projected in conjunction with the City of Kalamazoo 2010 proposed budget procedures.
Actual data is not currently available.

(B) 2009 data has been updated from estimated to actual numbers.

Comparative statistical data preceeding 2005 is not available.

Table 17

2008	2009 (B)	2010 (A)
85	87	90
70,000	90,000	90,000
2,350	2,400	2,400
21,000	21,500	21,576
9,975	9,845	10,000
181	185	182
\$295	\$300	\$315
484	475	480
\$245	\$255	\$260
22.4	22.6	22.9
\$0.440	\$0.460	\$0.420
251,449	252,780	253,165
36.2	36.2	35.4
\$0.440	\$0.440	\$0.480
14	14	22

CAPITAL ASSET STATISTICS BY FUNCTION

Last Six Years
(unaudited)

Function/Program	Year					
	2005	2006	2007	2008	2009	2010
General government:						
Administration buildings	-	1	1	1	1	1
Vehicles	-	6	8	8	8	7
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	7
Training facility	-	1	1	1	1	1
Vehicles	-	194	193	198	196	191
Community development and planning:						
Vehicles	-	25	26	27	27	27
Parks and recreation:						
Administration building	-	1	1	1	1	1
Youth development center	-	1	1	1	1	1
Acreage 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	3	3
Public works:						
Gravel pit	-	1	1	1	1	1
Salt storage building	-	1	1	1	1	1
Streets:						
Local streets (miles)	166.29	166.29	166.29	166.29	166.29	166.29
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	82.39
Traffic signals	-	135	135	135	135	135

CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Six Years
(unaudited)

Function/Program	Year					
	2005	2006	2007	2008	2009	2010
Wastewater:						
Sanitary sewers (miles)	291	293	293	293	293	293
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	187.5
Number of lift stations maintained	52	52	54	54	54	54
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5
Water:						
Water facility	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	18
Booster/bleeder stations	13	13	13	13	13	13
Water mains (miles)	665	665	665	665	665	807
Wells in Service	103	103	99	99	99	99
Maximum daily well capacity (millions of gallons)	66.79	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	17.80
Internal service:						
Public works equipment (A)						
Utility and other vehicles	-	95	93	90	91	95
Public utilities equipment (B)						
Utility and other vehicles	-	120	136	136	136	130

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

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

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

For the Year Ended December 31, 2010
(unaudited)

REVENUES	
Building Permits	\$ 161,611
Electrical Permits	72,286
Mechanical Permits	77,749
Plumbing Permits	30,014
Other Permits & License Fees	<u>58,152</u>
TOTAL REVENUES	399,812
EXPENDITURES	
Wages, Salaries and Benefits	532,346
Supplies	7,078
Services	58,091
Administrative Overhead*	<u>-</u>
TOTAL EXPENDITURES	<u>597,515</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u>\$ (197,703)</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
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
2010	1,689,077	-	-	76,195,624	77,884,701

Expenses by Type

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
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
2010	16,976,057	453,272	164,360	17,593,689

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

TAXABLE VALUE

Last Six Years
(unaudited)

TOTAL TAXABLE VALUE

Taxable Value as of	Year of State Equalization	Year Ended	Ad Valorem	Abated Taxable	Total	Percent Increase over
December 31	and Tax Levy	December 31	Taxable Value (1)	Value (2)	Taxable Value	Prior Year
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%
2009	2010	2010	1,638,373,891	29,040,285	1,667,414,176	-4.83%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2010 (3)						\$ 22,453.13

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, 2010, the Taxable Value of the property located in the Zone totaled \$23,888,248.

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

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

TAXABLE VALUE - CONCLUDED

Last Six Years
(unaudited)

TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31					
	2005	2006	2007	2008	2009	2010
Use						
Commercial	\$534,014,385	\$567,815,005	\$591,866,114	\$589,583,943	\$606,607,218	\$563,036,502
Industrial	300,634,764	284,054,454	281,518,175	289,483,928	288,393,750	267,710,185
Residential	743,766,235	785,984,354	827,332,071	856,069,445	857,033,288	836,667,489
	<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>	<u>\$1,667,414,176</u>
Class						
Real	\$1,351,560,784	\$1,406,290,065	\$1,470,085,410	\$1,511,176,716	\$1,511,695,056	\$1,428,165,026
Personal	226,854,600	231,563,748	230,630,950	223,960,600	240,339,200	239,249,150
	<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>	<u>\$1,667,414,176</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31					
	2005	2006	2007	2008	2009	2010
Use						
Commercial	33.83%	34.67%	34.80%	33.98%	34.62%	33.77%
Industrial	19.05%	17.34%	16.55%	16.68%	16.46%	16.06%
Residential	47.12%	47.99%	48.65%	49.34%	48.92%	50.18%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class						
Real	85.63%	85.86%	86.44%	87.09%	86.28%	85.65%
Personal	14.37%	14.14%	13.56%	12.91%	13.72%	14.35%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

