



**2011**  
**Comprehensive Annual**  
**Financial Report**

**City of**  
**Kalamazoo, Michigan**

# **CITY OF KALAMAZOO, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended December 31, 2011

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

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2011

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## **INTRODUCTORY SECTION**



## OFFICE OF THE CITY MANAGER

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June 30, 2012

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, 2011.

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, 2011. 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 Officer of the City and is appointed by the Commission to serve at its pleasure. With the exception of the City's Assessor, Attorney, Clerk and Internal Auditor who are also appointed by the Commission, the City Manager is responsible for administering the policies and ordinances of the City Commission, for appointing the department heads of the City's various departments and overseeing day-to-day operations of the City.

### **City Services**

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

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

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

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

### **Budgeting Control**

The annual budget serves as the foundation for the City of Kalamazoo's financial planning and control. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplated expenditures for the following fiscal year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The budget is adopted at the fund level; Department heads may transfer resources within a department as they see fit, how and the City Manager may approve transfers between departments. Transfers between funds, however, need special approval from the 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, 2011, the City of Kalamazoo Employee Retirement System had 1,495 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 2011. The funded status, defined as the percentage of actuarial assets to actuarial liabilities, decreased from 141.1% in 2010 to 133.9% as of December 31, 2011, 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 per the most recent valuations. The Annually Required Contribution (ARC) for 2011 is roughly \$23.4 million. The City contributed \$6.6 million in retiree health care expenses in 2011, leaving a net retiree health care expense of \$16.8 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 and business services to research scientists. As of April 2012 the total labor force numbered 151,700 with an unemployment rate of 6.8%, below the national average of 8.1%. 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:

- Corporation Hall. Catalyst Development Co 7, LLC, a national development firm with HQ in downtown Kalamazoo purchased and is renovating the building that housed the original Kalamazoo City Hall. The project will result convert the 18,000 square foot building into 30,226 square feet, in five new residential rental units on the second and third floors with 18,720 square feet of first floor commercial space. That estimated investment is \$9,300,000 with an estimated 16 new commercial jobs at full occupancy.
- Peregrine Plaza, LLC another local developer, purchased, and has begun, the reconstruction of a 100,000 square foot downtown building into mixed residential and commercial uses. It is expected to yield 14 new residential apartments with space for ten commercial spaces on the first floor. Total estimated investment is \$2,400,000 with an estimated employment impact of 34 new full-time jobs (at full occupancy) and 28 new downtown residents.
- Bell's Brewery initiated and completed a \$3,800,000 expansion to its downtown brewpub and eatery. The venue can now accommodate parties, events, live entertainment and an expanded kitchen offering. Bell's is a large national craft brewery that began at the downtown location. In 2007, when the downtown space could not accommodate expanded production needs, the brewery was relocated into neighboring Comstock Township. It recently also completed a \$32,000,000 expansion to its brewery at that location.
- An \$11.3 million project, known as The Metropolitan Center Project expects to be complete by Fall 2012. It involves the renovation of four original downtown buildings, the last major set of downtown buildings not previously renovated. The project respects the historic origins and character of the buildings while providing 24 new residential units on the second and third floors over 12,000 square-feet of street-front commercial space. All the residential lofts have been rented and 2/3 of the commercial space has been committed.

- In 2011, a local development firm (the Hinman Company) demolished one of their existing downtown properties and replaced it with a new facility on the same site for a long-time tenant of the subject property and at several other sites. The project allowed the tenant (InterAct, Inc.) to consolidate its operations resulting in considerable savings for the non-profit. During the construction, InterAct employees were relocated to another Hinman property located directly across the street from the site of the new facility. The \$1.7 million project allows 110 jobs to be retained with an additional 10 new positions.
- In mid December 2010, the People's Food Co-op purchased a River's Edge property (approximately 4 blocks from downtown) to relocate its 30 year downtown business. The \$1.7 million project includes a City loan and very creative financing from two other lenders. The final project resulted in a 6,300 square foot building that has permitted sales to grow well beyond projections. In addition, a commercial kitchen was created in a small portion of the new building and a sister operation and food business incubator, the Can-Do Kitchen, has graduated several new entrepreneurs. The business re-opened in June 2011.
- A new entertainment venue, the Black Jack's Gaming Parlor, opened in April 2012. It offers an array of gambling entertainment (no slot machines). In addition, Loft 310 – an entertainment hall and Gatsby's – a modern speakeasy) were opened during 2011 and 2012. The local owner and developer (Reedy Corp.) also operates four existing entertainment venues (District Square Outdoor Bar & Grill, the SkyDeck, the Wild Bull Saloon & Steakpit and Monaco Bay Piano Bar & Grill). All seven venues are located in the Entertainment District downtown.
- LADD/Lifestory is a \$1.5 million project that repurposed a vacant River's Edge building previously used as a combination of iron mongering and art space. The 12,000 square foot mixed use building includes owner occupied residential units, rental efficiency units, an art studio and gallery space, and office space for a new high tech firm (Ignertia) that employs 14. Construction was completed in late summer 2011.
- The establishment and construction of a new private medical school under sponsorship of Western Michigan University. Preliminary estimates of the direct impact of this project include 500 direct faculty and support positions with an additional 1500 indirect jobs created over the ensuing ten to fifteen years. The school location will be in the downtown area, specifically in a former Pfizer building. A transition Dean has been hired, an administrative staff retained and a set of committees assembled to craft the curriculum, capital improvement and endowment obligations. 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:

- Arcadia Ales Brewery. This regional business, currently located in downtown Battle Creek, began in Kalamazoo. The owners have built the business to a brand that is widely recognized among its largely Michigan following. Production capacity is limited at its current location and plans have been announced to relocate the main brewery to the east end of downtown Kalamazoo. The BRA will be selling one of its parcels, making a business loan and overseeing site development as it partners with the MEDC to provide the assistance needed to relocate/keep this regional business. New investment is estimated at \$5,500,00 with 42 new full-time positions.

- The relocation and expansion of Fabri-Kal Corporation's production and research and development center into the former MEAD Paper facility. This project, substantially complete, began in 2008 and is 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 were retained with an estimated 160 new positions created.
- Construction on the new \$40 million Kalamazoo-Battle Creek International Airport terminal began in 2010 with opening ceremonies in April 2011.

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 2100 new students enrolled at KPS, an increase in state financial support for the district and a substantial increase in the number of firms asking about possible business locations - to enhance their capacity to attract and retain a well educated workforce. The first set of Promise recipients graduated from college in 2010. 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 2012 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.

The five-year fiscal plan has revealed that the City will have a \$6 million per year structural imbalance in its General Fund beginning in 2013. In order to manage this structural imbalance in an effective and efficient manner, changes will be required to:

- The City's fiscal plan and resultant budgets,
- The scope of services provided,
- The methods by which services are delivered, and
- The fundamental size of the organization.

An early retirement initiative (ERI) has been selected as the preferred solution to the operational (service supply), fiscal, budgetary community needs (service demand) and staffing challenges resulting from the structural imbalance.

The ERI program created a pool of eligible, potential retirees by waiving the age requirement for employees who would be otherwise eligible for retirement on December 31, 2015. Those potential retirees were further encouraged to retire with the offer of a lump sum payment equivalent to one percent (1%) of their final average compensation (FAC).

The cost of the ERI program will be actuarially "recovered" over the long-term due to the reduced level of staffing. The cost of the lump sum payments will be repaid of the Pension Fund from operational savings over a five (5) year period at \$1.0M/year, inclusive of 7.5% per annum interest.

#### **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, 2010. This was the fifteenth 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, Patsy 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, 2010

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.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director

City of Kalamazoo  
Comprehensive Annual Financial Report  
Year Ended December 31, 2011

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

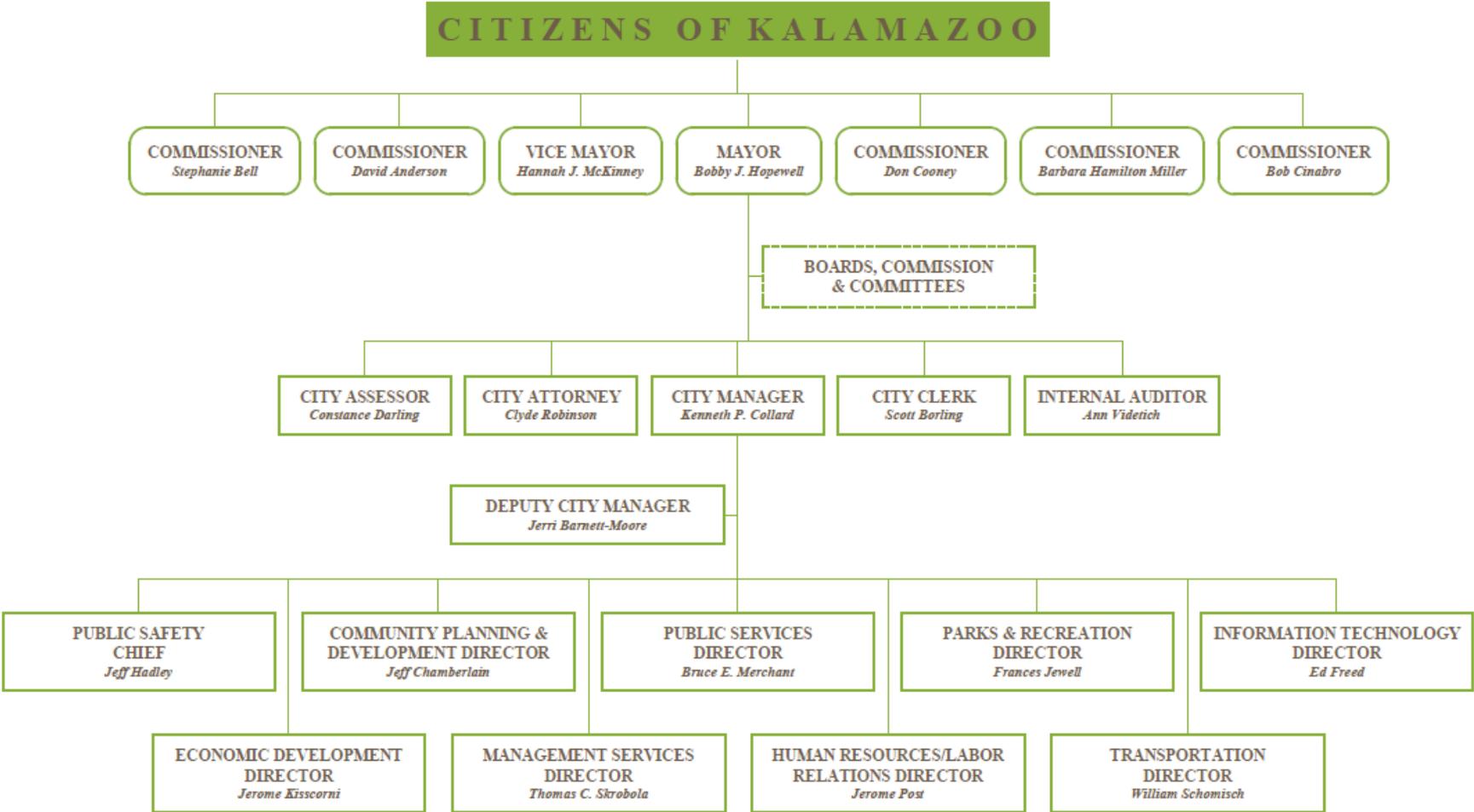
Wade Carlson, City Treasurer  
Constance Darling, City Assessor  
Nicholas Lam, Purchasing Director

CITY COMMISSION APPOINTEES

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

# CITY OF KALAMAZOO

## 2011 Organizational Chart



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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, 2011, 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 23% 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Grants and Donations 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 27, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical pension supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kalamazoo's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

As discussed in Note R, during the year the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 27, 2012

## 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, 2011. 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-vii of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$276,709,034 (*net assets*);
- The government's total net assets decreased by \$21,140,636 or 7 percent. This net decrease was a combination of a \$12.77 million decrease in governmental activities net assets and a \$8.37 million decrease in business-type activity net assets;
- The City's balance of bonded debt decreased by \$2.25 million during the current fiscal year. The City issued \$4.69 million in General Obligation debt and made scheduled bond principal payments totaling \$7.2 million. The City also issued refunding bonds in the amount of \$11.04 million, which defeased \$10.73 million of bonded debt.
- As of the close of the 2011 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$32,254,740, an increase of \$2,514,311 in comparison of the prior year. Approximately 16.5 percent of the combined fund balances, or \$5,325,787 was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) fund balance was \$13,342,846, or 22 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$13.3 million fund balance, \$730,673 was nonspendable, leaving \$12.6 million, or 20.7 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unassigned fund balance for the general fund was \$5,325,787, or 8.59 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net assets decreased \$2,784,759. This included \$227,433 increase of net assets in the Water Fund, and a \$2,944,355 decrease of net assets in the Wastewater fund, with the decrease being due to the planned reductions of contributed funds during 2011 for the completion of the retrofit the Wastewater Treatment Plant.

### Overview and Analysis of the Financial Statements

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

# Management's Discussion and Analysis

## Government-wide financial statements

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

The *statement of net 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.

### *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.

## Management's Discussion and Analysis

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

The City maintains approximately 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; Grants and Donations 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, and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-9 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 an internal service fund to account for its self-insurance 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. During the year the City closed its other internal service funds by transferring the assets and liabilities of those funds to the governmental activities and business-type activities that they served.

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

The basic proprietary fund financial statements can be found on pages 13-17 of this report.

# Management's Discussion and Analysis

## *Fiduciary Funds*

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

The basic fiduciary funds financial statements can be found on pages 18-19 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 24-59 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 60-61 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 62-104 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 \$276,709,034 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$278,336,676, 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, \$13,570,751, 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 \$(15,198,393), representing the amount of money that the City would have available to instantaneously satisfy all accrued future liabilities without recourse to the proceeds from the sale of any capital assets.

## Management's Discussion and Analysis

### City of Kalamazoo's Net Assets December 31, 2010 and December 31, 2011

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 54,442,372	\$ 54,114,167	\$ 40,016,085	\$ 30,137,926	\$ 94,458,457	\$ 84,252,093
Capital assets, net	177,169,136	178,610,852	173,856,935	177,810,732	351,026,071	356,421,584
Total assets	<u>231,611,508</u>	<u>232,725,019</u>	<u>213,873,020</u>	<u>207,948,658</u>	<u>445,484,528</u>	<u>440,673,677</u>
Long-term liabilities outstanding	89,613,836	99,001,926	37,890,228	38,474,090	127,504,064	137,476,016
Other liabilities	15,257,849	19,754,180	4,872,945	6,734,447	20,130,794	26,488,627
Total liabilities	<u>104,871,685</u>	<u>118,756,106</u>	<u>42,763,173</u>	<u>45,208,537</u>	<u>147,634,858</u>	<u>163,964,643</u>
Net assets:						
Invested in capital assets, net of related debt	123,355,990	125,529,739	150,485,254	152,806,937	273,841,244	278,336,676
Restricted	12,050,021	11,045,791	2,577,960	2,524,960	14,627,981	13,570,751
Unrestricted	<u>(8,666,188)</u>	<u>(22,606,617)</u>	<u>18,046,633</u>	<u>7,408,224</u>	<u>9,380,445</u>	<u>(15,198,393)</u>
Total net assets	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>

The government's total net assets decreased by \$21,140,636 or 7 percent. The net decrease in total net assets was a combination of a \$12.77 million decrease in governmental activities net assets and a \$8.37 million decrease in business-type activity net assets. By far the largest single impact on the above changes was the \$16.75 million increase in net OPEB expenses, caused by the annual accrual of OPEB liabilities net of the portion that was pre-funded.

### City of Kalamazoo's Changes in Net Assets For the Year Ended December 31, 2010 and December 31, 2011

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
Revenue:						
Program revenue:						
Charges for services	\$ 5,712,049	\$ 14,164,777	\$ 31,904,585	\$ 30,697,543	\$ 37,616,634	\$ 44,862,320
Operating grants and contributions	15,255,631	20,982,518	-	238,233	15,255,631	21,220,751
Capital grants and contributions	868,221	1,163,643	4,001,255	3,308,895	4,869,476	4,472,538
General revenue:						
Property taxes	34,292,608	33,313,845	-	-	34,292,608	33,313,845
State shared revenues - unrestricted	8,669,650	8,063,444	-	-	8,669,650	8,063,444
Other	1,715,869	1,112,422	208,607	149,432	1,924,476	1,261,854
Total revenue	<u>66,514,028</u>	<u>78,800,649</u>	<u>36,114,447</u>	<u>34,394,103</u>	<u>102,628,475</u>	<u>113,194,752</u>
Expenses:						
General government	9,371,185	8,471,082	-	-	9,371,185	8,471,082
Public safety	43,495,846	45,215,879	-	-	43,495,846	45,215,879
Public works	5,076,490	8,203,148	-	-	5,076,490	8,203,148
Streets	8,738,448	11,891,392	-	-	8,738,448	11,891,392
Community and economic development	8,746,176	15,666,823	-	-	8,746,176	15,666,823
Parks and recreation	3,223,463	3,182,766	-	-	3,223,463	3,182,766
Interest on long-term debt	2,672,721	2,717,822	-	-	2,672,721	2,717,822
Wastewater	-	-	22,825,084	23,435,464	22,825,084	23,435,464
Water	-	-	14,946,226	15,415,808	14,946,226	15,415,808
Other	-	-	44,230	135,204	44,230	135,204
Total expenses	<u>81,324,329</u>	<u>95,348,912</u>	<u>37,815,540</u>	<u>38,986,476</u>	<u>119,139,869</u>	<u>134,335,388</u>
Change in net assets before transfers	(14,810,301)	(16,548,263)	(1,701,093)	(4,592,373)	(16,511,394)	(21,140,636)
Transfers (out) in	(663,388)	3,777,353	663,388	(3,777,353)	-	-
Change in net assets	<u>(15,473,689)</u>	<u>(12,770,910)</u>	<u>(1,037,705)</u>	<u>(8,369,726)</u>	<u>(16,511,394)</u>	<u>(21,140,636)</u>
Restated net assets - beginning	142,213,512	126,739,823	172,147,552	171,109,847	314,361,064	297,849,670
Net assets - end of year	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>

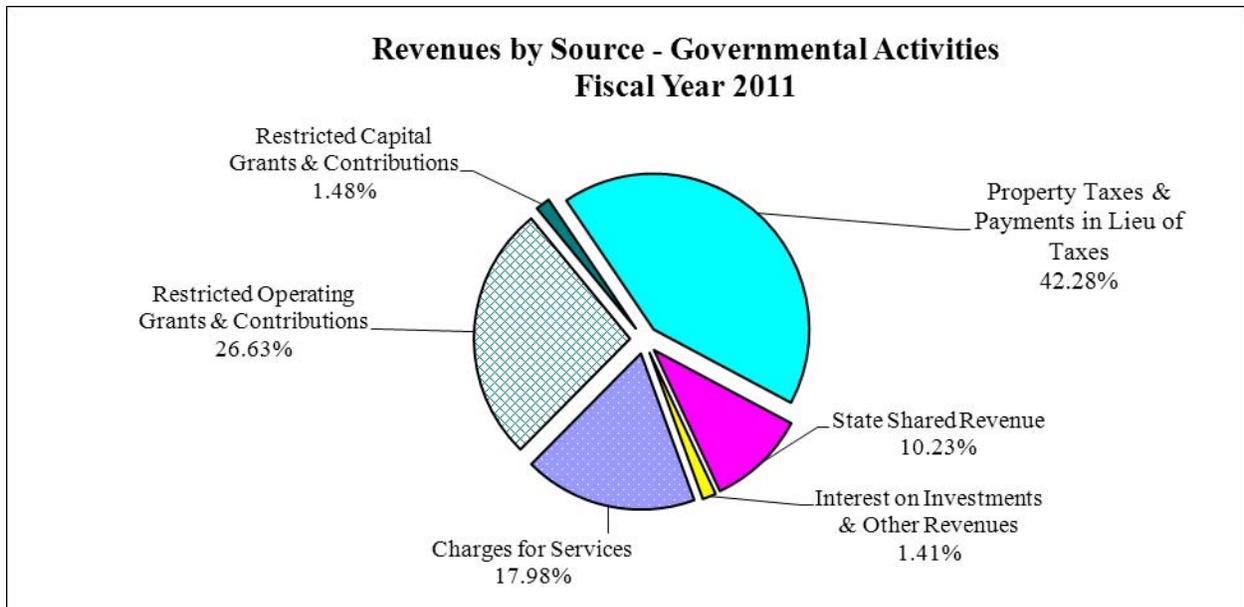
# Management's Discussion and Analysis

## Governmental activities

Governmental activities decreased the City's net assets \$12.77 million. This was primarily due to Net OPEB Expenses, which is based on the annual accrual of OPEB liabilities net of the portion that was pre-funded.

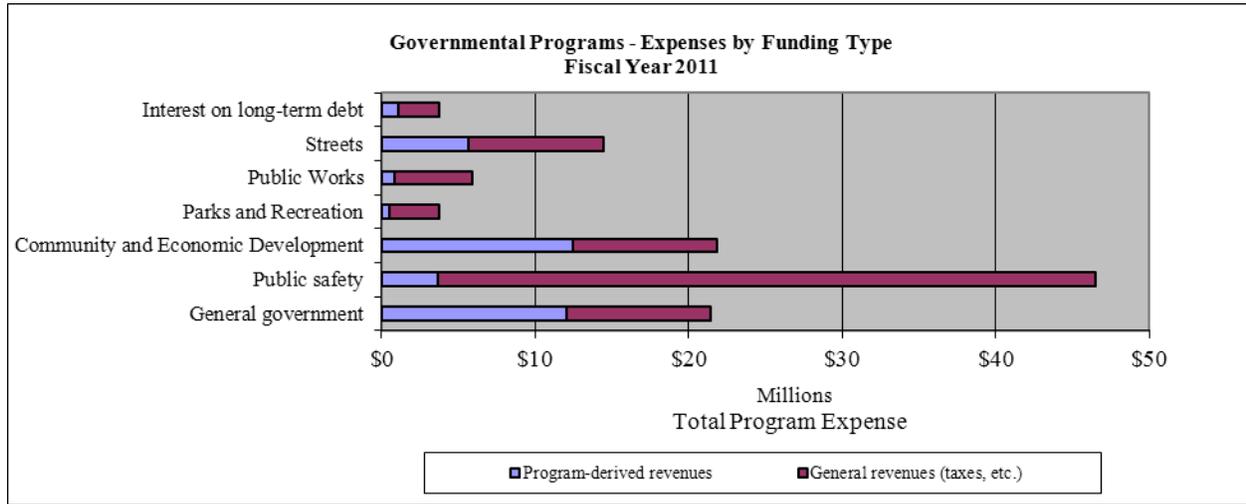
GAAP requires that the City show a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. The total Actuarially Accrued Liability (AAL) of \$263 million for Other Post Employment Benefits has been amortized to an Annually Required Contribution (ARC) of roughly \$23.1 million for 2011. After crediting current payments for retiree health care of \$6.7 million, a net OPEB expense of \$16.8 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 2011, 54 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.



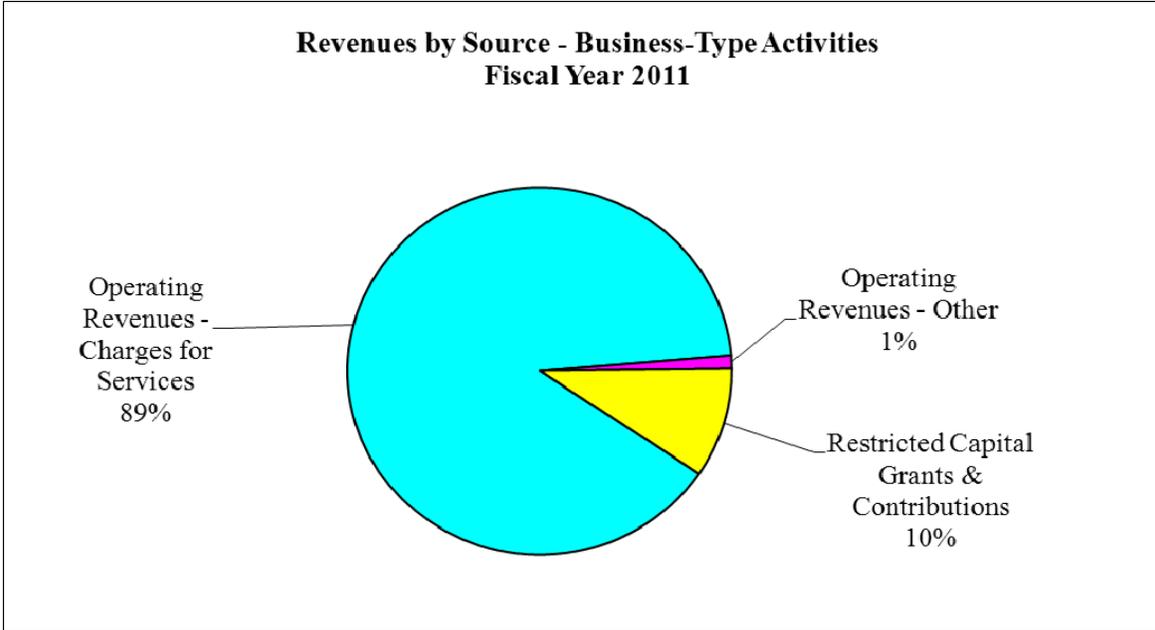
### Business-type activities

Business-type activities decreased the City’s net assets by \$8.37 million. The key elements of this decrease are as follows:

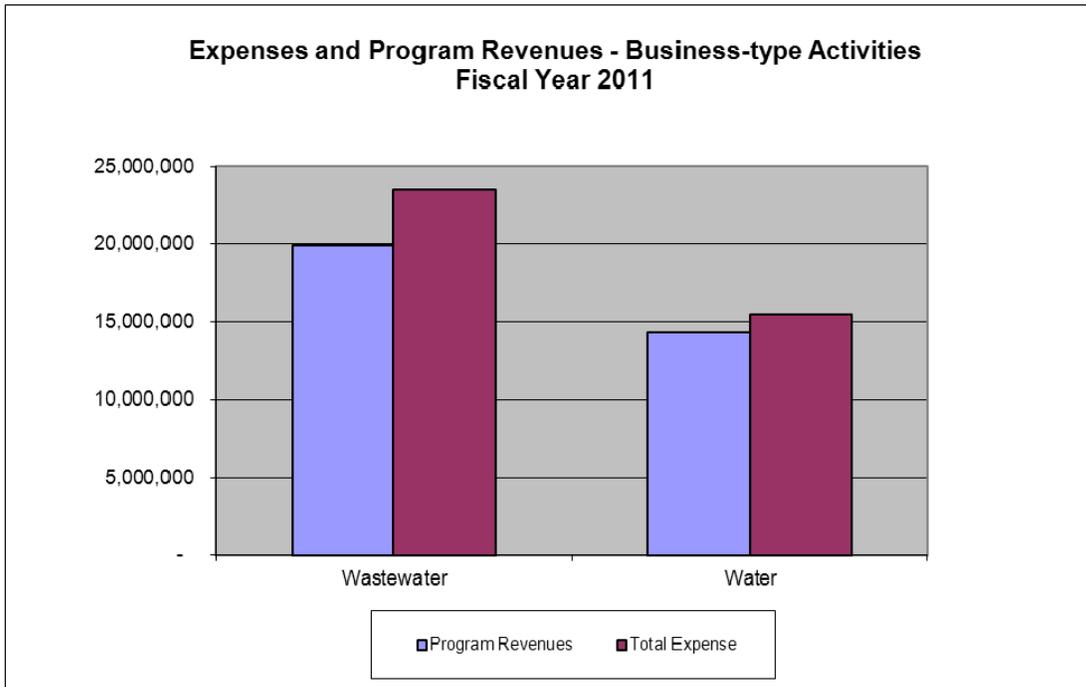
- There was a decrease in operating revenue of \$721 thousand for the Wastewater system due primarily to a drop in the level of usage of wastewater;
- Capital contributions of \$1.7 million represented a significant revenue source for the Wastewater system during the current fiscal year;
- Capital contributions of \$1.6 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.

## Management's Discussion and Analysis

### *Governmental funds*

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

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$32,254,740 an increase of \$2,514,311 in comparison of the prior year. Approximately 16.5 percent of the combined fund balances, or \$5,325,787, was available for spending at the government's discretion ("*unassigned fund balance*").

The remainder of fund balance is *nonspendable, restricted, or committed* 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, \$3,781,489 for 2011, 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 unassigned 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 \$13,342,846, or 22 percent of the total General Fund budgetary revenues and other financing sources. Of the total, \$13.3 million fund balance, \$4.2 million was nonspendable or committed, leaving \$9.1 million, or 14.96 percent of budgetary revenues and other financing sources.

The General Fund *GAAP* unassigned fund balance for the general fund was \$5,325,787 or 8.59 percent of total general fund revenues and other financing sources.

Budgetary-basis revenues and other financing sources came in \$2,035,539 more than the amended budget. Expenditures and other financing uses were \$323,009 below budget, resulting in the favorable variance of \$2,358,548.

### **Grants and Donations Special Revenue Fund**

This fund is used to account for a variety of federal award programs, most notably the City's Neighborhood Stabilization Program and JAG grants.

During 2011, the fund balance increased from \$279,111 to \$287,813.

## 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 \$48,373 to \$61,469. 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 \$24,804,153 to \$22,344,101. The \$22.3 million fund balance is attributable to capital improvement projects funds (\$680 thousand), special revenue funds (\$16 million) and endowments held for recreational and cemetery perpetual care purposes (\$5.6 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

### *Proprietary Funds*

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

### Wastewater Fund

*Unrestricted* net assets (the amount available for future spending) of the City's Wastewater fund amounted to \$9.2 million as of December 31, 2011. The fund had a decrease in total net assets for the year of \$2.94 million.

The Wastewater Fund experienced an operating loss of \$4,920,933 due to inflationary increases in expenses, depreciation and a planned drawdown of reserves in 2011.

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, 2011, 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 \$(1,798,148) as of December 31, 2011. The fund had an increase in total net assets for the year of \$227,433.

The Water Fund experienced an operating loss of \$1,595,660, due to inflationary increases in expenses and depreciation. This was offset by \$1,589,078 of contributed capital to the system and \$1,655,977 in transfers.

## Management's Discussion and Analysis

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, 2011, 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, 2011, 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 decreased by \$67,837 to \$89,732. The City Market (farmers' market) Fund represents the entire net asset balance, the unrestricted portion (not invested in fixed assets) being \$19,103.

### General Fund Budgetary Highlights

During the year, there was a decrease of \$679,909 in appropriations between the original and final amended General Fund budget adopted by the City Commission. The main component of this decrease was due to the final distribution of closed internal service funds as compared to the projected distributions included in the 2011 adopted budget.

### 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, 2011, totaled \$356 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 \$1.4 million or 0.8 percent for governmental activities while net business-type activity net assets increased \$3.95 million, or 2.3 percent.

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

- Water system upgrades totaling \$3.2 million;
- Wastewater system upgrades totaling \$6.7 million;
- General government facility improvements of \$490 thousand;
- Public Works improvements totaling \$782 thousand;
- Public Safety dispatch equipment totaling \$1.3 million, mobile video equipment totaling \$249 thousand, and vehicles totaling \$337 thousand;
- Parks upgrades in the amount of \$534 thousand;
- Construction, reconstruction, or widening of streets and sidewalks in the amount of \$2.9 million.

## Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes from 2011, 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	
	2010	2011	2010	2011	2010	2011
Land	\$ 29,870,787	\$ 29,859,008	\$ 3,268,225	\$ 3,268,225	\$ 33,139,012	\$ 33,127,233
Building & improvements	37,703,400	39,175,300	51,162,767	50,329,002	88,866,167	89,504,302
Land improvements	7,990,924	8,900,534	4,712,925	4,844,853	12,703,849	13,745,387
Machinery & equipment	2,467,717	2,484,318	12,497,361	12,019,992	14,965,078	14,504,310
Vehicles	3,709,216	3,559,823	821,490	497,870	4,530,706	4,057,693
Infrastructure	86,021,269	85,957,997	95,803,965	97,135,921	181,825,234	183,093,918
Intangible Assets	371,638	316,722	798,003	615,109	1,169,641	931,831
Construction in progress	9,034,185	8,357,150	4,792,199	9,099,760	13,826,384	17,456,910
Total	<u>\$ 177,169,136</u>	<u>\$ 178,610,852</u>	<u>\$ 173,856,935</u>	<u>\$ 177,810,732</u>	<u>\$ 351,026,071</u>	<u>\$ 356,421,584</u>

### *Long-term debt*

- The City's balance of bonded debt decreased by \$2.25 million during the current fiscal year. The City issued \$4.69 million in General Obligation debt and made scheduled bond principal payments totaling \$7.2 million. The City also issued refunding bonds in the amount of \$11.04 million, which defeased \$10.73 million of bonded debt.

#### 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, 2011 is \$49.64 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, 2011 is \$6.905 million for governmental activities and \$28.155 million for business activities.

#### Special Assessment Debt

The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. The balance of outstanding special assessment bonds as of December 31, 2011 is \$95 thousand.

## Management's Discussion and Analysis

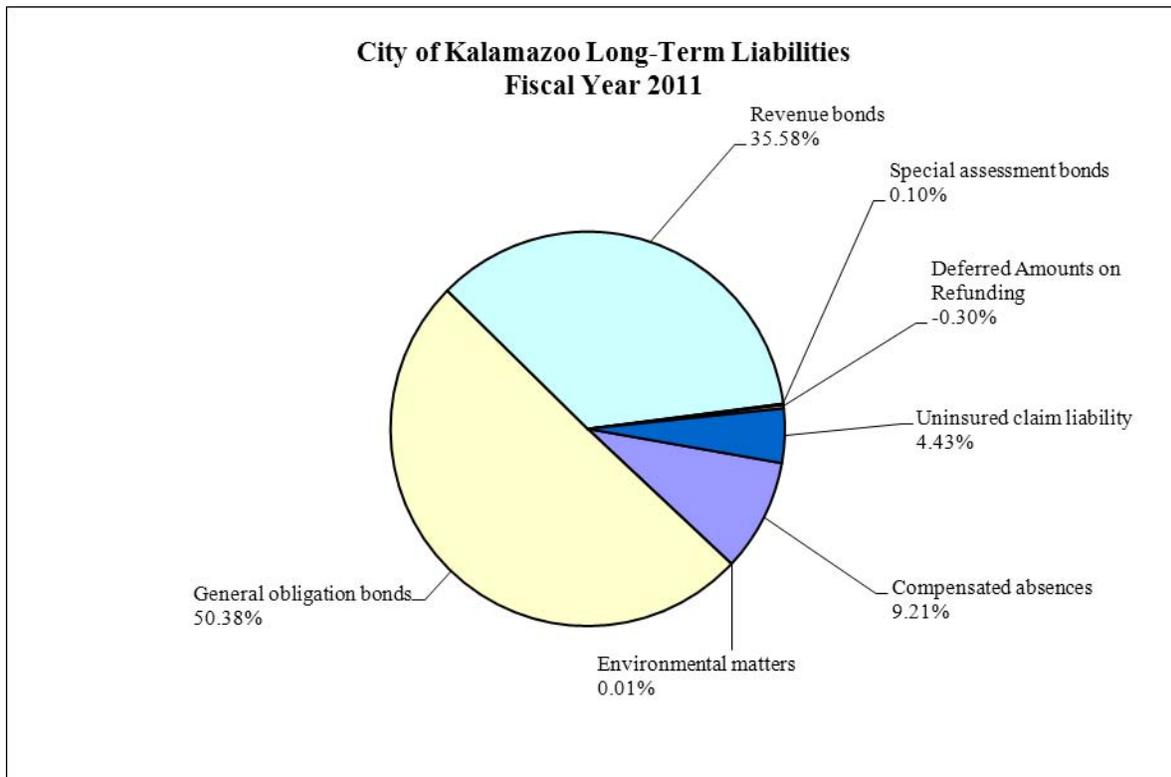
### Compensated Absences

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, 2011 is \$9.3 million.

### Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2011. The estimated liability to the City is \$4.374 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 2010, can be found in note disclosures on pages 43-50.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies as of December 31, 2011.

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

# Management's Discussion and Analysis

## 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 15% in 2011, when excluding the effects of closing the internal service funds in 2011.

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 was equal to a 7% decrease in 2011 from the actual revenue sharing in 2010.

Assessed property taxes decreased approximately 2.6% in 2011 as compared to 2010. Overall, the City has experienced a decline in property tax levies of nearly \$2.2 million since 2009, primarily due to a decline in commercial and residential property values.

In 2011 the value of the Retirement System net assets held in trust for pension benefits decreased by 5.5 percent, as compared to an increase of 13.4 percent in 2010, and an increase of 22.3 percent in 2009. Because the Retirement System holds investments in equities and other stock market securities, value of investments are subject to market volatility. In 2011, the market rate of return had a negative impact on net assets.