STATE EQUALIZED VALUATION

Last Six 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%
2009	2010	2010	1,750,636,695	29,783,150	1,780,419,845	-6.93%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2010 (3) \$ 23,974.84

(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

(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 Six Years
(unaudited)

Total SEV by Use and Class

	Years Ended December 31					
	2005	2006	2007	2008	2009	2010
Use						
Commercial	\$ 593,461,785	\$ 648,762,947	\$ 656,955,700	\$ 655,406,800	\$ 659,635,900	\$ 594,185,500
Industrial	271,393,700	291,139,765	288,315,850	297,254,500	295,147,000	272,429,550
Residential	930,215,135	983,096,900	1,014,513,950	1,036,579,306	958,208,614	913,804,795
	<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>	<u>\$ 1,780,419,845</u>
Class						
Real	\$ 1,578,198,420	\$ 1,690,650,764	\$ 1,690,650,764	\$ 1,765,280,006	\$ 1,672,695,914	\$ 1,541,173,395
Personal	216,872,200	232,348,848	232,348,848	223,960,600	240,295,600	239,246,450
	<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>	<u>\$ 1,780,419,845</u>

Percent of Total SEV by Use and Class

	Years Ended December 31					
	2005	2006	2007	2008	2009	2010
Use						
Commercial	33.06%	33.74%	33.52%	32.95%	34.48%	33.37%
Industrial	15.12%	15.14%	14.71%	14.94%	15.43%	15.30%
Residential	51.82%	51.12%	51.77%	52.11%	50.09%	51.33%
	<u>100.0%</u>	<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%	86.56%
Personal	12.08%	12.08%	12.08%	11.26%	12.56%	13.44%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

MAXIMUM AND ACTUAL TAX RATES

December 31, 2010
(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	2.8906	0.0000	2.8906	1.5500
Mass Transportation	<u>0.6000</u>	0.0000	<u>0.6000</u>	<u>0.6000</u>
	<u>23.4906</u>		<u>22.7611</u>	<u>21.4205</u>

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

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

REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Six Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Constitutional	\$5,270,861	\$5,205,102	\$6,645,230	\$4,803,822	\$4,997,354
Statutory	<u>4,920,760</u>	<u>4,719,644</u>	<u>3,339,946</u>	<u>4,164,389</u>	<u>3,597,688</u>
Total payments received	10,191,621	9,924,746	9,985,176	8,968,211	8,595,042
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue sharing	<u>\$ 9,948,438</u>	<u>\$ 9,681,563</u>	<u>\$ 9,985,176</u>	<u>\$ 8,968,211</u>	<u>\$ 8,595,042</u>
% of General Fund revenue (2)	18.8%	18.4%	18.8%	18.6%	16.6%

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 Six Years
(unaudited)

	Years Ended December 31					
	2005	2006	2007	2008	2009	2010
<u>Cash Basis</u>						
Major Streets	\$ -	\$ 4,145,499	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194	\$ 3,800,114
Local Streets	-	1,159,416	1,146,604	1,193,602	1,073,035	1,076,285
	<u>\$ -</u>	<u>\$ 5,304,915</u>	<u>\$ 5,246,649</u>	<u>\$ 5,638,312</u>	<u>\$ 4,858,229</u>	<u>\$ 4,876,399</u>
	Years Ended December 31					
	2005	2006	2007	2008	2009	2010
<u>Accrual Basis</u>						
Major Streets	\$4,154,921	\$ 4,124,532	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932	\$ 3,803,492
Local Streets	1,162,004	1,153,481	1,146,418	1,105,811	1,075,337	1,076,655
	<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>	<u>\$ 4,880,147</u>

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

LABOR CONTRACTS

December 31, 2010
(unaudited)

Bargaining Unit	Membership	Contract Expiration Date
American Federation of State, County and Municipal Employees	131	October 2, 2011
Kalamazoo Municipal Employees Association	110	December 31, 2011
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	52	December 31, 2009*
Kalamazoo Police Officers Association (Officers and Detectives)	203	December 31, 2009*
Amalgamated Transit Union (Bus Drivers and Mechanics)	76	February 13, 2011
Non-Union	151	Not Applicable
Total Employees	723	