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

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

The City of Kalamazoo's General Fund Reserve Policy guides the creation, maintenance and use of reserves. The fund balance of the General Operating Fund will be budgeted within the target range of 13 - 15 percent of budgeted annual operating revenues. The City has created two additional 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.

The 2012 fiscal year budget decreases operational General Fund spending by 6.4 percent from fiscal year 2011 adopted budget. The General Fund will transfer a \$2.2 million for capital improvement program projects, \$1,425,000 for Local Street operations, and \$40,000 for Blight Abatement. Savings in healthcare cost due to system redesign resulted in a budgeted rebate of \$1.9 million to offset expenditures. The City is budgeted to use \$2.5 million of reserves to cover budgeted expenditures in the General Fund in 2012.

For fiscal year 2011, the ending fund balance is budgeted to come in at 16.2 percent of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2012.

### **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, 2011

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 12,821,895	\$ 13,941,997	\$ 26,763,892	\$ 7,390,922
Cash and cash equivalents, restricted	5,905,886	5,385,297	11,291,183	2,484,319
Investments	7,191,088	2,494,818	9,685,906	3,457,032
Investments with agents	2,238,772	-	2,238,772	-
Current portion of receivables	6,582,177	5,106,236	11,688,413	2,320,219
Internal balances	(1,523,093)	1,523,093	-0-	-
Due from other governmental units	8,737,547	153,809	8,891,356	4,135,036
Inventories	400,418	703,391	1,103,809	338,382
Prepays	62,567	34,588	97,155	10,857
Total current assets	42,417,257	29,343,229	71,760,486	20,136,767
Noncurrent assets				
Advance to other governmental units	4,114,944	118,925	4,233,869	-
Deferred charges	1,093,320	675,772	1,769,092	-
Noncurrent portion of receivables	6,488,646	-	6,488,646	1,574,813
Capital assets not being depreciated	38,216,158	12,367,985	50,584,143	4,429,747
Capital assets, net of accumulated depreciation	140,394,694	165,442,747	305,837,441	20,791,638
Total noncurrent assets	190,307,762	178,605,429	368,913,191	26,796,198
<b>TOTAL ASSETS</b>	<b>232,725,019</b>	<b>207,948,658</b>	<b>440,673,677</b>	<b>46,932,965</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	3,268,936	2,178,223	5,447,159	4,250,292
Accrued payroll	1,347,104	-	1,347,104	-
Accrued interest payable	599,278	460,938	1,060,216	93,169
Other accrued liabilities	1,354,444	263,200	1,617,644	1,057,855
Deposits payable	1,101,087	720,900	1,821,987	-
Due to other governmental units	449,448	20,226	469,674	681,586
Unearned revenue	254,946	-	254,946	732,851
Current portion of advances from other governmental units	-	-	-0-	1,979,693
Current portion of compensated absences	3,641,506	1,361,971	5,003,477	210,029
Current portion of long-term debt	5,678,749	1,728,989	7,407,738	933,130
Current portion of uninsured claim liability	2,058,682	-	2,058,682	-
Total current liabilities	19,754,180	6,734,447	26,488,627	9,938,605
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	1,474,813
Noncurrent portion of compensated absences	3,783,156	522,104	4,305,260	121,053
Noncurrent portion of long-term debt	51,257,874	26,135,143	77,393,017	4,050,970
Noncurrent portion of uninsured claim liability	2,304,541	-	2,304,541	-
Net other post-employment benefits obligation	41,656,355	11,816,843	53,473,198	3,316,915
Total noncurrent liabilities	99,001,926	38,474,090	137,476,016	8,963,751
<b>TOTAL LIABILITIES</b>	<b>118,756,106</b>	<b>45,208,537</b>	<b>163,964,643</b>	<b>18,902,356</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	125,529,739	152,806,937	278,336,676	24,064,444
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	2,365,773	-	2,365,773	-
Solid waste program	1,470,776	-	1,470,776	-
Parks and recreation	240,937	-	240,937	-
Neighborhood and community development	266,715	-	266,715	-
Other purposes	3,074,026	2,524,960	5,598,986	-
Unrestricted	(22,606,617)	7,408,224	(15,198,393)	3,966,165
<b>TOTAL NET ASSETS</b>	<b>\$ 113,968,913</b>	<b>\$ 162,740,121</b>	<b>\$ 276,709,034</b>	<b>\$ 28,030,609</b>

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
General government	\$ 8,471,082	\$ 11,900,982	\$ 178,314	\$ -
Public safety	45,215,879	563,113	2,434,151	663,856
Public works	8,203,148	102,326	718,269	-
Streets	11,891,392	18,290	5,659,951	-
Community and economic development	15,666,823	1,240,353	10,705,653	499,787
Parks and recreation	3,182,766	339,713	185,853	-
Interest on long-term debt	2,717,822	-	1,100,327	-
Total governmental activities	95,348,912	14,164,777	20,982,518	1,163,643
Business-type activities				
Wastewater	23,435,464	18,178,855	-	1,719,817
Water	15,415,808	12,451,401	238,233	1,589,078
City Market	135,204	67,287	-	-
Total business-type activities	38,986,476	30,697,543	238,233	3,308,895
<b>Total primary government</b>	<b>\$ 134,335,388</b>	<b>\$ 44,862,320</b>	<b>\$ 21,220,751</b>	<b>\$ 4,472,538</b>
<b>Component units</b>				
Downtown Development Authority	\$ 6,700,735	\$ 2,812,196	\$ -	\$ 265,800
Economic Development Corporation	132,073	-	81,024	-
Brownfield Redevelopment Authority	1,276,265	-	-	-
Local Development Finance Authority	242,096	-	-	-
Metro Transit	16,056,403	2,720,696	9,965,499	4,667,365
Kalamazoo Municipal Golf Association	1,031,050	1,081,440	-	-
<b>Total component units</b>	<b>\$ 25,438,622</b>	<b>\$ 6,614,332</b>	<b>\$ 10,046,523</b>	<b>\$ 4,933,165</b>

General revenues  
 Property taxes  
 State shared revenues  
 Investment earnings  
 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>
\$ 3,608,214	\$ -	\$ 3,608,214	\$ -
(41,554,759)	-	(41,554,759)	-
(7,382,553)	-	(7,382,553)	-
(6,213,151)	-	(6,213,151)	-
(3,221,030)	-	(3,221,030)	-
(2,657,200)	-	(2,657,200)	-
(1,617,495)	-	(1,617,495)	-
<u>(59,037,974)</u>	<u>-0-</u>	<u>(59,037,974)</u>	<u>-0-</u>
-	(3,536,792)	(3,536,792)	-
-	(1,137,096)	(1,137,096)	-
-	(67,917)	(67,917)	-
<u>-0-</u>	<u>(4,741,805)</u>	<u>(4,741,805)</u>	<u>-0-</u>
(59,037,974)	(4,741,805)	(63,779,779)	-0-
-	-	-0-	(3,622,739)
-	-	-0-	(51,049)
-	-	-0-	(1,276,265)
-	-	-0-	(242,096)
-	-	-0-	1,297,157
-	-	-0-	50,390
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,844,602)</u>
33,313,845	-	33,313,845	5,640,684
8,063,444	-	8,063,444	-
206,017	32,163	238,180	24,224
6,270	6,346	12,616	-
900,135	110,923	1,011,058	774,557
3,777,353	(3,777,353)	-0-	-
<u>46,267,064</u>	<u>(3,627,921)</u>	<u>42,639,143</u>	<u>6,439,465</u>
(12,770,910)	(8,369,726)	(21,140,636)	2,594,863
<u>126,739,823</u>	<u>171,109,847</u>	<u>297,849,670</u>	<u>25,435,746</u>
<u>\$ 113,968,913</u>	<u>\$ 162,740,121</u>	<u>\$ 276,709,034</u>	<u>\$ 28,030,609</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2011

	General	Grants and Donations	Building Authority Debt Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,164,963	\$ 230,854	\$ 178,898
Cash and cash equivalents - restricted	-	-	-
Investments	1,725,090	-	-
Investments with agents	-	17,746	-
Receivables			
Accounts	1,044,639	38,374	-
Interest	3,100	-	-
Special assessments	2,544	-	-
Taxes	4,829,744	-	-
Notes	210,069	-	-
Due from other funds	6,574,902	143,185	-
Due from other governmental units	1,142,926	2,431,116	3,532,362
Advances to other funds	340,000	-	-
Advances to other governmental units	-	-	779,363
Inventories	120,289	-	-
Prepays	60,315	-	-
	<u>\$ 20,218,581</u>	<u>\$ 2,861,275</u>	<u>\$ 4,490,623</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 706,485	\$ 1,457,685	\$ -
Accrued liabilities	10,049	-	-
Due to other funds	5,443,943	924,852	469,791
Due to other governmental units	243,172	178	-
Deposits payable	13,900	-	-
Deferred revenue	4,239,675	190,747	3,959,363
	<u>10,657,224</u>	<u>2,573,462</u>	<u>4,429,154</u>
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCES</b>			
Nonspendable	730,673	-	-
Restricted	-	287,813	61,469
Committed	3,504,897	-	-
Assigned	-	-	-
Unassigned	5,325,787	-	-
	<u>9,561,357</u>	<u>287,813</u>	<u>61,469</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u>\$ 20,218,581</u>	<u>\$ 2,861,275</u>	<u>\$ 4,490,623</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,580,516	\$ 11,155,231
5,905,886	5,905,886
4,058,571	5,783,661
2,133,341	2,151,087
228,619	1,311,632
-	3,100
4,189	6,733
260,958	5,090,702
6,278,577	6,488,646
381,666	7,099,753
1,347,296	8,453,700
-	340,000
3,335,581	4,114,944
280,129	400,418
1,100	61,415
<u>\$ 30,796,429</u>	<u>\$ 58,366,908</u>

\$ 1,024,234	\$ 3,188,404
51,143	61,192
5,794,365	12,632,951
202,735	446,085
1,087,187	1,101,087
292,664	8,682,449

8,452,328	26,112,168
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13,522,951	14,253,624
7,160,608	7,509,890
1,660,542	5,165,439
-	-0-
-	5,325,787

<u>22,344,101</u>	<u>32,254,740</u>
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<u>\$ 30,796,429</u>	<u>\$ 58,366,908</u>
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City of Kalamazoo

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

December 31, 2011

**Total fund balance - governmental funds** \$ 32,254,740

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	\$ 328,248,940	
Accumulated depreciation is	<u>(149,638,088)</u>	
Capital assets, net		178,610,852

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		8,427,503
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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		199,416
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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.		1,093,320
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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	(56,640,000)	
Environmental matters liability	(10,860)	
Unamortized deferred amounts on debt issuance	(285,763)	
Accrued interest payable	(599,278)	
Compensated absences	(7,424,662)	
Net other post-employment benefits obligation	<u>(41,656,355)</u>	
		<u>(106,616,918)</u>

**Net assets of governmental activities** \$ 113,968,913

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2011

	General	Grants and Donations	Building Authority Debt Service
<b>REVENUES</b>			
Taxes	\$ 32,741,423	\$ -	\$ -
Licenses and permits	1,897,096	-	-
Intergovernmental	9,317,064	8,468,092	-
Charges for services	9,623,314	35,998	-
Fines and forfeits	36,663	-	-
Interest and rents	724,325	285	2,375,754
Net investment earnings	-	(406)	-
Other revenue	483,412	173,591	135,049
<b>TOTAL REVENUES</b>	<b>54,823,297</b>	<b>8,677,560</b>	<b>2,510,803</b>
<b>EXPENDITURES</b>			
Current			
General government	7,209,582	-	-
Public safety	33,498,520	1,275,819	-
Public works	5,927,597	-	-
Streets	-	-	-
Community and economic development	2,433,220	7,099,566	-
Parks and recreation	2,372,033	393,473	-
Other	2,560,728	-	-
Debt service			
Principal	-	-	2,600,000
Interest and fiscal charges	54,659	-	1,691,133
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>54,056,339</b>	<b>8,768,858</b>	<b>4,291,133</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>766,958</b>	<b>(91,298)</b>	<b>(1,780,330)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	-	6,220,000
Payments to advance refunding escrow agent	-	-	(6,089,610)
Bond premium	16,680	-	70,291
Bond original issue discount	(1,158)	-	-
Transfers in	7,170,077	100,000	1,592,745
Transfers out	(2,999,992)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,185,607</b>	<b>100,000</b>	<b>1,793,426</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,952,565</b>	<b>8,702</b>	<b>13,096</b>
Restated fund balances, beginning of year	4,608,792	279,111	48,373
<b>Fund balances, end of year</b>	<b>\$ 9,561,357</b>	<b>\$ 287,813</b>	<b>\$ 61,469</b>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,422,531	\$ 35,163,954
-	1,897,096
10,456,134	28,241,290
659,265	10,318,577
606,017	642,680
204,257	3,304,621
(369,737)	(370,143)
682,651	1,474,703
<u>14,661,118</u>	<u>80,672,778</u>
409,169	7,618,751
702,620	35,476,959
2,484,824	8,412,421
7,710,563	7,710,563
4,649,224	14,182,010
41,250	2,806,756
-	2,560,728
2,910,000	5,510,000
1,011,975	2,757,767
3,408,241	3,408,241
<u>23,327,866</u>	<u>90,444,196</u>
(8,666,748)	(9,771,418)
6,690,000	12,910,000
(1,962,153)	(8,051,763)
59,354	146,325
-	(1,158)
7,428,720	16,291,542
(6,009,225)	(9,009,217)
<u>6,206,696</u>	<u>12,285,729</u>
(2,460,052)	2,514,311
<u>24,804,153</u>	<u>29,740,429</u>
<u>\$ 22,344,101</u>	<u>\$ 32,254,740</u>

City of Kalamazoo

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

Year Ended December 31, 2011

**Net change in fund balances - total governmental funds** \$ 2,514,311

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	\$ 8,099,013	
Depreciation expense	(6,777,530)	
Net effect of disposal of capital assets	<u>(113,919)</u>	
Excess of capital outlay over depreciation expense and other items		1,207,564

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,801,015)

Closing internal service funds into the General Fund results in transfers between funds not balancing because capital assets and long-term debt of the internal service fund are not reported in the governmental fund. 1,747,454

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 (6,353,511)

Transfer of net assets from business-type activities 3,130,400

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	369,743	
Amortization of deferred charges	<u>(87,180)</u>	
Excess of deferred charges over amortization		282,563

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	(12,910,000)	
Debt principal retirement	<u>13,510,000</u>	
		600,000

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	(56,789)	
Decrease in accrued interest payable	45,524	
Decrease in compensated absences	223,632	
Decrease in environmental matters liability	77,702	
(Increase) in other post-employment benefits obligation	<u>(14,388,745)</u>	
		<u>(14,098,676)</u>

**Change in net assets of governmental activities** \$ (12,770,910)

City of Kalamazoo

General Fund

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

Year Ended December 31, 2011

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 31,636,965	\$ 32,010,081	\$ 31,620,620	\$ (389,461)
Licenses and permits	1,813,175	1,813,175	1,897,096	83,921
Intergovernmental	9,814,674	10,244,674	9,317,064	(927,610)
Charges for services	10,984,455	9,253,379	9,623,314	369,935
Fines and forfeits	39,272	39,272	36,663	(2,609)
Interest and rentals	911,272	961,272	724,325	(236,947)
Other	341,645	531,859	483,412	(48,447)
<b>TOTAL REVENUES</b>	<b>55,541,458</b>	<b>54,853,712</b>	<b>53,702,494</b>	<b>(1,151,218)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Commission	85,934	87,434	72,718	14,716
Manager	755,437	751,207	693,914	57,293
Attorney	881,902	871,866	838,342	33,524
<b>Clerk</b>				
Administration	250,305	246,183	230,983	15,200
Election	162,867	161,780	135,696	26,084
Records management	252,819	255,999	211,566	44,433
Internal audit	95,286	94,920	89,009	5,911
Human resources	792,138	779,124	755,169	23,955
<b>Management services</b>				
Accounting	1,144,289	1,056,760	1,016,458	40,302
Assessor	651,465	642,713	586,638	56,075
Treasurer	823,121	562,005	538,203	23,802
Purchasing	487,325	473,859	442,366	31,493
Information technology	1,777,753	1,868,788	1,598,520	270,268
<b>Total general government</b>	<b>8,160,641</b>	<b>7,852,638</b>	<b>7,209,582</b>	<b>643,056</b>
<b>Public safety</b>				
Administration	1,084,019	1,084,019	1,051,837	32,182
Training	864,429	864,429	822,308	42,121
K-Vet drug enforcement	1,352,272	1,352,272	1,373,694	(21,422)
Operations division	19,685,547	19,687,544	20,078,903	(391,359)
Criminal investigations	3,843,573	3,843,573	3,648,642	194,931
Service division	6,990,250	6,715,070	6,523,136	191,934
<b>Total public safety</b>	<b>33,820,090</b>	<b>33,546,907</b>	<b>33,498,520</b>	<b>48,387</b>
<b>Public services</b>				
<b>Public works</b>				
Forestry, creek, and environmental inspections	726,438	743,508	764,159	(20,651)
Sidewalks and pedestrian mall maintenance	637,261	620,191	441,347	178,844
Equipment maintenance	2,332,898	2,332,898	2,565,878	(232,980)
Engineering	1,439,187	1,439,187	1,313,740	125,447
City maintainance	1,072,289	754,470	842,473	(88,003)
<b>Total public services</b>	<b>6,208,073</b>	<b>5,890,254</b>	<b>5,927,597</b>	<b>(37,343)</b>

City of Kalamazoo

General Fund

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

Year Ended December 31, 2011

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>EXPENDITURES - CONCLUDED</b>				
Current - concluded				
Community and economic development				
Economic development	\$ 434,036	\$ 416,709	\$ 460,035	\$ (43,326)
Code administration	1,770,157	1,730,291	1,550,289	180,002
Planning	481,331	468,349	422,896	45,453
Total community and economic development	2,685,524	2,615,349	2,433,220	182,129
Parks and recreation				
Parks maintenance	1,219,438	1,220,632	1,195,489	25,143
Recreation	1,356,323	1,329,544	1,176,544	153,000
Total parks and recreation	2,575,761	2,550,176	2,372,033	178,143
Nondepartmental				
Street lighting	1,229,069	1,229,069	1,350,409	(121,340)
Downtown Development Authority	-	-	165,800	(165,800)
Other	306,249	621,105	1,044,519	(423,414)
Debt service	75,000	75,000	54,659	20,341
Total nondepartmental	1,610,318	1,925,174	2,615,387	(690,213)
<b>TOTAL EXPENDITURES</b>	<b>55,060,407</b>	<b>54,380,498</b>	<b>54,056,339</b>	<b>324,159</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>481,051</b>	<b>473,214</b>	<b>(353,845)</b>	<b>(827,059)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond premium	-	-	16,680	16,680
Bond original issue discount	-	-	(1,158)	(1,158)
Transfers in	4,000,000	4,000,000	7,170,077	3,170,077
Transfers out	(3,000,000)	(3,000,000)	(2,999,992)	8
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>4,185,607</b>	<b>3,185,607</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,481,051</b>	<b>1,473,214</b>	<b>3,831,762</b>	<b>2,358,548</b>
Restated fund balance, beginning of year	9,511,084	9,511,084	9,511,084	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 10,992,135</u>	<u>\$ 10,984,298</u>	13,342,846	<u>\$ 2,358,548</u>
Accounting basis difference			<u>(3,781,489)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 9,561,357</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Grants and Donations Fund

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

Year Ended December 31, 2011

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 10,099,916	\$ 12,302,346	\$ 8,468,092	\$ (3,834,254)
Charges for services	-	-	35,998	35,998
Interest	-	-	285	285
Net investment earnings	-	-	(406)	(406)
Other	-	37,000	173,591	136,591
<b>TOTAL REVENUES</b>	<b>10,099,916</b>	<b>12,339,346</b>	<b>8,677,560</b>	<b>(3,661,786)</b>
<b>EXPENDITURES</b>				
Current				
Public safety	738,587	1,411,720	1,275,819	135,901
Community and economic development	9,361,329	10,696,978	7,099,566	3,597,412
Parks and recreation	-	330,648	393,473	(62,825)
<b>TOTAL EXPENDITURES</b>	<b>10,099,916</b>	<b>12,439,346</b>	<b>8,768,858</b>	<b>3,670,488</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>-0-</b>	<b>(100,000)</b>	<b>(91,298)</b>	<b>8,702</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	100,000	100,000	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>-0-</b>	<b>8,702</b>	<b>8,702</b>
Fund balance, beginning of year	279,111	279,111	279,111	-0-
Fund balance, end of year	<u>\$ 279,111</u>	<u>\$ 279,111</u>	<u>\$ 287,813</u>	<u>\$ 8,702</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2011

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 10,859,850	\$ 3,057,757	\$ 24,390	\$ 13,941,997	\$ 1,666,664
Cash and cash equivalents - restricted	445,532	4,939,765	-	5,385,297	-
Investments	2,170,448	324,370	-	2,494,818	1,407,427
Investments with agents	-	-	-	-0-	87,685
Receivables					
Customers	3,007,162	2,081,162	-	5,088,324	170,010
Interest	3,739	-	-	3,739	-
Special assessment	14,173	-	-	14,173	-
Due from other funds	2,726,681	1,212,210	-	3,938,891	5,068,833
Due from other governmental units	66,756	87,053	-	153,809	283,847
Inventories	381,730	321,661	-	703,391	-
Prepays	22,992	11,596	-	34,588	1,152
<b>Total current assets</b>	<b>19,699,063</b>	<b>12,035,574</b>	<b>24,390</b>	<b>31,759,027</b>	<b>8,685,618</b>
Noncurrent assets					
Advance to other governmental units	118,925	-	-	118,925	-
Deferred charges	160,143	515,629	-	675,772	-
Capital assets not being depreciated	9,396,263	2,971,722	-	12,367,985	-
Capital assets, net of accumulated depreciation	74,594,791	90,777,327	70,629	165,442,747	-
<b>Total noncurrent assets</b>	<b>84,270,122</b>	<b>94,264,678</b>	<b>70,629</b>	<b>178,605,429</b>	<b>-0-</b>
<b>TOTAL ASSETS</b>	<b>103,969,185</b>	<b>106,300,252</b>	<b>95,019</b>	<b>210,364,456</b>	<b>8,685,618</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	1,819,903	354,831	3,489	2,178,223	80,532
Accrued payroll	-	-	-	-0-	1,347,104
Other accrued liabilities	259,393	3,807	-	263,200	1,293,252
Accrued interest payable	64,893	396,045	-	460,938	-
Deposit payable	-	720,900	-	720,900	-
Due to other funds	687,538	1,727,396	864	2,415,798	1,058,728
Due to other governmental units	9,026	11,200	-	20,226	3,363
Current portion of compensated absences	893,939	467,419	613	1,361,971	-
Current portion of long-term debt	286,665	1,442,324	-	1,728,989	-
Current portion of uninsured claim liability	-	-	-	-0-	2,058,682
<b>Total current liabilities</b>	<b>4,021,357</b>	<b>5,123,922</b>	<b>4,966</b>	<b>9,150,245</b>	<b>5,841,661</b>
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	327,012	194,771	321	522,104	-
Noncurrent portion of long-term debt	4,868,320	21,266,823	-	26,135,143	-
Net other post-employment benefits obligation	6,283,626	5,533,217	-	11,816,843	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	2,304,541
<b>Total noncurrent liabilities</b>	<b>11,478,958</b>	<b>26,994,811</b>	<b>321</b>	<b>38,474,090</b>	<b>2,644,541</b>
<b>TOTAL LIABILITIES</b>	<b>15,500,315</b>	<b>32,118,733</b>	<b>5,287</b>	<b>47,624,335</b>	<b>8,486,202</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	78,836,069	73,900,239	70,629	152,806,937	-
Restricted for bond reserves	445,532	2,079,428	-	2,524,960	-
Unrestricted	9,187,269	(1,798,148)	19,103	7,408,224	199,416
<b>TOTAL NET ASSETS</b>	<b>\$ 88,468,870</b>	<b>\$ 74,181,519</b>	<b>\$ 89,732</b>	<b>\$ 162,740,121</b>	<b>\$ 199,416</b>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

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

Year Ended December 31, 2011

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 18,178,855	\$ 12,451,401	\$ 67,287	\$ 30,697,543	\$ 20,742,548
Other	28,231	74,786	-	103,017	-
<b>TOTAL OPERATING REVENUES</b>	<b>18,207,086</b>	<b>12,526,187</b>	<b>67,287</b>	<b>30,800,560</b>	<b>20,742,548</b>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	18,947,736	10,877,839	131,244	29,956,819	-
Risk management	-	-	-	-0-	21,222,273
Depreciation	4,180,283	3,244,008	3,960	7,428,251	-
<b>TOTAL OPERATING EXPENSES</b>	<b>23,128,019</b>	<b>14,121,847</b>	<b>135,204</b>	<b>37,385,070</b>	<b>21,222,273</b>
<b>OPERATING (LOSS)</b>	<b>(4,920,933)</b>	<b>(1,595,660)</b>	<b>(67,917)</b>	<b>(6,584,510)</b>	<b>(479,725)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	50,628	187,605	-	238,233	-
Interest revenue	20,167	11,916	80	32,163	12,920
Gain (loss) on sale of capital assets	6,346	15,359	-	21,705	-
Amortization of:					
Deferred charges	(20,182)	(36,205)	-	(56,387)	-
Bond defeasance expenses	(4,069)	(45,582)	-	(49,651)	-
Bond premiums and discounts	(98)	7,906	-	7,808	-
Interest expense and fiscal charges	(283,096)	(1,227,533)	-	(1,510,629)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(230,304)</b>	<b>(1,086,534)</b>	<b>80</b>	<b>(1,316,758)</b>	<b>12,920</b>
<b>NET (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(5,151,237)</b>	<b>(2,682,194)</b>	<b>(67,837)</b>	<b>(7,901,268)</b>	<b>(466,805)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>1,719,817</b>	<b>1,589,078</b>	<b>-</b>	<b>3,308,895</b>	<b>-</b>
<b>TRANSFERS IN</b>	<b>546,258</b>	<b>1,655,977</b>	<b>-</b>	<b>2,202,235</b>	<b>4,039,955</b>
<b>TRANSFERS OUT</b>	<b>(59,193)</b>	<b>(335,428)</b>	<b>-</b>	<b>(394,621)</b>	<b>(12,381,228)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,944,355)</b>	<b>227,433</b>	<b>(67,837)</b>	<b>(2,784,759)</b>	<b>(8,808,078)</b>
Net assets, beginning of year	91,413,225	73,954,086	157,569	165,524,880	9,007,494
Net assets, end of year	\$ 88,468,870	\$ 74,181,519	\$ 89,732	\$ 162,740,121	\$ 199,416

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, 2011

**Net change in net assets - total enterprise funds** \$ (2,784,759)

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 loss of business-type activities accounted for in  
the business-type activity internal service fund (2,454,567)

Transfer of net assets to governmental activities (3,130,400)

**Change in net assets of business-type activities** \$ (8,369,726)

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 19,081,884	\$ 12,731,086	\$ 67,690	\$ 31,880,660	\$ 20,974,439
Cash received from interfund services provided	50,000	867,476	114	917,590	-
Cash paid to suppliers	(10,755,114)	(4,387,188)	(84,185)	(15,226,487)	(90,924)
Cash paid to employees	(3,280,672)	(3,215,562)	(29,525)	(6,525,759)	(395,664)
Cash paid for employee benefits	(1,883,169)	(1,731,190)	(13,888)	(3,628,247)	(21,886,037)
Cash paid for interfund services provided	(1,686,999)	(1,007,870)	(2,945)	(2,697,814)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,525,930</b>	<b>3,256,752</b>	<b>(62,739)</b>	<b>4,719,943</b>	<b>(1,398,186)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental grant	50,628	187,605	-	238,233	-
Transfer in	386,311	1,100,331	-	1,486,642	4,039,955
Transfer out	(59,193)	(335,428)	-	(394,621)	(9,918,178)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>377,746</b>	<b>952,508</b>	<b>-0-</b>	<b>1,330,254</b>	<b>(5,878,223)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(6,630,565)	(1,680,135)	-	(8,310,700)	-
Proceeds from sales of capital assets	6,346	18,752	-	25,098	-
Interest paid	(302,267)	(1,247,232)	-	(1,549,499)	-
Proceeds from bond issuance	2,815,000	-	-	2,815,000	-
Payments on borrowings	(310,000)	(1,425,000)	-	(1,735,000)	-
Payment to escrow	(2,810,975)	-	-	(2,810,975)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(7,232,461)</b>	<b>(4,333,615)</b>	<b>-0-</b>	<b>(11,566,076)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	6,305,254	208,739	-	6,513,993	6,426,575
Interest received	24,727	11,916	79	36,722	12,920
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>6,329,981</b>	<b>220,655</b>	<b>79</b>	<b>6,550,715</b>	<b>6,439,495</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,001,196</b>	<b>96,300</b>	<b>(62,660)</b>	<b>1,034,836</b>	<b>(836,914)</b>
Cash and cash equivalents, beginning of year	10,304,186	7,901,222	87,050	18,292,458	2,503,578
Cash and cash equivalents, end of year	<u>\$ 11,305,382</u>	<u>\$ 7,997,522</u>	<u>\$ 24,390</u>	<u>\$ 19,327,294</u>	<u>\$ 1,666,664</u>

CONTINUED

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2011

	Enterprise Funds			Total	Internal Service Funds
	Wastewater	Water	Nonmajor City Market		
Reconciliation of operating (loss) to net cash provided (used) by operating activities					
Operating (loss)	\$ (4,920,933)	\$ (1,595,660)	\$ (67,917)	\$ (6,584,510)	\$ (479,725)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities					
Depreciation	4,180,283	3,244,008	3,960	7,428,251	-
(Increase) decrease in:					
Accounts receivable	893,065	283,270	403	1,176,738	30,126
Due from other funds	(1,633,618)	(1,007,870)	114	(2,641,374)	305,977
Due from other governmental units	(18,267)	(8,756)	-	(27,023)	(67,770)
Advance to other governmental units	50,000	-	-	50,000	-
Inventories	10,285	(39,721)	-	(29,436)	419,711
Prepays	2,113	3,478	-	5,591	(1,152)
Increase (decrease) in:					
Accounts payable	778,297	(127,365)	3,461	654,393	(165,818)
Accrued liabilities	259,393	3,807	-	263,200	309,559
Due to other funds	(53,381)	867,476	(2,945)	811,150	(369,945)
Unearned revenue	-	-	-	-0-	(17,600)
Due to other governmental units	(24,062)	(46,791)	-	(70,853)	(30,994)
Deposits payable	-	(69,615)	-	(69,615)	-
Compensated absences	149,137	118,236	185	267,558	(395,664)
Uninsured claim liability	-	-	-	-0-	1,165,569
Other post-employment benefits obligation	1,853,618	1,632,255	-	3,485,873	(2,100,460)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,525,930</b>	<b>\$ 3,256,752</b>	<b>\$ (62,739)</b>	<b>\$ 4,719,943</b>	<b>\$ (1,398,186)</b>
<b>NONCASH FINANCING ACTIVITIES</b>					
Contributions of capital assets from Internal Service funds	\$ 159,947	\$ 555,646	\$ -	\$ 715,593	\$ -

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2011

	Employees' Retirement System Pension Trust	General Private Purpose Trust	Tax Collector's Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,445,025	\$ 76,402	\$ 10,909,494
Investments			-
U.S. treasuries	25,918,275	-	-
U.S. agencies	8,999,428	-	-
Municipal securities	10,424	-	-
Corporate bonds	49,065,731	-	-
Collateralized mortgage obligations	36,259,992	-	-
Equity mutual funds	334,750,081	-	-
Real estate mutual funds	24,677,995	-	-
Receivables			
Interest and dividends	925,647	-	-
Taxes	-	-	33,938,195
Other	-	-	161,058
	<u>483,052,598</u>	<u>76,402</u>	<u>\$ 45,008,747</u>
<b>LIABILITIES</b>			
Accounts payable	171,424	-	\$ -
Due to other governmental units	-	-	43,315,337
Due to individuals and agencies	-	52,448	1,693,410
	<u>171,424</u>	<u>52,448</u>	<u>\$ 45,008,747</u>
<b>NET ASSETS</b>			
Held in trust for benefits and other purposes	<u>\$ 482,881,174</u>	<u>\$ 23,954</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended December 31, 2011

	Employees' Retirement System Pension Trust	General Private Purpose Trust
<b>ADDITIONS TO NET ASSETS</b>		
Investment income		
Change in fair value of investments	\$ (20,724,512)	\$ -
Interest and dividends	11,234,329	28
Total investment income	(9,490,183)	28
Less investment expense	(1,548,868)	-
Net investment income	(11,039,051)	28
Contributions		
Plan members	1,519,670	-
Other	-	1,571
Total contributions	1,519,670	1,571
<b>TOTAL ADDITIONS TO NET ASSETS</b>	(9,519,381)	1,599
<b>DEDUCTIONS FROM NET ASSETS</b>		
Benefits	18,140,577	-
Refunds of contributions	249,948	-
Administrative	426,033	-
<b>TOTAL DEDUCTIONS</b>	18,816,558	-0-
<b>CHANGE IN NET ASSETS</b>	(28,335,939)	1,599
Net assets, beginning of year	511,217,113	22,355
Net assets, end of year	\$ 482,881,174	\$ 23,954

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET ASSETS

December 31, 2011

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 31,863	\$ 497,040	\$ 1,496,969
Cash and cash equivalents - restricted	2,484,319	-	-
Investments	-	-	456,682
Accounts receivable	208,600	-	299,509
Taxes receivable	671,244	-	-
Interest receivable	-	-	-
Notes receivable	-	98,794	858,084
Due from other governmental units	-	7,796	-
Inventories	-	-	-
Prepays	3,800	316	-
	<u>3,399,826</u>	<u>603,946</u>	<u>3,111,244</u>
Total current assets			
Noncurrent assets			
Noncurrent portion of notes receivable	-	1,574,813	-
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	169,465	-	-
	<u>227,627</u>	<u>1,574,813</u>	<u>-0-</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>			
	<u>3,627,453</u>	<u>2,178,759</u>	<u>3,111,244</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	688,517	736	3,011
Accrued liabilities	1,057,855	-	-
Accrued interest payable	55,181	-	-
Due to other governmental units	-	6,094	6,684
Advances from other governmental units	-	98,794	828,084
Unearned revenue	27,451	-	-
Current portion of compensated absences	-	8,229	1,491
Current portion of long-term debt	721,750	-	-
	<u>2,550,754</u>	<u>113,853</u>	<u>839,270</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	14,549	10,440
Noncurrent portion of long-term debt	3,105,409	-	-
Noncurrent portion of advances from other governmental units	-	1,474,813	-
Net other post-employment benefits obligation	-	-	-
	<u>3,105,409</u>	<u>1,489,362</u>	<u>10,440</u>
Total noncurrent liabilities			
<b>TOTAL LIABILITIES</b>			
	<u>5,656,163</u>	<u>1,603,215</u>	<u>849,710</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	227,627	-	-
Unrestricted	(2,256,337)	575,544	2,261,534
	<u>(2,028,710)</u>	<u>575,544</u>	<u>2,261,534</u>
<b>TOTAL NET ASSETS</b>			
	<u>\$ (2,028,710)</u>	<u>\$ 575,544</u>	<u>\$ 2,261,534</u>

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Kalamazoo Municipal Golf Association	Total Component Units
\$ 419,154	\$ 4,836,035	\$ 109,861	\$ 7,390,922
-	-	-	2,484,319
-	3,000,350	-	3,457,032
42,457	22,729	-	573,295
-	116,460	-	787,704
-	2,342	-	2,342
-	-	-	956,878
-	4,127,240	-	4,135,036
-	338,382	-	338,382
-	2,750	3,991	10,857
<u>461,611</u>	<u>12,446,288</u>	<u>113,852</u>	<u>20,136,767</u>
-	-	-	1,574,813
-	4,275,103	96,482	4,429,747
-	19,509,787	1,112,386	20,791,638
<u>-0-</u>	<u>23,784,890</u>	<u>1,208,868</u>	<u>26,796,198</u>
461,611	36,231,178	1,322,720	46,932,965
-	3,529,727	28,301	4,250,292
-	-	-	1,057,855
-	-	37,988	93,169
188,341	401,967	78,500	681,586
1,052,815	-	-	1,979,693
-	611,000	94,400	732,851
-	200,309	-	210,029
-	-	211,380	933,130
<u>1,241,156</u>	<u>4,743,003</u>	<u>450,569</u>	<u>9,938,605</u>
-	96,064	-	121,053
-	-	945,561	4,050,970
-	-	-	1,474,813
-	3,316,915	-	3,316,915
<u>-0-</u>	<u>3,412,979</u>	<u>945,561</u>	<u>8,963,751</u>
<u>1,241,156</u>	<u>8,155,982</u>	<u>1,396,130</u>	<u>18,902,356</u>
-	23,784,890	51,927	24,064,444
<u>(779,545)</u>	<u>4,290,306</u>	<u>(125,337)</u>	<u>3,966,165</u>
<u>\$ (779,545)</u>	<u>\$ 28,075,196</u>	<u>\$ (73,410)</u>	<u>\$ 28,030,609</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Downtown Development Authority	\$ 6,700,735	\$ 2,812,196	\$ -	\$ 265,800
Economic Development Corporation	132,073	-	81,024	-
Brownfield Redevelopment Authority	1,276,265	-	-	-
Local Development Finance Authority	242,096	-	-	-
<b>Business-type Activities</b>				
Metro Transit	16,056,403	2,720,696	9,965,499	4,667,365
Kalamazoo Municipal Golf Association	1,031,050	1,081,440	-	-
<b>TOTALS</b>	<b>\$ 25,438,622</b>	<b>\$ 6,614,332</b>	<b>\$ 10,046,523</b>	<b>\$ 4,933,165</b>

General revenues

Property taxes

Investment earnings

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
\$ (3,622,739)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,622,739)
-	(51,049)	-	-	-	-	(51,049)
-	-	(1,276,265)	-	-	-	(1,276,265)
-	-	-	(242,096)	-	-	(242,096)
-	-	-	-	1,297,157	-	1,297,157
-	-	-	-	-	50,390	50,390
(3,622,739)	(51,049)	(1,276,265)	(242,096)	1,297,157	50,390	(3,844,602)
2,861,639	-	1,391,378	440,663	947,004	-	5,640,684
4,285	1,072	4,218	-	14,649	-	24,224
633,794	-	104,543	-	36,220	-	774,557
3,499,718	1,072	1,500,139	440,663	997,873	-0-	6,439,465
(123,021)	(49,977)	223,874	198,567	2,295,030	50,390	2,594,863
(1,905,689)	625,521	2,037,660	(978,112)	25,780,166	(123,800)	25,435,746
<u>\$ (2,028,710)</u>	<u>\$ 575,544</u>	<u>\$ 2,261,534</u>	<u>\$ (779,545)</u>	<u>\$ 28,075,196</u>	<u>\$ (73,410)</u>	<u>\$ 28,030,609</u>

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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, 2011.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

3. Discretely Presented Component Units - Concluded

The Local Development Finance Authority's (L DFA) purpose is to finance improvements, through the use of tax increment financing, within the City's business and technology research park. The L DFA 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, 2011

**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 Grants and Donations Fund is used to account for various programs funded by grants and/or donations that are not accounted for in the General Fund or other Special Revenue Funds.
- 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 of the Wastewater treatment system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.
- b. The Water Fund is used to account for the operations and maintenance of the water supply system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.