Source: City of Kalamazoo, Human Resources

*In process of negotiation

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
2001	37,207	2,257	39,464	5.7%	4,876,000	268,000	5,144,000	5.2%
2002	36,289	2,553	38,842	6.6%	4,725,000	315,000	5,040,000	6.3%
2003	36,119	2,967	39,086	7.6%	4,676,000	358,000	5,034,000	7.1%
2004	36,186	3,109	39,295	7.9%	4,687,000	356,000	5,043,000	7.1%
2005	36,901	2,847	39,748	7.2%	4,717,000	346,000	5,063,000	6.8%
2006	37,382	2,859	40,241	7.1%	4,723,000	349,000	5,072,000	6.9%
2007	37,818	2,947	40,765	7.2%	4,681,000	357,000	5,038,000	7.1%
2008	37,369	3,517	40,886	8.6%	4,554,000	412,000	4,966,000	8.3%
2009	34,829	5,409	40,238	13.4%	4,211,000	648,000	4,859,000	13.3%
2010	34,176	5,512	39,688	13.9%	4,193,000	597,000	4,790,000	12.5%

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

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

WATER SUPPLY SYSTEM

Water Supply Franchises
(unaudited)

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

Customer Location and Classification	2006	2007	2008	2009	2010
City:					
Residential	18,094	18,295	18,220	18,230	17,425
Commercial / Industrial	<u>5,040</u>	<u>5,257</u>	<u>5,256</u>	<u>5,272</u>	<u>5,998</u>
Total City	<u>23,134</u>	<u>23,552</u>	<u>23,476</u>	<u>23,502</u>	<u>23,423</u>
Out City:					
Residential	15,889	16,863	17,095	18,200	16,475
Commercial / Industrial	<u>4,510</u>	<u>4,738</u>	<u>4,781</u>	<u>4,867</u>	<u>5,432</u>
Total Out City	<u>20,399</u>	<u>21,601</u>	<u>21,876</u>	<u>23,067</u>	<u>21,907</u>
Total System:					
Residential	33,983	35,158	35,315	36,430	33,900
Commercial / Industrial	<u>9,550</u>	<u>9,995</u>	<u>10,037</u>	<u>10,139</u>	<u>11,430</u>
Total System	<u>43,533</u>	<u>45,153</u>	<u>45,352</u>	<u>46,569</u>	<u>45,330</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.

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

WATER SUPPLY SYSTEM

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

	<u>2009</u>	<u>2010</u>
<u>Meter Location and Size</u>		
City:		
5/8" - 3/4"	16,280	16,706
1"	2,320	2,326
1 1/2"	262	241
2"	1,116	1,003
3"	203	181
4"	301	77
6"	173	6
8"	<u>87</u>	<u>0</u>
Total City	<u>20,742</u>	<u>20,540</u>
Out City:		
5/8" - 3/4"	9,376	8,467
1"	8,560	8,804
1 1/2"	362	328
2"	972	901
3"	124	101
4"	237	44
6"	112	9
8"	<u>75</u>	<u>0</u>
Total Out City	<u>19,818</u>	<u>18,654</u>
Total Meters	<u>40,560</u>	<u>39,194</u>
<u>Location and Size of Fire Protection Line/Hydrant</u>		
City:		
4"	176	210
6"	148	174
8"	81	91
10"	2	2
Hydrants	<u>2,405</u>	<u>2,406</u>
Total City	<u>2,812</u>	<u>2,883</u>
Out City:		
4"	162	185
6"	91	97
8"	67	70
10"	5	5
Hydrants	<u>2,872</u>	<u>2,896</u>
Total Out City	<u>3,197</u>	<u>3,253</u>
Total Fire Protection	<u>6,009</u>	<u>6,136</u>
Total Service Connections	<u>46,569</u>	<u>45,330</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)				
	2006	2007	2008	2009	2010
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 16.35	\$ 17.93	\$ 17.93	\$ 18.65	\$ 18.30
1" Meter	20.87	23.11	23.11	24.03	23.91
1-1/2" Meter	25.40	28.29	28.29	29.42	29.52
2" Meter	37.85	42.54	42.54	44.24	44.94
City (Monthly Billed Accounts):					
5/8" Meter	8.80	9.30	9.30	9.67	8.95
1" Meter	10.31	11.02	11.02	11.46	10.82
1-1/2" Meter	11.82	12.75	12.75	13.26	12.69
2" Meter	15.97	17.50	17.50	18.20	17.83
3" Meter	46.53	52.47	52.47	54.57	55.70
4" Meter	57.85	65.43	65.43	68.05	69.72
6" Meter	84.25	95.65	95.65	99.48	102.45
8" Meter	114.43	130.19	130.19	135.40	139.35
City (Monthly Fire Protection Charge):					
4" Detector Check	15.27	16.34	16.34	16.99	19.54
6" Detector Check	19.02	21.02	21.02	21.86	23.06
8" Detector Check	26.56	30.28	30.28	31.49	30.60
10" Detector Check	57.14	66.31	66.31	68.96	65.03
Fire Hydrant	3.33	3.33	3.33	3.47	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	24.18	27.40	27.40	28.50	24.01
1" Meter	31.84	36.36	36.36	37.81	31.90
1-1/2" Meter	39.50	45.33	45.33	47.14	39.80
2" Meter	60.57	69.99	69.99	72.79	61.51
Out City (Monthly Billed Accounts):					
5/8" Meter	11.41	12.45	12.45	12.95	10.85
1" Meter	13.97	15.44	15.44	16.06	13.48
1-1/2" Meter	16.52	18.43	18.43	19.17	16.11
2" Meter	23.54	26.65	26.65	27.72	23.35
3" Meter	75.26	87.18	87.18	90.67	76.64
4" Meter	94.41	109.60	109.60	113.98	96.38
6" Meter	139.10	161.90	161.90	168.38	142.43
8" Meter	190.17	221.68	221.68	230.55	195.07
Out City (Monthly Fire Protection Charge):					
4" Detector Check	26.98	28.33	28.33	29.46	29.29
6" Detector Check	32.92	35.63	35.63	37.06	33.54
8" Detector Check	44.50	49.89	49.89	51.89	42.35
10" Detector Check	87.38	102.99	102.99	107.11	81.70
Fire Hydrant	3.33	3.33	3.33	3.47	3.33