Additionally, the City reports the following fund types:

- a. Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than capital projects or permanent funds.
- b. Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Capital projects funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
- d. Permanent funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.
- e. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.
- f. 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 and insurance programs. All other internal service funds were closed during the year ended December 31, 2011.
- 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, 2011

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

4. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

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

5. Measurement Focus

The government-wide, proprietary fund, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide 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, 2011

**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.

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

8. Cash, Cash Equivalents, and Investments

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

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

9. Receivables

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

10. Inventories

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

11. Prepays

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

12. Capital Assets

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

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

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

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

Land improvements	5 - 50 years
Buildings and improvements	50 years
Water and wastewater system infrastructure	25 - 50 years
Vehicles	7 - 10 years
Office equipment	6 - 10 years
Machinery and equipment	3 - 10 years
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, 2011

**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, 2011, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2011 levy for property within the City was \$1,590,399,923.

Property tax revenue generated for general governmental services and waste collection was \$32,139,527 and \$2,422,530, respectively.

The Downtown Development Authority is permitted by P.A. 197 of Michigan to levy taxes up to \$2.00 per \$1,000 of assessed valuation of property in the downtown district. The Authority's current year tax rate was \$1.9638 per \$1,000 of assessed valuation.

The Metro Transit System levied 0.6000 mills. This levy generated \$947,004 in property tax revenue.

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 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, 2011

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

17. Notes Receivable

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

18. Advances to Other Funds/Governmental Units

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

19. 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. The net revenues or losses of the Internal Service Funds, as well as the net assets are included in the reconciliation to the government-wide financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

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

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM)

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, 2011, the carrying amount of the City's deposits was \$59,151,048 and the bank balance was \$60,673,388. The financial statements include \$7,520 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, 2011, the City accounts were insured by the FDIC for \$3,244,923 and the amount of \$57,428,465 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, 2011, the carrying amounts and market values for the investments are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>Standard &amp; Poor's Rating</u>	<u>Weighted Average Maturity</u>
U.S. Treasury Securities	\$ 997,810	\$ 997,810	8%	AAA	37 days
Federal Home Loan Bank	2,497,524	2,497,524	19%	AAA	54 days
General Electric Capital Corporation	4,992,281	4,992,281	39%	AAA	56 days
Federal Home Loan Mortgage Corporation	1,001,553	1,001,553	8%	AAA	51 days
Equity mutual funds	3,411,414	3,411,414	26%	Not rated	N/A
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 12,900,582</b>	<b>\$ 12,900,582</b>			

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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 \$2,151,087 and \$87,685, respectively, as of December 31, 2011, 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, 2011, 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, 2011, 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, 2011

**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, 2011 was \$2,445,025, of which the insured amount was \$792,603. The remaining balance of \$1,652,422 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, 2011:

U.S. treasuries	\$ 25,918,275
U.S. agencies	8,999,428
Municipal securities	10,424
Corporate bonds	49,065,731
Collateralized mortgage obligations	36,259,992
Equity mutual funds	334,750,081
Real estate mutual funds	<u>24,677,995</u>
Total investments	<u>\$ 479,681,926</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, 2011, 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, 2011

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

EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

Credit Risk - Concluded

<u>Standard &amp; Poor's</u>	<u>U.S. Agencies</u>	<u>Municipal Securities</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ -	\$ 10,424	\$ 3,420,454	\$ 2,251,214
AA	-	-	7,754,858	32,572,368
A	-	-	19,534,505	-
BBB	-	-	11,211,679	-
Not rated	8,999,428	-	7,144,235	1,436,410
	<u>\$ 8,999,428</u>	<u>\$ 10,424</u>	<u>\$ 49,065,731</u>	<u>\$ 36,259,992</u>
 <u>Moody's</u>				
AAA	\$ 172,398	\$ 10,424	\$ 9,227,666	\$ 36,007,162
AA	-	-	8,827,435	-
A	-	-	16,299,698	-
BAA	-	-	13,357,679	-
Not rated	8,827,030	-	1,353,253	252,830
	<u>\$ 8,999,428</u>	<u>\$ 10,424</u>	<u>\$ 49,065,731</u>	<u>\$ 36,259,992</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, 2011, 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, 2011, the System's equity holdings accounted for 69.8% of the total investment portfolio; the System's holdings in real estate were 5.14% at December 31, 2011.

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, 2011, 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	\$ 25,918,275	\$ 1,504,530	\$ 8,468,373	\$ 15,945,372
U.S. agencies	8,999,428	2,253,786	4,702,980	2,042,662
Municipal securities	10,424	10,424	-	-
Corporate bonds	49,065,731	20,962,366	13,911,699	14,191,666
Collateralized mortgage obligations	36,259,992	1,537,591	5,001,666	29,720,735
	<u>\$ 120,253,850</u>	<u>\$ 26,268,697</u>	<u>\$ 32,084,718</u>	<u>\$ 61,900,435</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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, 2011, 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, 2011:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 26,763,892	\$ 7,390,922	\$ 13,430,921	\$ 47,585,735
Cash and cash equivalents - restricted	11,291,183	2,484,319	-	13,775,502
Investments	9,685,906	3,457,032	479,681,926	492,824,864
Investments with agents	<u>2,238,772</u>	<u>-</u>	<u>-</u>	<u>2,238,772</u>
	<u>\$ 49,979,753</u>	<u>\$ 13,332,273</u>	<u>\$ 493,112,847</u>	<u>\$ 556,424,873</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2011, are as follows:

Due to General Fund from:	
Grants and Donations Fund	\$ 869,335
Building Authority Debt Service Fund	469,791
Wastewater Fund	263,646
Water Fund	1,350,961
Nonmajor governmental funds	2,571,166
Nonmajor enterprise fund	629
Internal service funds	<u>1,049,374</u>
	<u>\$ 6,574,902</u>
Due to Grants and Donations Fund from:	
General Fund	\$ 123,898
Nonmajor governmental funds	<u>19,287</u>
	<u>\$ 143,185</u>
Due to Wastewater Fund from:	
General Fund	\$ 12,634
Water Fund	151,494
Nonmajor governmental funds	<u>2,562,553</u>
	<u>\$ 2,726,681</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Due to Water Fund from:	
General Fund	\$ 710,341
Wastewater Fund	99,340
Nonmajor governmental funds	<u>402,529</u>
	<u>\$ 1,212,210</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 257,386
Grants and Donations Fund	8,169
Water Fund	19,927
Nonmajor governmental funds	86,830
Internal service funds	<u>9,354</u>
	<u>\$ 381,666</u>
Due to internal service funds from:	
General Fund	\$ 4,339,684
Grants and Donation Fund	47,348
Wastewater Fund	324,552
Water Fund	205,014
Nonmajor governmental funds	152,000
Nonmajor enterprise fund	<u>235</u>
	<u>\$ 5,068,833</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, 2011:

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

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE E: INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Internal service funds	<u>\$ 7,170,077</u>
Transfers to Grants and Donations Fund from:	
General Fund	<u>\$ 100,000</u>
Transfers to Building Authority Debt Service Fund from:	
Nonmajor governmental funds	<u>\$ 1,592,745</u>
Transfers to Wastewater Fund from:	
Internal service funds	<u>\$ 546,258</u>
Transfers to Water Fund from:	
Internal service funds	<u>\$ 1,655,977</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,899,992
Nonmajor governmental funds	4,416,480
Internal service funds	<u>112,248</u>
	<u>\$ 7,428,720</u>
Transfers to internal service funds from:	
Wastewater Fund	\$ 59,193
Water Fund	335,428
Internal service funds	<u>2,100,460</u>
	<u>\$ 2,495,081</u>

Total interfund transfers in and out at December 31, 2011, totaled \$22,533,732 and \$21,785,066, respectively. The difference of \$748,666 is due to transfers between governmental activities and the internal service funds related to transfers of capital assets and long-term debt which are not recorded in the governmental funds. With the exception of the Insurance and Benefits Fund, transfers from the internal service funds to the General Fund, Water Fund, Wastewater Fund, and nonmajor governmental funds were transfers of assets and liabilities upon closing of the internal services funds in 2011.

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, 2011

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance Jan. 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2011
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 29,870,787	\$ 4,892	\$ (16,671)	\$ 29,859,008
Construction in progress	9,034,185	7,062,799	(7,739,834)	8,357,150
Subtotal	38,904,972	7,067,691	(7,756,505)	38,216,158
Capital assets being depreciated				
Land improvements	10,847,666	1,349,425	-	12,197,091
Buildings and improvements	50,257,371	2,425,230	-	52,682,601
Vehicles	13,250,449	1,507,262	(558,340)	14,199,371
Machinery and equipment	10,905,065	1,019,220	(721,706)	11,202,579
Intangible assets	2,037,597	91,532	(3,749)	2,125,380
Infrastructure	193,987,136	3,679,786	(41,162)	197,625,760
Subtotal	281,285,284	10,072,455	(1,324,957)	290,032,782
Less accumulated depreciation for:				
Land improvements	(2,856,742)	(439,815)	-	(3,296,557)
Buildings and improvements	(12,553,971)	(953,330)	-	(13,507,301)
Vehicles	(9,541,233)	(1,589,803)	491,488	(10,639,548)
Machinery and equipment	(8,437,348)	(1,002,311)	721,398	(8,718,261)
Intangible assets	(1,665,959)	(146,448)	3,749	(1,808,658)
Infrastructure	(107,965,867)	(3,712,970)	11,074	(111,667,763)
Subtotal	(143,021,120)	(7,844,677)	1,227,709	(149,638,088)
Net capital assets being depreciated	138,264,164	2,227,778	(97,248)	140,394,694
Capital assets, net	<u>\$ 177,169,136</u>	<u>\$ 9,295,469</u>	<u>\$ (7,853,753)</u>	<u>\$ 178,610,852</u>

**Primary Government**

Depreciation expense was charged to the following governmental activities:

General government	\$ 907,727
Public safety	1,440,427
Community and economic development	8,969
Parks and recreation	375,262
Streets	3,704,834
Public works	340,311
Total depreciation expense	<u>\$ 6,777,530</u>

In addition, \$1,067,147 of accumulated depreciation was transferred from the business-type internal service fund to governmental activities during the year and is included in the addition/reclassification column above.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

	Balance Jan. 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2011
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,268,225	\$ -	\$ -	\$ 3,268,225
Construction in progress	4,792,199	6,876,923	(2,569,362)	9,099,760
Subtotal	8,060,424	6,876,923	(2,569,362)	12,367,985
Capital assets being depreciated				
Land improvements	13,004,999	497,708	-	13,502,707
Building and improvements	90,657,096	923,691	-	91,580,787
Vehicles	4,307,507	90,762	(1,229,812)	3,168,457
Machinery and equipment	56,316,364	1,195,454	(410,680)	57,101,138
Infrastructure	157,403,308	4,604,419	(3,408)	162,004,319
Intangible assets	1,668,490	-	-	1,668,490
Subtotal	323,357,764	7,312,034	(1,643,900)	329,025,898
Less accumulated depreciation for:				
Land improvements	(8,292,074)	(365,780)	-	(8,657,854)
Building and improvements	(39,494,329)	(1,757,456)	-	(41,251,785)
Vehicles	(3,486,017)	(184,331)	999,761	(2,670,587)
Machinery and equipment	(43,819,003)	(1,668,593)	406,450	(45,081,146)
Infrastructure	(61,599,343)	(3,269,197)	142	(64,868,398)
Intangible assets	(870,487)	(182,894)	-	(1,053,381)
Subtotal	(157,561,253)	(7,428,251)	1,406,353	(163,583,151)
Net capital assets being depreciated	165,796,511	(116,217)	(237,547)	165,442,747
Capital assets, net	<u>\$ 173,856,935</u>	<u>\$ 6,760,706</u>	<u>\$ (2,806,909)</u>	<u>\$ 177,810,732</u>

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

Wastewater	\$ 4,180,283
Water	3,244,008
City Market	3,960
Total depreciation expense	<u>\$ 7,428,251</u>

**Component Units**

	Balance Jan. 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2011
<b>Downtown Development Authority</b>				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Component Units - Continued**

	Balance Jan. 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2011
<b>Downtown Development Authority - concluded</b>				
Capital assets being depreciated				
Leasehold improvements	\$ 237,505	\$ -	\$ -	\$ 237,505
General and administrative equipment	210,724	-	-	210,724
Equipment	457,919	73,445	-	531,364
Equipment under capital lease	157,621	-	-	157,621
Subtotal	1,063,769	73,445	-0-	1,137,214
Less accumulated depreciation for:				
Leasehold improvements	(150,944)	(12,117)	-	(163,061)
General and administrative equipment	(202,700)	(1,784)	-	(204,484)
Equipment	(404,454)	(38,129)	-	(442,583)
Equipment under capital lease	(157,621)	-	-	(157,621)
Subtotal	(915,719)	(52,030)	-0-	(967,749)
Net capital assets being depreciated	148,050	21,415	-0-	169,465
Capital assets, net	<u>\$ 206,212</u>	<u>\$ 21,415</u>	<u>\$ -0-</u>	<u>\$ 227,627</u>
<b>Metro Transit</b>				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	908,237	1,761,718	(407,483)	2,262,472
Subtotal	2,920,868	1,761,718	(407,483)	4,275,103
Capital assets being depreciated				
Building and improvements	15,710,783	357,808	-	16,068,591
Land improvements	399,835	-	-	399,835
Machinery and equipment	2,258,208	110,276	-	2,368,484
Vehicles	12,782,641	2,716,920	(477,160)	15,022,401
Intangible assets	-	29,900	-	29,900
Subtotal	31,151,467	3,214,904	(477,160)	33,889,211
Less accumulated depreciation for:				
Building and improvements	(4,560,790)	(503,802)	-	(5,064,592)
Land improvements	(309,028)	(10,895)	-	(319,923)
Machinery and equipment	(1,471,911)	(200,746)	-	(1,672,657)
Vehicles	(6,639,688)	(1,158,229)	477,160	(7,320,757)
Intangible assets	-	(1,495)	-	(1,495)
Subtotal	(12,981,417)	(1,875,167)	477,160	(14,379,424)
Net capital assets being depreciated	18,170,050	1,339,737	-0-	19,509,787
Capital assets, net	<u>\$ 21,090,918</u>	<u>\$ 3,101,455</u>	<u>\$ (407,483)</u>	<u>\$ 23,784,890</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Component Units - Concluded**

	Restated Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011
<b>Kalamazoo Municipal Golf Association</b>				
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	4,935	-	1,076,241
Machinery and equipment	1,111,080	120,663	-	1,231,743
Sprinkler systems	193,063	-	-	193,063
Subtotal	4,443,010	125,598	-0-	4,568,608
Less accumulated depreciation for:				
Land improvements	(1,526,817)	(54,895)	-	(1,581,712)
Building and improvements	(792,685)	(13,259)	-	(805,944)
Machinery and equipment	(856,512)	(33,203)	-	(889,715)
Sprinkler systems	(177,779)	(1,072)	-	(178,851)
Subtotal	(3,353,793)	(102,429)	-0-	(3,456,222)
Net capital assets being depreciated	1,089,217	23,169	-0-	1,112,386
Capital assets, net	<u>\$ 1,185,699</u>	<u>\$ 23,169</u>	<u>\$ -0-</u>	<u>\$ 1,208,868</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, 2011.