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

WATER SUPPLY SYSTEM

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

<u>Meter Location and Classification</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City:					
Residential	\$0.195	\$0.197	\$0.197	\$0.205	\$0.237
Multifamily	0.138	0.139	0.139	0.145	0.213
Commercial/Industrial	0.166	0.168	0.168	0.175	0.239
Fire Protection - First 15 M3	0.166	0.168	0.168	0.180	0.233
Fire Protection - Over 15 M3	0.498	0.504	0.504	0.524	0.699
Seasonal Uses	0.327	0.329	0.329	0.342	0.468
Out City:					
Residential	\$0.460	\$0.444	\$0.444	\$0.462	\$0.501
Multifamily	0.310	0.300	0.300	0.312	0.332
Commercial/Industrial	0.368	0.356	0.356	0.370	0.374
Fire Protection - First 15 M3	0.368	0.356	0.356	0.370	0.369
Fire Protection - Over 15 M3	1.104	1.068	1.068	1.111	1.107
Seasonal Uses	0.894	0.867	0.867	0.902	1.013

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

(1) per cubic meter

WATER SUPPLY SYSTEM

History of System Rate Increases
(unaudited)

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

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

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

WATER SUPPLY SYSTEM

Water Supply Volume as Pumped and Billed (1)

Last Five Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Pumped	25,118,117	28,089,780	25,787,182	25,470,589	25,737,266
Billed	<u>22,879,533</u>	<u>23,937,831</u>	<u>22,381,271</u>	<u>22,588,130</u>	<u>22,747,167</u>
Unaccounted (2)	<u>2,238,584</u>	<u>4,151,949</u>	<u>3,405,911</u>	<u>2,882,459</u>	<u>2,990,099</u>
Unaccounted as a Percent of Pumped	<u>8.91%</u>	<u>14.78%</u>	<u>13.21%</u>	<u>11.32%</u>	<u>11.62%</u>

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

(1) Measured in Cubic Meters

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

WATER SUPPLY SYSTEM

Water Volume as Billed by Meter
Location and ClassificationLast Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City:					
Residential	4,482,863	4,634,794	4,351,103	4,353,574	4,769,631
Multifamily	1,936,672	1,902,117	1,896,895	1,903,421	1,861,800
Commercial/Industrial	6,296,658	5,970,700	5,537,070	5,780,822	5,521,424
Fire Protection	5,849	1,786	8,067	7,919	7,165
Seasonal Uses (1)	<u>482,159</u>	<u>618,513</u>	<u>570,924</u>	<u>566,631</u>	<u>590,136</u>
Total City	<u>13,204,201</u>	<u>13,127,910</u>	<u>12,364,059</u>	<u>12,612,367</u>	<u>12,750,156</u>
Out City:					
Residential	5,398,303	6,234,057	5,700,057	5,719,634	5,614,720
Multifamily	1,546,052	1,580,616	1,654,052	1,631,892	1,553,430
Commercial/Industrial	2,279,672	2,418,745	2,173,597	2,099,465	2,329,291
Fire Protection	13,799	2,903	4,343	4,954	3,958
Seasonal Uses (1)	<u>437,506</u>	<u>573,600</u>	<u>485,163</u>	<u>519,818</u>	<u>495,612</u>
Total Out City	<u>9,675,332</u>	<u>10,809,921</u>	<u>10,017,212</u>	<u>9,975,763</u>	<u>9,997,011</u>
Total System:					
Residential	9,881,166	10,868,851	10,051,160	10,073,208	10,384,351
Multifamily	3,482,724	3,482,733	3,550,947	3,535,313	3,415,230
Commercial/Industrial	8,576,330	8,389,445	7,710,667	7,880,287	7,850,715
Fire Protection	19,648	4,689	12,410	12,873	11,123
Seasonal Uses (2)	<u>919,665</u>	<u>1,192,113</u>	<u>1,056,087</u>	<u>1,086,449</u>	<u>1,085,748</u>
Total System	<u>22,879,533</u>	<u>23,937,831</u>	<u>22,381,271</u>	<u>22,588,130</u>	<u>22,747,167</u>

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

(1) Water volume is measured in cubic meters.

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

WATER SUPPLY SYSTEM

Average and Peak Daily Water Supply Volume (1)

Last Five Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Average Daily Water Supply	18.181	20.330	18.660	18.440	18.604
Peak Daily Water Supply	30.461	41.075	31.376	33.855	34.614
Peak as a Percent of Average	167.54%	202.04%	168.15%	183.60%	186.06%

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

(1) Measured in millions of gallons per day.

WATER SUPPLY SYSTEM

Water Supply Revenue as Billed by Meter
Location and ClassificationLast Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City:					
Residential	\$ 2,032,474	\$ 2,097,359	\$ 2,142,163	\$ 2,195,516	\$ 2,365,814
Multifamily	428,355	432,173	441,404	440,712	567,730
Commercial/Industrial	1,377,491	1,361,340	1,318,086	1,412,125	1,734,778
Fire Protection	110,313	117,994	125,011	131,510	144,982
Seasonal Uses	207,027	258,873	248,337	242,155	271,702
Total City	4,155,660	4,267,739	4,275,001	4,422,018	5,085,006
Out City:					
Residential	4,107,645	4,660,011	4,570,675	4,739,504	4,568,285
Multifamily	689,119	711,823	753,250	749,995	747,807
Commercial/Industrial	1,128,341	1,210,311	1,139,639	1,180,012	1,278,008
Fire Protection	158,730	147,035	164,881	178,517	167,293
Seasonal Uses	457,896	558,552	488,823	523,200	496,735
Total Out City	6,541,731	7,287,732	7,117,268	7,371,228	7,258,128
Total System:					
Residential	6,140,119	6,757,370	6,712,838	6,935,020	6,934,099
Multifamily	1,117,474	1,143,996	1,194,654	1,190,707	1,315,537
Commercial/Industrial	2,505,832	2,571,651	2,457,725	2,592,137	3,012,786
Fire Protection	269,043	265,029	289,892	310,027	312,275
Seasonal Uses	664,923	817,425	737,160	765,355	768,437
Total System	\$ 10,697,391	\$ 11,555,471	\$ 11,392,269	\$ 11,793,246	\$ 12,343,134

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

WATER SUPPLY SYSTEM

Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2010
(unaudited)

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Water Volume (cubic meters)</u>	<u>Percent of Total (1)</u>	<u>Water Revenue</u>	<u>Percent of Total (2)</u>
Western Michigan University	Higher Education	693,159	3.1%	\$ 163,405	1.4%
Graphic Packaging	Paper Products	490,325	2.2%	88,863	0.8%
Pfizer Corporation	Pharmaceuticals	208,196	0.9%	49,060	0.4%
Bronson Methodist Hospital	Hospital	195,660	0.9%	45,973	0.4%
Kalsec Inc.	Food Grade Flavoring	116,362	0.5%	43,507	0.4%
Edward Rose Development	Apartment Complex	117,339	0.5%	38,911	0.3%
Borgess Medical Center	Hospital	165,519	0.7%	37,715	0.3%
Concord Place Apartments	Apartment Complex	107,011	0.5%	35,338	0.3%
Occidental Development	Real Estate Development	151,241	0.7%	69,873	0.6%
Kalamazoo Brewing	Brewer	127,025	0.6%	30,286	0.3%
		<u>2,371,837</u>	<u>10.5%</u>	<u>602,931</u>	<u>5.1%</u>

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

(1) Based on water volume of 22,747,167 cubic meters.