**Primary Government**

	Restated Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 48,775,000	\$ 10,905,000	\$(10,040,000)	\$ 49,640,000	\$ 4,290,000
Revenue bonds	8,325,000	2,005,000	(3,425,000)	6,905,000	1,310,000
Special assessment bonds	140,000	-	(45,000)	95,000	50,000
Compensated absences	8,004,635	3,230,906	(3,810,879)	7,424,662	3,641,506
Environmental matters	88,562	-	(77,702)	10,860	-
Uninsured claim liability	3,197,654	18,322,637	(17,157,068)	4,363,223	2,058,682
Subtotal	68,530,851	34,463,543	(34,555,649)	68,438,745	11,350,188
Deferred amounts on refunding	228,974	77,882	(21,093)	285,763	28,749
Total Governmental Activities	68,759,825	34,541,425	(34,576,742)	68,724,508	11,378,937

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

**Primary Government - Concluded**

	Restated Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
Business-type Activities					
Revenue bonds	\$ 29,800,000	\$ 2,815,000	\$ (4,460,000)	\$ 28,155,000	\$ 1,775,000
Compensated absences	1,655,840	760,342	(532,107)	1,884,075	1,361,971
Subtotal	31,455,840	3,575,342	(4,992,107)	30,039,075	3,136,971
Deferred amounts on refunding	(253,529)	(79,182)	41,843	(290,868)	(46,011)
Total Business-type Activities	31,202,311	3,496,160	(4,950,264)	29,748,207	3,090,960
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 99,962,136</b>	<b>\$ 38,037,585</b>	<b>\$ (39,527,006)</b>	<b>\$ 98,472,715</b>	<b>\$ 14,469,897</b>

**Component Units**

	Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 762,159	\$ -	\$ (70,000)	\$ 692,159	\$ 181,750
Economic Development Corporation					
Compensated absences	\$ 19,522	\$ 3,256	\$ -	\$ 22,778	\$ 8,229
Brownfield Redevelopment Authority					
Compensated absences	\$ 9,526	\$ 2,405	\$ -	\$ 11,931	\$ 1,491
Metro Transit					
Compensated absences	\$ 292,275	\$ 524,020	\$ (519,922)	\$ 296,373	\$ 200,309
Kalamazoo Municipal Golf Association					
City of Kalamazoo contracts	\$ 926,241	\$ 881,019	\$ (968,471)	\$ 838,789	\$ 161,401
EDC contract	225,000	-	-	225,000	12,113
Milham Park Enterprises advances	19,969	-	-	19,969	19,969
2011 Equipment acquisition	-	120,664	(22,462)	98,202	17,897
Debt restructuring discount	-	(28,421)	3,402	(25,019)	-
Total Kalamazoo Municipal Golf Association	\$ 1,171,210	\$ 973,262	\$ (987,531)	\$ 1,156,941	\$ 211,380

**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 \$84,005,000. General obligation bonds currently outstanding are as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

General Obligation Bonds - Concluded

**Primary Government**

	Issuance Date	Interest Rates	Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>							
1992 Downtown Development	3/1/1992	5.50%-5.80%	\$ 675,000	\$ -	\$ (225,000)	\$ 450,000	\$ 225,000
1993 Downtown Development Refunding	6/15/1993	4.30%-5.50%	895,000	-	(280,000)	615,000	300,000
1997 Downtown Development Refunding	10/1/1997	4.70%-5.35%	2,085,000	-	(2,085,000)	-0-	-
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	2,985,000	-	(590,000)	2,395,000	600,000
1998 Building Authority KMG	12/1/1998	3.80%-5.00%	895,000	-	(895,000)	-0-	-
2001 Building Authority	4/1/2001	4.00%-5.00%	2,655,000	-	(2,655,000)	-0-	-
2002 Building Authority	1/1/2002	2.00%-4.75%	510,000	-	(510,000)	-0-	-
2003 Building Authority	1/27/2003	1.75%-3.75%	650,000	-	(210,000)	440,000	215,000
2004 Capital Improvement	4/27/2004	2.00%-4.70%	4,380,000	-	(735,000)	3,645,000	755,000
2005 Parking Ramp	4/11/2005	5.00%-5.25%	5,600,000	-	(275,000)	5,325,000	265,000
2005B Parking Ramp	10/12/2005	5.00%-5.25%	2,250,000	-	(115,000)	2,135,000	110,000
2005 Refunding	7/26/2005	5.125%-5.50%	7,245,000	-	(330,000)	6,915,000	340,000
2006A Building Authority	1/23/2006	4.85%-5.50%	2,515,000	-	(70,000)	2,445,000	75,000
2006B Building Authority	10/26/2006	4.00%-4.40%	3,650,000	-	(170,000)	3,480,000	175,000
2007 Capital Improvement	7/12/2007	3.90%-4.75%	775,000	-	(35,000)	740,000	35,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	3,760,000	-	(230,000)	3,530,000	240,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	4,395,000	-	(245,000)	4,150,000	250,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	2,855,000	-	(140,000)	2,715,000	160,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	-	2,115,000	-	2,115,000	5,000
2011 Building Authority Refunding	3/1/2011	2.00%-4.875%	-	4,105,000	(245,000)	3,860,000	315,000
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	-	4,685,000	-	4,685,000	225,000
Total General Obligation Bonds			<u>\$ 48,775,000</u>	<u>\$ 10,905,000</u>	<u>\$ (10,040,000)</u>	<u>\$ 49,640,000</u>	<u>\$ 4,290,000</u>

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 \$22,575,000 for governmental activities and \$40,110,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>							
1996 Michigan Transportation Fund	3/1/1996	3.90%-5.10%	\$ 245,000	\$ -	\$ (245,000)	\$ -0-	\$ -
1998 Michigan Transportation Fund	4/1/1998	3.60%-4.75%	610,000	-	(190,000)	420,000	205,000
2000 Michigan Transportation Fund	4/24/2000	4.88%-5.13%	1,225,000	-	(1,225,000)	-0-	-
2002 Michigan Transportation Fund Improvement and Refunding	4/1/2002	4.88%-5.13%	1,100,000	-	(1,100,000)	-0-	-
2004 Michigan Transportation Fund	4/27/2004	3.00%-3.70%	1,860,000	-	(445,000)	1,415,000	455,000
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	3,285,000	-	(220,000)	3,065,000	225,000
2011 Michigan Transportation Fund	7/26/2011	2.00%-3.00%	-	2,005,000	-	2,005,000	425,000
Total Governmental Activities			8,325,000	2,005,000	(3,425,000)	6,905,000	1,310,000

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
<b>Business-type Activities</b>							
2001 Wastewater System Refunding	4/1/2001	3.00%-5.00%	\$ 2,965,000	\$ -	\$ (2,965,000)	\$ -0-	\$ -
2002 Water System Refunding	6/6/2002	4.50%-4.75%	5,560,000	-	(545,000)	5,015,000	590,000
2002B Water System Refunding	10/23/2002	2.00%-3.88%	1,570,000	-	(325,000)	1,245,000	320,000
2004 Water System Refunding	4/27/2004	2.00%-4.65%	4,165,000	-	(155,000)	4,010,000	155,000
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	3,605,000	-	(350,000)	3,255,000	360,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,765,000	-	(50,000)	1,715,000	55,000
2009 Wastewater System	12/22/2009	1.90%-6.66%	2,485,000	-	(70,000)	2,415,000	70,000
2009 Water Supply System	12/22/2009	5.57%-6.71%	7,685,000	-	-	7,685,000	-
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	-	2,815,000	-	2,815,000	225,000
<b>Total Business-type Activities</b>			<b>29,800,000</b>	<b>2,815,000</b>	<b>(4,460,000)</b>	<b>28,155,000</b>	<b>1,775,000</b>
<b>Total Revenue Bonds</b>			<b>\$ 38,125,000</b>	<b>\$ 4,820,000</b>	<b>\$ (7,885,000)</b>	<b>\$ 35,060,000</b>	<b>\$ 3,085,000</b>

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, 2011	Additions	Deletions	Balance Dec. 31, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>							
1999 Special Assessments Limited Tax	9/1/1999	4.40%-7.00%	\$ 140,000	\$ -	\$ (45,000)	\$ 95,000	\$ 50,000

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, 2011

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

Uninsured Claim Liability - Concluded

	<u>2011</u>	<u>2010</u>
Estimated liability, beginning of year	\$ 3,197,654	\$ 3,430,491
Estimated claims incurred, including changes in estimates	18,322,637	14,860,049
Claim payments	<u>(17,157,068)</u>	<u>(15,092,886)</u>
Estimated liability, end of year	<u>\$ 4,363,223</u>	<u>\$ 3,197,654</u>

Compensated Absences

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$7,424,662 and \$1,884,075 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2011. Of those amounts, \$3,641,506 and \$1,361,971 have been recorded as current liabilities for governmental and business-type activities, respectively.

Advance and Current Refundings

On March 1, 2011, the City defeased a portion of the 1998 Building Authority Bonds (KPMG), which were due and payable through October 1, 2018, the 2001 Building Authority Bonds, which were due and payable through October 1, 2026, and the 2002 Building Authority Bonds, which were due and payable through October 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2011 Building Authority Refunding Bonds in the amount of \$4,105,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$145,168, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$121,391.

On March 1, 2011, the City defeased a portion of the 1997 Downtown Development Refunding Bonds, which were due and payable through April 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2011 Downtown Development Refunding Bonds in the amount of \$2,115,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$133,267, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$123,652.

On July 26, 2011, the City defeased a portion of the 2001 Wastewater System Revenue Bonds, which were due and payable through October 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2011 Wastewater System Revenue Refunding Bonds in the amount of \$2,815,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$244,017, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$198,596.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Advance and Current Refundings - Concluded

On July 26, 2011, the City defeased a portion of the 2000 Michigan Transportation Fund Bonds, which were due and payable through April 1, 2015, and the 2002 Michigan Transportation Fund Improvement and Refunding Bonds, which were due and payable through April 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2011 Michigan Transportation Fund Refunding Bonds in the amount of \$2,005,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$99,217, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$80,118.

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, 2011, \$11,935,562 of bonds outstanding from current and 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 \$368,455,000, 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, 2011, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2004 Revenue Bonds	11/1/2014	4.40%	\$ 235,000
Catalyst Development Co. 3, L.L.C. Note	12/1/2014	7.00%	<u>457,159</u>
			<u>\$ 692,159</u>

The Downtown Development Authority is also responsible for debt service payments on \$3,180,000 of outstanding governmental activities general obligation bonds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

**Component Units - Concluded**

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 \$22,778 for vacation and sick at December 31, 2011. Of that total amount, \$8,229 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 \$11,931 for vacation and sick at December 31, 2011. Of that total amount, \$1,491 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 \$296,373 for vacation and sick at December 31, 2011. The amounts of \$200,309 and \$96,064 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 City contract payable is payable in one remaining principal installment of \$59,745, plus interest of \$27,242. The 2011 City contract payable is payable in annual installments ranging between \$91,975 and \$125,542, plus interest at an average rate of 4.06% 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 Economic Development Corporation contract payable is payable in monthly installments of interest (3.00%) only through July 2012, and \$2,973, including interest of 3.00%, thereafter, through July 2019.

The 2009 Advances payable, Milham Park Enterprises, bears interest of 1% per year, and is due in 2012.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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
2012	\$ 4,290,000	\$ 2,087,223	\$ 1,310,000	\$ 222,421	\$ 1,775,000	\$ 1,399,835
2013	4,410,000	1,889,044	1,355,000	176,261	1,860,000	1,330,784
2014	4,010,000	1,733,508	1,205,000	132,808	2,015,000	1,256,151
2015	3,155,000	1,596,945	730,000	104,293	2,095,000	1,170,942
2016	3,270,000	1,480,307	465,000	87,143	1,410,000	1,079,661
2017-2021	14,760,000	5,450,535	1,500,000	245,940	6,115,000	4,521,564
2022-2026	13,400,000	2,380,112	340,000	7,650	4,140,000	3,391,047
2027-2031	2,345,000	251,077	-	-	5,115,000	2,162,766
2032-2036	-	-	-	-	3,630,000	488,975
	<u>\$ 49,640,000</u>	<u>\$ 16,868,751</u>	<u>\$ 6,905,000</u>	<u>\$ 976,516</u>	<u>\$ 28,155,000</u>	<u>\$ 16,801,725</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
2012	\$ 50,000	\$ 4,985	\$ 211,380	\$ 63,444	\$ 181,750	\$ 36,373
2013	45,000	2,385	140,399	32,174	250,534	21,576
2014	-	-	156,696	28,561	259,875	5,728
2015	-	-	168,218	23,525	-	-
2016	-	-	170,131	18,126	-	-
2017-2021	-	-	335,136	18,495	-	-
	<u>\$ 95,000</u>	<u>\$ 7,370</u>	<u>\$ 1,181,960</u>	<u>\$ 184,325</u>	<u>\$ 692,159</u>	<u>\$ 63,677</u>

**NOTE H: SHORT-TERM DEBT**

During the year ended December 31, 2011 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.

	Issuance Date	Interest Rates	Balance Jan. 1, 2011	Additions	Deletions	Balance Dec. 31, 2011
Tax Anticipation Note, Series 2011	1/26/2011	0.64%	\$ -0-	\$ 3,000,000	\$ (3,000,000)	\$ -0-

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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.

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, 2011.

Annual Pension Cost

For year ended December 31, 2011 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, 2010, 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:

	2009	As of December 31, 2010	2011
Actuarial value of assets	\$ 509,060,409	\$ 518,339,022	\$ 509,931,421
Actuarial accrued liability (AAL)	358,160,400	367,423,552	380,802,126
Overfunded AAL (OAAL)	150,900,009	150,915,470	129,129,295
Funded ratio	142%	141%	134%
Annual covered payroll	44,435,753	43,007,800	42,305,663
Ratio of OAAL to covered payroll	339.6%	350.9%	305.2%

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Schedule of employer contributions:

	Year Ended December 31,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual pension cost	-	-	-
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**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, 2009 (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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Actuarial Methods and Assumptions - Concluded

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

For year ended December 31, 2011 the City's annual OPEB cost was \$23,417,368. 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	1,801,687
Adjustment to annual required contribution	<u>(1,503,103)</u>
Annual OPEB cost	23,417,368
Contributions made	<u>6,664,747</u>
Increase in net OPEB obligation	16,752,621
Net OPEB obligation - beginning of year	<u>40,037,492</u>
Net OPEB obligation - end of year	<u><u>\$ 56,790,113</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>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB cost	\$ 18,959,646	\$ 22,717,456	\$ 23,417,368
Percentage contributed	33.7%	31.5%	28.5%
Net OPEB obligation	24,483,885	40,037,492	56,790,113

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

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

	2007	2009
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%

**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.

**NOTE L: CONTINGENT LIABILITIES**

Lawsuits

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE L: CONTINGENT LIABILITIES - CONCLUDED**

Environmental

The City of Kalamazoo has identified a number of sites within its boundaries that are in need of environmental remediation. Some are privately-held properties, and some are owned by the County and/or the City of Kalamazoo. The City of Kalamazoo has been named as a Potentially-Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) in two such sites: the Cork Street Landfill and the Auto Ion site. The City has also entered into cleanup agreements, although not named as a PRP, for two other sites. Based on currently available information, the City has recorded liabilities for the net present value of estimated response costs for these sites in the amount of \$10,860 in the government-wide statements. The City has set aside \$964,005 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

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

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$9,221,473, bus purchases for \$1,706,274, intelligent transportation system for \$2,765,929 and general contractual commitments for \$3,292,114. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

**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>
<b>General Fund</b>			
Deferred revenue	\$ 458,186	\$ 3,781,489	\$ 4,239,675
Property taxes	31,620,620	1,120,803	32,741,423
Restated fund balance, beginning of year	9,511,084	(4,902,292)	4,608,792
Fund balance, end of year	13,342,846	(3,781,489)	9,561,357
<b>Solid Waste Fund</b>			
Deferred revenue	-	220,433	220,433
Property taxes	2,403,344	19,187	2,422,531
Fund balance, beginning of year	1,770,202	(239,620)	1,530,582
Fund balance, end of year	1,691,209	(220,433)	1,470,776

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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, 2011:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	2,365,773
Solid waste program	1,470,776
Parks and recreation	240,937
Neighborhood and community development	266,715
Other purposes	
Drug enforcement	1,023,343
Cemetery perpetual care	1,762,870
Grants and donations	287,813
	<u>\$ 11,045,791</u>
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 445,532
Water Fund	2,079,428
	<u>\$ 2,524,960</u>

**NOTE O: FUND EQUITY DEFICITS**

The Local Development Finance Authority (LDFA) and the Kalamazoo Municipal Golf Association (KMGA) component units had deficits in fund balance and net assets at December 31, 2011, of \$788,525 and \$73,410, respectively. The LDFA deficit fund balance was a planned deficit as eligible expenditures were incurred in advance of tax increment financing revenues. The LDFA plans to eliminate its deficit through future tax increment financing collections. The KMGA plans to eliminate its deficit through a revised revenue sharing arrangement with its new golf director, the acquisition of a liquor license for the Milham Park facility in an effort to enhance revenues, and restructuring debt owed to the City.

**NOTE P: SUBSEQUENT EVENTS**

The City issued two bonds and one note after the end of the fiscal year. On January 24, 2012 the Tax Anticipation Notes, Series 2012 was obligated for \$3,000,000.

On March 29, 2012, the 2012 Capital Improvement Bonds were issued for \$4,400,000 for the purpose of funding certain capital improvements in the City's Capital Improvement Program Fund, Major Streets Fund, and Local Streets Fund. In addition, \$175,000 of these bonds were provided to the Kalamazoo Municipal Golf Association for capital improvements.

Also on this date, the 2012 Wastewater System Revenue Bonds were issued for \$6,100,000 in order to fund capital additions and improvements in the Wastewater System.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE P: SUBSEQUENT EVENTS - CONCLUDED**

An early retirement option has come into focus as a preferred solution to complex set of operational (service supply), fiscal, budgetary, community needs (service demand) and staffing challenges manifesting themselves simultaneously.

- From an operational perspective, the City has lost \$7.2M in General Fund (GF) purchasing capacity and more than 150 (17% of staff) employees over the last ten (10) years greatly decreasing its service delivery capacity.
- From a fiscal perspective, the cost of services (i.e., expenditures) will continue to increase while the economy and political ideology appear to have fated municipal governments in MI to falling or at best flat GF revenues.
- From a budgetary perspective, the City will have a \$6M per year structural imbalance in its GF beginning in 2013.
- From a community needs perspective, the economy continues to place more pressure on our disadvantaged citizens and deferred maintenance is challenging the reliability of the municipal infrastructure.
- From a Human Resources perspective, the organization will have almost 220 of its current 745 full time employees (30%) eligible for retirement over the next three (3) years.

In order to responsibly manage the organizational transformation that these challenges mandate in an effective and efficient manner will require changes to:

- The City's fiscal plan and resultant budgets,
- The scope of services provided,
- The methods by which services are delivered, and
- The fundamental size of the organization.

These changes can be facilitated by offering an early retirement initiative (ERI) that would:

- Foreshorten the period of retirements,
- Utilize financial assets to leverage preferred outcomes,
- Allow for assertive organization realignment,
- Enhance the orderly succession of staffing,
- Right size the organization without significant layoffs,
- Provide for phased, planned employee departures, and
- Provide opportunities to align required skill sets with staff's aptitudes as replacement staff is hired.

The recommended ERI program creates a pool of eligible, potential retirees by waiving the age requirements for employees who would be otherwise eligible for retirement on December 31, 2015. Those potential retirees would be further encouraged to retire with the offer of a lump sum payment equivalent to one percent (1%) of their final average compensation (FAC).