(2) Based on Water System billed revenue of \$12,343,134.

WASTEWATER SYSTEM

Wastewater Service Agreements
(unaudited)

<u>Municipality</u>	<u>Date of Execution</u>	<u>Year to be Renewed</u>
City of Galesburg (2)	29-Jul-85	2025
City of Parchment (2)	23-Jul-85	2015
City of Portage (2)	27-Jan-86	2016
Village of Augusta (2)	26-Mar-81	2021
Village of Mattawan (2)	18-Nov-96	2026
Village of Vicksburg (2)	16-Apr-85	2015
Charleston Township (1)	3-Jul-98	2016
Comstock Township (1)	16-Sep-80	2010
Cooper Township (1)	10-Oct-83	2013
Kalamazoo Township (1)	6-Oct-80	2010
Oshtemo Township (1)	8-Oct-84	2014
Pavilion Township (1)	16-Mar-81	2011
Schoolcraft Township (1)	25-Oct-82	2012
Texas Township (1)	22-Oct-84	2014
Gull Lake Sewer Authority (2)	15-Sep-80	2010
Barry County		
Prairieville Township		
Richland Township		
Ross Township		
South County Sewer Authority (2)	20-Jul-04	2016

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

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

WASTEWATER SYSTEM

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

<u>Customer Location and Classification</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Retail Customers</u>					
<i>In-City Retail Customers</i>					
Residential	16,699	16,622	16,527	16,487	16,977
Commercial	2,908	2,814	2,797	2,500	2,630
Industrial	<u>165</u>	<u>179</u>	<u>174</u>	<u>168</u>	<u>102</u>
Sub-Total	<u>19,772</u>	<u>19,615</u>	<u>19,498</u>	<u>19,155</u>	<u>19,709</u>
<i>Out-City Retail Customers</i>					
Residential	8,876	9,235	9,438	9,674	9,906
Commercial	1,411	1,431	1,449	1,410	1,452
Industrial	<u>47</u>	<u>52</u>	<u>55</u>	<u>53</u>	<u>27</u>
Sub-Total	<u>10,334</u>	<u>10,718</u>	<u>10,942</u>	<u>11,137</u>	<u>11,385</u>
Total Retail Customers	<u>30,106</u>	<u>30,333</u>	<u>30,440</u>	<u>30,292</u>	<u>31,094</u>
<u>Wholesale Customers</u>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	8	8	8	8	2
Septage Haulers	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>2</u>
Sub-Total	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>14</u>
<u>Flat Rate Customers</u>	<u>1,434</u>	<u>1,505</u>	<u>1,511</u>	<u>1,511</u>	<u>1,525</u>
Total Sewer Customers	<u><u>31,566</u></u>	<u><u>31,864</u></u>	<u><u>31,977</u></u>	<u><u>31,829</u></u>	<u><u>32,633</u></u>

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

WASTEWATER SYSTEM

Number of Retail Customers by Meter Size

Last Five Years
(unaudited)

<u>Meter Size</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
5/8" - 3/4"	22,410	22,489	22,112	22,141	22,746
1"	5,208	5,395	5,845	5,742	6,115
1-1/2"	443	450	449	489	432
2"	1,596	1,558	1,579	1,511	1,465
3"	293	278	281	266	240
4"	139	139	139	108	89
6"	17	24	35	35	7
	<u>30,106</u>	<u>30,333</u>	<u>30,440</u>	<u>30,292</u>	<u>31,094</u>

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

WASTEWATER SYSTEM

Wastewater Ready to Serve Charges by
Water Meter Location and SizeLast Five Years
(unaudited)

<u>Meter Location and Size</u>	<u>2004-2006 (1)</u>		<u>2007 (2)</u>		<u>2008-2009 (3)</u>		<u>2010 (4)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>
City:								
5/8"	\$ 6.87	\$ 8.00	\$ 7.08	\$ 7.87	\$ 5.76	\$ 6.53	\$ 6.71	\$ 7.10
3/4"	6.93	8.17	7.11	7.99	5.79	6.65	6.73	7.16
1"	7.10	8.68	7.23	8.35	5.91	7.00	6.79	7.34
1-1/2"	7.33	9.36	7.40	8.83	6.06	7.46	6.86	7.58
2"	7.94	11.23	7.84	10.16	6.49	8.75	7.08	8.23
3"	12.53	24.96	11.07	19.86	9.65	18.21	8.68	12.99
4"	14.22	30.05	12.27	23.46	10.81	21.72	9.26	14.76
6"	18.18	41.93	15.07	31.85	13.54	29.90	10.64	18.88
Out City:								
5/8"	\$ 7.50	\$ 11.30	\$ 7.57	\$ 10.63	\$ 6.43	\$ 9.65	\$ 7.62	\$ 11.20
3/4"	7.69	11.88	7.72	11.09	6.59	10.14	7.79	11.74
1"	8.26	13.59	8.18	12.47	7.07	11.58	8.34	13.35
1-1/2"	9.02	15.87	8.79	14.31	7.72	13.52	9.05	15.49
2"	11.11	22.14	10.48	19.37	9.49	18.84	11.02	21.41
3"	26.51	68.34	22.89	56.51	22.55	58.00	25.52	64.90
4"	32.21	85.45	27.48	70.36	27.39	72.51	30.88	81.01
6"	45.53	125.37	38.20	102.52	38.67	106.36	43.42	118.60

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

- (1) Rate change effective April 30, 2004.
(2) Rate change effective July 1, 2007.
(3) Rate change effective March 1, 2008.
(4) Rate change effective February 1, 2010.

WASTEWATER SYSTEM

Wastewater Treatment Charges by Customer Classification (1)

Last Five Years
(unaudited)

Fiscal Years Ended December 31	In-City Retail Customers	Out-City Retail Customers	Wholesale Municipal Customers	City of Galesburg (2)	Septage Haulers	In-City Dewatering Customers	Out-City Dewatering Customers
2004-2006 (3)	0.288	0.561	0.312	0.351	27.978	0.261	0.574
2007 (4)	0.308	0.637	0.378	0.406	33.514	0.283	0.648
2008-2009 (5)	0.315	0.680	0.408	0.439	34.842	0.288	0.692
2010 (6)	0.287	0.757	0.473	0.507	96.336	0.261	0.769

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

- (1) Per cubic meter
(2) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.
(3) Rate change effective April 30, 2004.
(4) Rate change effective July 1, 2007.
(5) Rate change effective March 1, 2008.
(6) Rate change effective February 1, 2010.

WASTEWATER SYSTEM

Wastewater Treatment Volume as Billed by
Customer and User Classification (1)Last Five Years
(unaudited)

<u>Retail Customers</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential	5,539,562	5,600,859	5,410,919	5,398,772	5,833,523
Commercial	8,265,253	8,370,324	8,073,068	8,371,739	7,581,237
Industrial	<u>1,674,535</u>	<u>1,548,037</u>	<u>1,360,888</u>	<u>1,407,118</u>	<u>1,906,731</u>
Sub-Total	<u>15,479,350</u>	<u>15,519,220</u>	<u>14,844,875</u>	<u>15,177,629</u>	<u>15,321,491</u>
<u>Wholesale Customers</u>					
Industries	5,047,683	4,589,025	4,602,014	4,331,149	4,561,502
Wholesale Municipal	8,047,185	8,309,205	8,504,167	8,275,112	7,698,627
Dewatering Accounts	224,917	200,886	476,339	403,709	100,854
Septage Haulers	<u>14,109</u>	<u>11,457</u>	<u>3,202</u>	<u>595</u>	<u>348</u>
Sub-Total	<u>13,333,894</u>	<u>13,110,573</u>	<u>13,585,722</u>	<u>13,010,565</u>	<u>12,361,331</u>
Total Wastewater Billed	<u><u>28,813,244</u></u>	<u><u>28,629,793</u></u>	<u><u>28,430,597</u></u>	<u><u>28,188,194</u></u>	<u><u>27,682,822</u></u>

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

(1) Measured in Cubic Meters.

WASTEWATER SYSTEM

Wastewater Volume as Treated and Billed (1)

Last Five Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Metered Wastewater Volume	33,119,030	32,744,521	36,205,564	35,368,222	34,915,178
Wastewater Consumption as Billed	<u>28,813,244</u>	<u>28,629,792</u>	<u>28,430,597</u>	<u>28,188,195</u>	<u>27,682,822</u>
Difference (2)	<u>4,305,786</u>	<u>4,114,729</u>	<u>7,774,967</u>	<u>7,180,027</u>	<u>7,232,356</u>
Difference as a % of Metered Wastewater Volume	13.0%	12.6%	21.5%	20.3%	20.7%

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

(1) Measured in Cubic Meters.