Participation at this time are as follows:

- From 265 eligible employees
- 83% of the eligible employees (219) have elected
- 90 positions would be eliminated from future budgets
- Operating budgets would be reduced by \$7.0M per year, \$4.7M in the General Fund effective in FY 2014
- Funding for the ERI would be secured from the Pension Fund at an estimated increase in liabilities of \$18.2M, as well as lump sum payments totaling an estimated \$4.0M;

Lump sum payments and early retirement costs would be actuarially "recovered" over the long-term due to the reduced level of staffing. The cost of the lump sum payments will be repaid to the Pension Fund from operational savings over a five (5) year period at \$1.0M/year, inclusive of 7.5% per annum interest (\$600,000/year would come from the General Fund).

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

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

During the year ended December 31, 2011, the City incurred expenditures in one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Funds			
Public Safety Contracts Fund	333,729	\$ 390,727	\$ 56,998

**NOTE R: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

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 have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

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

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

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

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

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE R: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONCLUDED**

Fund Balance Classification Policies and Procedures

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

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

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

	General Fund	Grants and Donations	Building Authority Debt Service	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable:					
Inventory	\$ 120,289	\$ -	\$ -	\$ 280,129	\$ 400,418
Prepays	60,315	-	-	1,100	61,415
Advances	340,000	-	-	3,560,581	3,900,581
Notes receivable	210,069	-	-	6,053,577	6,263,646
Cemetery perpetual care	-	-	-	1,735,160	1,735,160
Endowments	-	-	-	1,892,404	1,892,404
Restricted for:					
Highways	-	-	-	2,365,773	2,365,773
Solid waste	-	-	-	1,470,776	1,470,776
Grants and donations	-	287,813	-	266,715	554,528
Drug enforcement	-	-	-	1,023,343	1,023,343
Recreation activities	-	-	-	196,142	196,142
Park activities	-	-	-	44,795	44,795
Cemetery perpetual care	-	-	-	1,762,870	1,762,870
Debt service	-	-	61,469	30,194	91,663
Committed to:					
Subsequent years expenditures	3,504,897	-	-	-	3,504,897
Economic development programs	-	-	-	884,393	884,393
Debt financed projects	-	-	-	25,115	25,115
Capital projects	-	-	-	555,085	555,085
Cemeteries	-	-	-	195,949	195,949
Unassigned:	5,325,787	-	-	-	5,325,787
<b>TOTAL FUND BALANCES</b>	<b>\$ 9,561,357</b>	<b>\$ 287,813</b>	<b>\$ 61,469</b>	<b>\$ 22,344,101</b>	<b>\$ 32,254,740</b>

**NOTE S: RESTATEMENT OF FUND BALANCES**

Beginning fund balance for the General Fund, Economic Development Program, and Neighborhood and Community Development funds were increased by \$223,609, \$458,627, and \$5,547,297, respectively, to reflect a change in accounting principles as a result of implementation of GASB Statement No. 54. Long-term receivables in these funds were previously offset by deferred revenue.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE T: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred In Flows of Resources, and Net Position*. The statement will be effective for the City's 2012 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the statement of net position at the government-wide level and also the balance sheet at the fund level.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Kalamazoo

DEFINED BENEFIT PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
12/31/2011	\$ 509,931,421	\$ 380,802,126	\$ 129,129,295	133.9%	\$ 42,305,663	305.2%
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%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contribution
2011	\$ -	100%
2010	-	100%
2009	-	100%
2008	-	100%
2007	-	100%
2006	-	100%
2005	-	100%
2004	-	100%
2003	-	100%
2002	-	100%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

**NOTE A: DEFINED BENEFIT PENSION PLAN**

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, 2011
Basis for contribution	December 31, 2010
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, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,844,170	\$ 30,478	\$ 607,777	\$ 98,091	\$ 6,580,516
Cash and cash equivalents - restricted	1,565,976	-	4,339,910	-	5,905,886
Investments	655,276	-	-	3,403,295	4,058,571
Investments with agents	-	-	-	2,133,341	2,133,341
Receivables					
Accounts	167,979	2,398	58,242	-	228,619
Special assessments	-	4,189	-	-	4,189
Taxes	260,958	-	-	-	260,958
Notes	6,178,577	-	100,000	-	6,278,577
Due from other funds	171,708	-	209,958	-	381,666
Due from other governmental units	1,347,296	-	-	-	1,347,296
Advances to other governmental units	3,335,581	-	-	-	3,335,581
Inventories	280,129	-	-	-	280,129
Prepays	1,100	-	-	-	1,100
<b>TOTAL ASSETS</b>	<b>\$ 19,808,750</b>	<b>\$ 37,065</b>	<b>\$ 5,315,887</b>	<b>\$ 5,634,727</b>	<b>\$ 30,796,429</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 704,499	\$ -	\$ 316,379	\$ 3,356	\$ 1,024,234
Accrued liabilities	51,143	-	-	-	51,143
Due to other funds	2,503,035	302	3,291,028	-	5,794,365
Due to other governmental units	189,202	-	13,533	-	202,735
Deposits payable	123,182	-	964,005	-	1,087,187
Deferred revenue	235,353	6,569	50,742	-	292,664
<b>TOTAL LIABILITIES</b>	<b>3,806,414</b>	<b>6,871</b>	<b>4,635,687</b>	<b>3,356</b>	<b>8,452,328</b>
<b>FUND BALANCES</b>					
Nonspendable	9,795,387	-	100,000	3,627,564	13,522,951
Restricted	5,126,607	30,194	-	2,003,807	7,160,608
Committed	1,080,342	-	580,200	-	1,660,542
<b>TOTAL FUND BALANCES</b>	<b>16,002,336</b>	<b>30,194</b>	<b>680,200</b>	<b>5,631,371</b>	<b>22,344,101</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,808,750</b>	<b>\$ 37,065</b>	<b>\$ 5,315,887</b>	<b>\$ 5,634,727</b>	<b>\$ 30,796,429</b>

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 2,422,531	\$ -	\$ -	\$ -	\$ 2,422,531
Intergovernmental	9,954,632	-	501,502	-	10,456,134
Charges for services	632,052	-	-	27,213	659,265
Fines and forfeits	606,017	-	-	-	606,017
Interest and dividends	74,664	927	4,605	124,061	204,257
Net investment earnings	-	-	-	(369,737)	(369,737)
Other	84,129	38,953	558,679	890	682,651
<b>TOTAL REVENUES</b>	<b>13,774,025</b>	<b>39,880</b>	<b>1,064,786</b>	<b>(217,573)</b>	<b>14,661,118</b>
<b>EXPENDITURES</b>					
Current					
General government	387,668	-	-	21,501	409,169
Public safety	702,620	-	-	-	702,620
Public works	2,484,824	-	-	-	2,484,824
Streets	7,710,563	-	-	-	7,710,563
Community and economic development	4,649,224	-	-	-	4,649,224
Parks and recreation	-	-	-	41,250	41,250
Debt service					
Principal	-	2,910,000	-	-	2,910,000
Interest and fiscal charges	-	1,011,975	-	-	1,011,975
Capital outlay	-	-	3,408,241	-	3,408,241
<b>TOTAL EXPENDITURES</b>	<b>15,934,899</b>	<b>3,921,975</b>	<b>3,408,241</b>	<b>62,751</b>	<b>23,327,866</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(2,160,874)</b>	<b>(3,882,095)</b>	<b>(2,343,455)</b>	<b>(280,324)</b>	<b>(8,666,748)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	3,108,900	2,005,000	1,576,100	-	6,690,000
Payments to advance refunding escrow agent	-	(1,962,153)	-	-	(1,962,153)
Bond premium	20,561	28,201	10,592	-	59,354
Transfers in	1,730,679	3,798,045	1,899,996	-	7,428,720
Transfers out	(2,876,807)	-	(2,813,983)	(318,435)	(6,009,225)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,983,333</b>	<b>3,869,093</b>	<b>672,705</b>	<b>(318,435)</b>	<b>6,206,696</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(177,541)</b>	<b>(13,002)</b>	<b>(1,670,750)</b>	<b>(598,759)</b>	<b>(2,460,052)</b>
Restated fund balances, beginning of year	16,179,877	43,196	2,350,950	6,230,130	24,804,153
Fund balances, end of year	<u>\$ 16,002,336</u>	<u>\$ 30,194</u>	<u>\$ 680,200</u>	<u>\$ 5,631,371</u>	<u>\$ 22,344,101</u>

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

**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, 2011

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,920,045	\$ 389,952	\$ 207,024
Cash and cash equivalents - restricted	1,408,421	157,555	-
Investments	-	-	-
Receivables			
Accounts	31,403	18,370	12,241
Taxes	-	-	-
Notes	-	-	-
Due from other funds	38,149	120,424	-
Due from other governmental units	750,705	172,767	-
Advances to other governmental units	933,890	-	-
Inventories	260,526	-	-
Prepays	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 5,343,139</u>	<u>\$ 859,068</u>	<u>\$ 219,265</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 325,392	\$ 81,833	\$ 18,833
Accrued liabilities	-	-	-
Due to other funds	2,104,540	130,253	4,483
Due to other governmental units	-	-	-
Deposits payable	-	-	-
Deferred revenue	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	2,429,932	212,086	23,316
<b>FUND BALANCES</b>			
Nonspendable	1,194,416	-	-
Restricted	1,718,791	646,982	-
Committed	-	-	195,949
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>2,913,207</u>	<u>646,982</u>	<u>195,949</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,343,139</u>	<u>\$ 859,068</u>	<u>\$ 219,265</u>

<u>Solid Waste</u>	<u>Neighborhood and Community Development</u>	<u>Economic Development Programs</u>	<u>Drug Enforcement</u>	<u>Public Safety Contracts</u>	<u>Total</u>
\$ 1,090,561	\$ 310,974	\$ 1,048,156	\$ 877,458	\$ -	\$ 5,844,170
-	-	-	-	-	1,565,976
394,032	-	-	261,244	-	655,276
-	67,565	-	-	38,400	167,979
260,958	-	-	-	-	260,958
-	5,547,297	631,280	-	-	6,178,577
368	2,254	516	-	9,997	171,708
16,915	331,984	-	3,129	71,796	1,347,296
-	-	2,401,691	-	-	3,335,581
-	19,603	-	-	-	280,129
-	-	-	1,100	-	1,100
<u>\$ 1,762,834</u>	<u>\$ 6,279,677</u>	<u>\$ 4,081,643</u>	<u>\$ 1,142,931</u>	<u>\$ 120,193</u>	<u>\$ 19,808,750</u>
\$ 10,271	\$ 217,088	\$ -	\$ 51,082	\$ -	\$ 704,499
-	-	-	51,143	-	51,143
60,733	78,622	-	4,211	120,193	2,503,035
621	24,302	164,279	-	-	189,202
-	111,130	-	12,052	-	123,182
220,433	14,920	-	-	-	235,353
292,058	446,062	164,279	118,488	120,193	3,806,414
-	5,566,900	3,032,971	1,100	-	9,795,387
1,470,776	266,715	-	1,023,343	-	5,126,607
-	-	884,393	-	-	1,080,342
<u>1,470,776</u>	<u>5,833,615</u>	<u>3,917,364</u>	<u>1,024,443</u>	<u>-0-</u>	<u>16,002,336</u>
<u>\$ 1,762,834</u>	<u>\$ 6,279,677</u>	<u>\$ 4,081,643</u>	<u>\$ 1,142,931</u>	<u>\$ 120,193</u>	<u>\$ 19,808,750</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2011

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	4,399,028	1,260,923	-
Charges for services	-	18,140	141,507
Fines and forfeits	-	-	-
Interest	6,089	1,962	137
Other	<u>26,837</u>	<u>7,337</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>4,431,954</b>	<b>1,288,362</b>	<b>141,644</b>
<b>EXPENDITURES</b>			
Current			
General government	-	-	387,668
Public safety	-	-	-
Public works	-	-	-
Streets	4,674,050	3,036,513	-
Community and economic development	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b><u>4,674,050</u></b>	<b><u>3,036,513</u></b>	<b><u>387,668</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(242,096)</b>	<b>(1,748,151)</b>	<b>(246,024)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	2,072,600	1,036,300	-
Bond premium	13,707	6,854	-
Transfers in	59,916	1,352,328	318,435
Transfers out	<u>(2,197,497)</u>	<u>(679,310)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(51,274)</u></b>	<b><u>1,716,172</u></b>	<b><u>318,435</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(293,370)</b>	<b>(31,979)</b>	<b>72,411</b>
Restated fund balances, beginning of year	<u>3,206,577</u>	<u>678,961</u>	<u>123,538</u>
Fund balances, end of year	<u><u>\$ 2,913,207</u></u>	<u><u>\$ 646,982</u></u>	<u><u>\$ 195,949</u></u>

<u>Solid Waste</u>	<u>Neighborhood and Community Development</u>	<u>Economic Development Programs</u>	<u>Drug Enforcement</u>	<u>Public Safety Contracts</u>	<u>Total</u>
\$ 2,422,531	\$ -	\$ -	\$ -	\$ -	\$ 2,422,531
-	4,161,844	-	132,837	-	9,954,632
-	75,470	-	6,208	390,727	632,052
-	-	-	606,017	-	606,017
2,487	189	61,952	1,848	-	74,664
-	18,773	400	30,782	-	84,129
<u>2,425,018</u>	<u>4,256,276</u>	<u>62,352</u>	<u>777,692</u>	<u>390,727</u>	<u>13,774,025</u>
-	-	-	-	-	387,668
-	-	-	311,893	390,727	702,620
2,484,824	-	-	-	-	2,484,824
-	-	-	-	-	7,710,563
-	4,640,910	8,314	-	-	4,649,224
<u>2,484,824</u>	<u>4,640,910</u>	<u>8,314</u>	<u>311,893</u>	<u>390,727</u>	<u>15,934,899</u>
(59,806)	(384,634)	54,038	465,799	-0-	(2,160,874)
-	-	-	-	-	3,108,900
-	-	-	-	-	20,561
-	-	-	-	-	1,730,679
-	-	-	-	-	(2,876,807)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,983,333</u>
(59,806)	(384,634)	54,038	465,799	-0-	(177,541)
<u>1,530,582</u>	<u>6,218,249</u>	<u>3,863,326</u>	<u>558,644</u>	<u>-</u>	<u>16,179,877</u>
<u>\$ 1,470,776</u>	<u>\$ 5,833,615</u>	<u>\$ 3,917,364</u>	<u>\$ 1,024,443</u>	<u>\$ -0-</u>	<u>\$ 16,002,336</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, 2011

Major Streets Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental				
Federal revenue	\$ 1,093,000	\$ 1,093,000	\$ -	\$ (1,093,000)
State trunkline maintenance	250,000	250,000	158,273	(91,727)
Gas and weight tax distribution	3,753,353	3,753,353	3,885,881	132,528
Other state revenue	265,000	298,599	229,874	(68,725)
Local revenue	-	323,599	125,000	(198,599)
Interest	15,000	15,000	6,089	(8,911)
Other	5,000	22,755	26,837	4,082
<b>TOTAL REVENUES</b>	<b>5,381,353</b>	<b>5,756,306</b>	<b>4,431,954</b>	<b>(1,324,352)</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	1,133,942	1,162,500	1,047,562	114,938
Repair	197,369	230,847	337,518	(106,671)
Maintenance	762,551	777,068	817,711	(40,643)
Pavement painting	85,663	85,663	104,271	(18,608)
Traffic signals	462,448	532,527	215,716	316,811
Traffic signs	32,955	32,955	109,067	(76,112)
Construction	3,093,000	4,537,317	2,042,205	2,495,112
<b>TOTAL EXPENDITURES</b>	<b>5,767,928</b>	<b>7,358,877</b>	<b>4,674,050</b>	<b>2,684,827</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(386,575)</b>	<b>(1,602,571)</b>	<b>(242,096)</b>	<b>1,360,475</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,025,000	3,062,905	2,072,600	(990,305)
Bond premium	-	-	13,707	13,707
Transfers in	59,914	108,278	59,916	(48,362)
Transfers out	(2,208,197)	(2,208,197)	(2,197,497)	10,700
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(123,283)</b>	<b>962,986</b>	<b>(51,274)</b>	<b>(1,014,260)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(509,858)</b>	<b>(639,585)</b>	<b>(293,370)</b>	<b>346,215</b>
Fund balance, beginning of year	3,206,577	3,206,577	3,206,577	-0-
Fund balance, end of year	<u>\$ 2,696,719</u>	<u>\$ 2,566,992</u>	<u>\$ 2,913,207</u>	<u>\$ 346,215</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, 2011

Local Streets Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental				
Gas and weight tax distribution	\$ 1,052,245	\$ 1,052,245	\$ 1,097,173	\$ 44,928
Local revenue	-	163,751	163,750	(1)
Charges for services	-	2,933	18,140	15,207
Interest	2,000	2,000	1,962	(38)
Other	3,000	3,000	7,337	4,337
<b>TOTAL REVENUES</b>	<b>1,057,245</b>	<b>1,223,929</b>	<b>1,288,362</b>	<b>64,433</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	876,658	891,274	780,150	111,124
Repair	95,592	122,976	591,740	(468,764)
Maintenance	893,658	893,553	515,708	377,845
Pavement painting	23,875	23,875	3,003	20,872
Traffic signs	22,650	22,650	34,226	(11,576)
Construction	1,000,000	1,261,632	1,111,686	149,946
<b>TOTAL EXPENDITURES</b>	<b>2,912,433</b>	<b>3,215,960</b>	<b>3,036,513</b>	<b>179,447</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,855,188)</b>	<b>(1,992,031)</b>	<b>(1,748,151)</b>	<b>243,880</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,010,000	1,010,000	1,036,300	26,300
Bond premium	-	-	6,854	6,854
Transfers in	1,352,333	1,352,333	1,352,328	(5)
Transfers out	(685,115)	(685,115)	(679,310)	5,805
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,677,218</b>	<b>1,677,218</b>	<b>1,716,172</b>	<b>38,954</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(177,970)</b>	<b>(314,813)</b>	<b>(31,979)</b>	<b>282,834</b>
Fund balance, beginning of year	678,961	678,961	678,961	-0-
Fund balance, end of year	<u>\$ 500,991</u>	<u>\$ 364,148</u>	<u>\$ 646,982</u>	<u>\$ 282,834</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, 2011