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

WASTEWATER SYSTEM

Average and Peak Daily Wastewater Treatment Volume (1)

	Last Five Years (unaudited)				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Average Daily Sewage Disposal Volume	24.0	23.7	26.1	25.6	25.3
Peak Daily Sewage Disposal Volume	39.5	29.3	69.3	40.8	36.1
Peak as a Percent of Average	164.72%	123.63%	265.52%	159.38%	142.69%

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

(1) Measured in millions of gallons per day.

WASTEWATER SYSTEM

Ten Largest Customers
by Wastewater System Revenue and Volume as BilledYear Ended December 31, 2010
(unaudited)

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Wastewater Volume (cubic meters)</u>	<u>Percent of Total (1)</u>	<u>Wastewater Treatment Revenue</u>	<u>Wastewater Surcharge Revenue</u>	<u>Wastewater System Revenue</u>	<u>Percent of Total (2)</u>
Pfizer	Pharmaceuticals	3,549,258	12.4%	\$ 589,357	\$ 3,333,352	\$ 3,922,709	24.7%
City of Portage	Municipality	5,474,331	19.1%	2,557,619	-	2,557,619	16.1%
Graphic Packaging	Paper Products	1,012,244	3.5%	39,095	934,060	973,155	6.1%
Gull Lake Sewer Authority District	Municipality	1,026,767	3.6%	483,640	-	483,640	3.0%
Kalsec	Food Grade Flavorings	78,013	0.3%	34,308	282,863	317,171	2.0%
Cytec	Chemicals	305,758	1.1%	15,855	254,455	270,310	1.7%
Western Michigan University	Higher Education	535,640	1.9%	235,640	-	235,640	1.5%
Mattawan	Municipality	382,623	1.3%	178,985	-	178,985	1.1%
JR7 (Graphic Packaging)	Paper Products	65,448	0.2%	3,400	151,817	155,217	1.0%
Hazelton	Research	26,638	0.1%	11,645	129,996	141,641	0.9%
		<u>12,456,720</u>	<u>43.5%</u>	<u>\$ 4,149,544</u>	<u>\$ 5,086,543</u>	<u>\$ 9,236,087</u>	<u>58.2%</u>

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

(1) Based on wastewater treatment volume of 28,629,792 cubic meters.

(2) Based on Wastewater System billed revenue of \$15,865,302.

WASTEWATER SYSTEM

Wastewater Revenue as Billed
by Meter Location and ClassificationLast Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City:					
Residential	\$ 1,602,182	\$ 1,643,988	\$ 1,574,910	\$ 1,534,565	\$ 1,505,049
Commercial	1,739,142	1,776,627	1,723,460	1,833,658	1,502,101
Industrial	179,884	158,754	144,878	162,644	307,098
Industrial Monitored	549,187	408,036	492,099	634,294	578,621
Contract	901,480	873,332	974,042	973,752	973,155
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	32,942	32,718	63,764	45,892	6,549
Total City	5,004,817	4,893,455	4,973,153	5,184,805	4,872,573
Out City:					
Residential	1,818,635	1,915,832	2,031,765	2,094,785	2,526,059
Commercial	1,845,624	2,062,267	2,280,209	2,227,773	2,234,332
Industrial	87,990	116,366	76,495	69,198	79,018
Industrial Monitored	1,054,791	806,888	1,032,009	645,703	779,744
Contract	3,472,315	2,847,662	3,104,871	3,939,994	3,922,709
Municipalities	2,512,287	2,871,259	3,427,048	3,379,907	3,606,832
Septage Haulers	395,402	341,267	107,444	18,745	25,400
Dewatering	16,791	10,306	21,785	22,373	30,341
Total Out City	11,203,835	10,971,847	12,081,626	12,398,478	13,204,435
Total System:					
Residential	3,420,817	3,559,820	3,606,675	3,629,350	4,031,108
Commercial	3,584,766	3,838,894	4,003,669	4,061,431	3,736,433
Industrial	267,874	275,120	221,373	231,842	386,116
Industrial Monitored	1,603,978	1,214,924	1,524,108	1,279,997	1,358,365
Contract	4,373,795	3,720,994	4,078,913	4,913,746	4,895,864
Municipalities	2,512,287	2,871,259	3,427,048	3,379,907	3,606,832
Septage Haulers	395,402	341,267	107,444	18,745	25,400
Dewatering	49,733	43,024	85,549	68,265	36,890
Total System	\$ 16,208,652	\$ 15,865,302	\$ 17,054,779	\$ 17,583,283	\$ 18,077,008

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

WASTEWATER SYSTEM

History of System Rate Increases
(unaudited)

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

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

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