Cemeteries Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 180,690	\$ 180,690	\$ 141,507	\$ (39,183)
Interest	-	-	137	137
	<u>180,690</u>	<u>180,690</u>	<u>141,644</u>	<u>(39,046)</u>
TOTAL REVENUES	180,690	180,690	141,644	(39,046)
EXPENDITURES				
Current				
General government	<u>523,979</u>	<u>523,980</u>	<u>387,668</u>	<u>136,312</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(343,289)	(343,290)	(246,024)	97,266
OTHER FINANCING SOURCES				
Transfers in	<u>359,153</u>	<u>359,153</u>	<u>318,435</u>	<u>(40,718)</u>
NET CHANGE IN FUND BALANCE	15,864	15,863	72,411	56,548
Fund balance, beginning of year	<u>123,538</u>	<u>123,538</u>	<u>123,538</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 139,402</u></u>	<u><u>\$ 139,401</u></u>	<u><u>\$ 195,949</u></u>	<u><u>\$ 56,548</u></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, 2011

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	\$ 2,469,199	\$ 2,499,312	\$ 2,403,344	\$ (95,968)
Interest	10,000	10,000	2,487	(7,513)
TOTAL REVENUES	2,479,199	2,509,312	2,405,831	(103,481)
EXPENDITURES				
Current				
Public works	2,494,236	2,652,991	2,484,824	168,167
NET CHANGE IN FUND BALANCE	(15,037)	(143,679)	(78,993)	64,686
Fund balance, beginning of year	1,770,202	1,770,202	1,770,202	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 1,755,165</u>	<u>\$ 1,626,523</u>	1,691,209	<u>\$ 64,686</u>
Accounting basis difference			(220,433)	
Fund balance, end of year (GAAP basis)			<u>\$ 1,470,776</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, 2011

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 3,527,607	\$ 6,620,411	\$ 4,161,844	\$ (2,458,567)
Charges for services	15,000	15,000	75,470	60,470
Interest	-	-	189	189
Other	-	-	18,773	18,773
<b>TOTAL REVENUES</b>	<b>3,542,607</b>	<b>6,635,411</b>	<b>4,256,276</b>	<b>(2,379,135)</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development				
Demolition revolving	15,000	30,636	12,845	17,791
Housing services	905,625	905,625	712,662	192,963
Community Development Block Grant	291,401	3,071,828	1,550,623	1,521,205
Emergency shelter	54,250	120,699	81,676	39,023
Housing rehabilitation	-	-	399,671	(399,671)
HOME	2,276,331	2,522,260	1,883,433	638,827
<b>TOTAL EXPENDITURES</b>	<b>3,542,607</b>	<b>6,651,048</b>	<b>4,640,910</b>	<b>2,010,138</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>(15,637)</b>	<b>(384,634)</b>	<b>(368,997)</b>
Restated fund balance, beginning of year	6,218,249	6,218,249	6,218,249	-0-
<b>Fund balance, end of year</b>	<b>\$ 6,218,249</b>	<b>\$ 6,202,612</b>	<b>\$ 5,833,615</b>	<b>\$ (368,997)</b>

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, 2011

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	\$ 68,242	\$ 68,242	\$ 61,952	\$ (6,290)
Other revenue	<u>18,087</u>	<u>18,087</u>	<u>400</u>	<u>(17,687)</u>
TOTAL REVENUES	86,329	86,329	62,352	(23,977)
EXPENDITURES				
Current				
Community and economic development	<u>120,000</u>	<u>120,000</u>	<u>8,314</u>	<u>111,686</u>
NET CHANGE IN FUND BALANCE	(33,671)	(33,671)	54,038	87,709
Restated fund balance, beginning of year	<u>3,863,326</u>	<u>3,863,326</u>	<u>3,863,326</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,829,655</u>	<u>\$ 3,829,655</u>	<u>\$ 3,917,364</u>	<u>\$ 87,709</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, 2011

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	\$ 132,837	\$ 107,837
Charges for services	-	-	6,208	6,208
Fines and forfeitures	225,000	225,000	606,017	381,017
Interest	7,955	7,955	1,848	(6,107)
Other	<u>30,000</u>	<u>30,000</u>	<u>30,782</u>	<u>782</u>
TOTAL REVENUES	287,955	287,955	777,692	489,737
EXPENDITURES				
Current				
Public safety	<u>408,854</u>	<u>408,854</u>	<u>311,893</u>	<u>96,961</u>
NET CHANGE IN FUND BALANCE	(120,899)	(120,899)	465,799	586,698
Fund balance, beginning of year	<u>558,644</u>	<u>558,644</u>	<u>558,644</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 437,745</u>	<u>\$ 437,745</u>	<u>\$ 1,024,443</u>	<u>\$ 586,698</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, 2011

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	\$ 333,729	\$ 333,729	\$ 390,727	\$ 56,998
EXPENDITURES				
Current				
Public safety	<u>333,729</u>	<u>333,729</u>	<u>390,727</u>	<u>(56,998)</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><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></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, 2011

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,478	\$ -	\$ -	\$ 30,478
Receivables				
Accounts	2,398	-	-	2,398
Special assessments	4,189	-	-	4,189
<b>TOTAL ASSETS</b>	<b>\$ 37,065</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 37,065</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ 302	\$ -	\$ -	\$ 302
Deferred revenue	6,569	-	-	6,569
<b>TOTAL LIABILITIES</b>	<b>6,871</b>	<b>-0-</b>	<b>-0-</b>	<b>6,871</b>
<b>FUND BALANCES</b>				
Restricted	30,194	-	-	30,194
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 37,065</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 37,065</b>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2011

	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>REVENUES</b>				
Interest	\$ 927	\$ -	\$ -	\$ 927
Other	38,953	-	-	38,953
<b>TOTAL REVENUES</b>	<b>39,880</b>	<b>-0-</b>	<b>-0-</b>	<b>39,880</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	45,000	1,480,000	1,385,000	2,910,000
Interest and fiscal charges	7,882	385,586	618,507	1,011,975
<b>TOTAL EXPENDITURES</b>	<b>52,882</b>	<b>1,865,586</b>	<b>2,003,507</b>	<b>3,921,975</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(13,002)</b>	<b>(1,865,586)</b>	<b>(2,003,507)</b>	<b>(3,882,095)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	2,005,000	-	2,005,000
Payments to advance refunding escrow agent	-	(1,962,153)	-	(1,962,153)
Bond premium	-	28,201	-	28,201
Transfers in	-	1,794,538	2,003,507	3,798,045
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>1,865,586</b>	<b>2,003,507</b>	<b>3,869,093</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(13,002)</b>	<b>-0-</b>	<b>-0-</b>	<b>(13,002)</b>
Fund balances, beginning of year	43,196	-	-	43,196
Fund balances, end of year	<u>\$ 30,194</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 30,194</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, 2011

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 582,342	\$ 25,435	\$ 607,777
Cash and cash equivalents - restricted	2,061,236	2,278,674	-	4,339,910
Receivables				
Accounts	49,696	8,546	-	58,242
Notes	-	100,000	-	100,000
Due from other funds	-	209,958	-	209,958
<b>TOTAL ASSETS</b>	<b>\$ 2,110,932</b>	<b>\$ 3,179,520</b>	<b>\$ 25,435</b>	<b>\$ 5,315,887</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 316,379	\$ -	\$ 316,379
Due to other funds	1,046,552	2,244,156	320	3,291,028
Due to other governmental units	-	13,533	-	13,533
Deposits payable	964,005	-	-	964,005
Deferred revenue	-	50,742	-	50,742
<b>TOTAL LIABILITIES</b>	2,010,557	2,624,810	320	4,635,687
<b>FUND BALANCES</b>				
Nonspendable	-	100,000	-	100,000
Committed	100,375	454,710	25,115	580,200
<b>TOTAL FUND BALANCES</b>	100,375	554,710	25,115	680,200
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,110,932</b>	<b>\$ 3,179,520</b>	<b>\$ 25,435</b>	<b>\$ 5,315,887</b>

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2011

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 501,502	\$ -	\$ 501,502
Interest	-	4,567	38	4,605
Other	8,220	550,459	-	558,679
<b>TOTAL REVENUES</b>	<b>8,220</b>	<b>1,056,528</b>	<b>38</b>	<b>1,064,786</b>
<b>EXPENDITURES</b>				
Capital outlay	174,944	3,232,977	320	3,408,241
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(166,724)</b>	<b>(2,176,449)</b>	<b>(282)</b>	<b>(2,343,455)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	1,576,100	-	1,576,100
Bond premium	-	10,592	-	10,592
Transfers in	-	1,899,996	-	1,899,996
Transfers out	-	(2,813,983)	-	(2,813,983)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>672,705</b>	<b>-0-</b>	<b>672,705</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(166,724)</b>	<b>(1,503,744)</b>	<b>(282)</b>	<b>(1,670,750)</b>
Fund balances, beginning of year	267,099	2,058,454	25,397	2,350,950
Fund balances, end of year	\$ 100,375	\$ 554,710	\$ 25,115	\$ 680,200

## 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, 2011

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 98,091	\$ -	\$ -	\$ 98,091
Investments	3,403,295	-	-	3,403,295
Investments with agents	-	1,133,348	999,993	2,133,341
<b>TOTAL ASSETS</b>	<b><u>\$ 3,501,386</u></b>	<b><u>\$ 1,133,348</u></b>	<b><u>\$ 999,993</u></b>	<b><u>\$ 5,634,727</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,356	\$ -	\$ -	\$ 3,356
<b>FUND BALANCES</b>				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	1,762,870	196,142	44,795	2,003,807
<b>TOTAL FUND BALANCES</b>	<b><u>3,498,030</u></b>	<b><u>1,133,348</u></b>	<b><u>999,993</u></b>	<b><u>5,631,371</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,501,386</u></b>	<b><u>\$ 1,133,348</u></b>	<b><u>\$ 999,993</u></b>	<b><u>\$ 5,634,727</u></b>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2011

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>REVENUES</b>				
Charges for services	\$ 27,213	\$ -	\$ -	\$ 27,213
Interest and dividends	124,061	-	-	124,061
Net investment earnings	(320,169)	(26,663)	(22,905)	(369,737)
Other	-	890	-	890
<b>TOTAL REVENUES</b>	<b>(168,895)</b>	<b>(25,773)</b>	<b>(22,905)</b>	<b>(217,573)</b>
<b>EXPENDITURES</b>				
Current				
General government	21,501	-	-	21,501
Parks and recreation	-	35,625	5,625	41,250
<b>TOTAL EXPENDITURES</b>	<b>21,501</b>	<b>35,625</b>	<b>5,625</b>	<b>62,751</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(190,396)</b>	<b>(61,398)</b>	<b>(28,530)</b>	<b>(280,324)</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(318,435)	-	-	(318,435)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(508,831)</b>	<b>(61,398)</b>	<b>(28,530)</b>	<b>(598,759)</b>
Fund balances, beginning of year	4,006,861	1,194,746	1,028,523	6,230,130
Fund balances, end of year	<u>\$ 3,498,030</u>	<u>\$ 1,133,348</u>	<u>\$ 999,993</u>	<u>\$ 5,631,371</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, 2011

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Investments with agents	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	-	-
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Current portion of uninsured claim liability	-	-	-
<b>Total current liabilities</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
Noncurrent liabilities			
Advances from other funds	-	-	-
Noncurrent portion of uninsured claim liability	-	-	-
<b>Total noncurrent liabilities</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>NET ASSETS</b>			
Unrestricted	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ -	\$ 1,666,664	\$ 1,666,664	\$ -	\$ 1,666,664
-	1,407,427	1,407,427	-	1,407,427
-	87,685	87,685	-	87,685
-	170,010	170,010	-	170,010
-	5,068,833	5,068,833	-	5,068,833
-	283,847	283,847	-	283,847
-	1,152	1,152	-	1,152
-0-	8,685,618	8,685,618	-0-	8,685,618
-	80,532	80,532	-	80,532
-	1,347,104	1,347,104	-	1,347,104
-	1,293,252	1,293,252	-	1,293,252
-	1,058,728	1,058,728	-	1,058,728
-	3,363	3,363	-	3,363
-	2,058,682	2,058,682	-	2,058,682
-0-	5,841,661	5,841,661	-0-	5,841,661
-	340,000	340,000	-	340,000
-	2,304,541	2,304,541	-	2,304,541
-0-	2,644,541	2,644,541	-0-	2,644,541
-0-	8,486,202	8,486,202	-0-	8,486,202
<u>\$ -0-</u>	<u>\$ 199,416</u>	<u>\$ 199,416</u>	<u>\$ -0-</u>	<u>\$ 199,416</u>

City of Kalamazoo

Internal Service Funds

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

Year Ended December 31, 2011

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Risk management	-	-	-
OPERATING (LOSS)	-0-	-0-	-0-
NONOPERATING REVENUES			
Interest revenue	-	-	-
INCOME (LOSS) BEFORE TRANSFERS	-0-	-0-	-0-
TRANSFERS IN	701,953	657,949	-
TRANSFERS OUT	(780,099)	(721,198)	(1,679,229)
CHANGE IN NET ASSETS	(78,146)	(63,249)	(1,679,229)
Net assets, beginning of year	78,146	63,249	1,679,229
Net assets, end of year	\$ -0-	\$ -0-	\$ -0-

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ -	\$ 20,742,548	\$ 20,742,548	\$ -	\$ 20,742,548
-	21,222,273	21,222,273	-	21,222,273
-0-	(479,725)	(479,725)	-0-	(479,725)
-	12,920	12,920	-	12,920
-0-	(466,805)	(466,805)	-0-	(466,805)
418,686 (1,786,253)	2,100,460 (4,798,975)	3,879,048 (9,765,754)	160,907 (2,615,474)	4,039,955 (12,381,228)
(1,367,567)	(3,165,320)	(6,353,511)	(2,454,567)	(8,808,078)
1,367,567	3,364,736	6,552,927	2,454,567	9,007,494
\$ -0-	\$ 199,416	\$ 199,416	\$ -0-	\$ 199,416

City of Kalamazoo

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from interfund services provided	\$ 396,808	\$ 447,521	\$ 182,840
Cash paid to suppliers	(2,091)	(12,582)	(12,313)
Cash paid to employees	(157,472)	(89,704)	(41,740)
Cash paid for employee benefits	<u>(544,481)</u>	<u>(568,245)</u>	<u>(342,670)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 (307,236)	 (223,010)	 (213,883)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	701,953	657,949	-
Transfers out	<u>(780,099)</u>	<u>(721,198)</u>	<u>(955,191)</u>
 NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	 (78,146)	 (63,249)	 (955,191)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of investments	-	-	999,076
Interest received	<u>-</u>	<u>-</u>	<u>-</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>-0-</u>	 <u>-0-</u>	 <u>999,076</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (385,382)	 (286,259)	 (169,998)
Cash and cash equivalents, beginning of year	<u>385,382</u>	<u>286,259</u>	<u>169,998</u>
Cash and cash equivalents, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ 824,032	\$ 18,797,983	\$ 20,649,184	\$ 325,255	\$ 20,974,439
(34,033)	-	(61,019)	(29,905)	(90,924)
(67,425)	-	(356,341)	(39,323)	(395,664)
<u>(289,328)</u>	<u>(19,785,577)</u>	<u>(21,530,301)</u>	<u>(355,736)</u>	<u>(21,886,037)</u>
433,246	(987,594)	(1,298,477)	(99,709)	(1,398,186)
418,686	2,100,460	3,879,048	160,907	4,039,955
<u>(996,989)</u>	<u>(4,798,975)</u>	<u>(8,252,452)</u>	<u>(1,665,726)</u>	<u>(9,918,178)</u>
(578,303)	(2,698,515)	(4,373,404)	(1,504,819)	(5,878,223)
-	4,445,942	5,445,018	981,557	6,426,575
-	12,920	12,920	-	12,920
<u>-0-</u>	<u>4,458,862</u>	<u>5,457,938</u>	<u>981,557</u>	<u>6,439,495</u>
(145,057)	772,753	(213,943)	(622,971)	(836,914)
<u>145,057</u>	<u>893,911</u>	<u>1,880,607</u>	<u>622,971</u>	<u>2,503,578</u>
<u>\$ -0-</u>	<u>\$ 1,666,664</u>	<u>\$ 1,666,664</u>	<u>\$ -0-</u>	<u>\$ 1,666,664</u>

City of Kalamazoo

Internal Services Funds

COMBINING STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2011

	Governmental		
	Engineering	City-Wide Maintenance	Information Technology
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
(Increase) decrease in:			
Other receivables	-	-	1,732
Due from other funds	490,572	489,739	256,547
Due from other governmental units	-	659	5,732
Prepays	-	-	-
Inventories	-	-	-
Increase (decrease) in:			
Accounts payable	(2,091)	(12,582)	(12,313)
Accrued liabilities	-	-	-
Due to other funds	(93,764)	(42,877)	(63,571)
Unearned revenue	-	-	(17,600)
Due to other governmental units	-	-	-
Compensated absences	(157,472)	(89,704)	(41,740)
Other post-employment benefits obligation	(544,481)	(568,245)	(342,670)
Uninsured claim liability	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ (307,236)</u></b>	<b><u>\$ (223,010)</u></b>	<b><u>\$ (213,883)</u></b>

Activities			Business-type Activities	
Public Works Equipment	Insurance and Benefits	Subtotal Governmental Activities	Public Utilities Equipment	Total
\$ -	\$ (479,725)	\$ (479,725)	\$ -	\$ (479,725)
4,876	23,518	30,126	-	30,126
672,441	(1,972,803)	(63,504)	369,481	305,977
-	(74,161)	(67,770)	-	(67,770)
-	(1,152)	(1,152)	-	(1,152)
382,097	-	382,097	37,614	419,711
(34,033)	(37,280)	(98,299)	(67,519)	(165,818)
-	309,559	309,559	-	309,559
(235,382)	109,875	(325,719)	(44,226)	(369,945)
-	-	(17,600)	-	(17,600)
-	(30,994)	(30,994)	-	(30,994)
(67,425)	-	(356,341)	(39,323)	(395,664)
(289,328)	-	(1,744,724)	(355,736)	(2,100,460)
-	1,165,569	1,165,569	-	1,165,569
<u>\$ 433,246</u>	<u>\$ (987,594)</u>	<u>\$ (1,298,477)</u>	<u>\$ (99,709)</u>	<u>\$ (1,398,186)</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, 2011

	<u>Tax Collector's Fund</u>			
	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,443,385	\$ 81,813,897	\$ 82,347,788	\$ 10,909,494
Taxes receivable	34,827,369	62,641,690	63,530,864	33,938,195
Other receivables	882	167,645	7,469	161,058
<b>TOTAL ASSETS</b>	<u>\$ 46,271,636</u>	<u>\$ 144,623,232</u>	<u>\$ 145,886,121</u>	<u>\$ 45,008,747</u>
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 175	\$ 33,766,327	\$ 32,073,092	\$ 1,693,410
Due to other governmental units	46,271,461	68,469,533	71,425,657	43,315,337
<b>TOTAL LIABILITIES</b>	<u>\$ 46,271,636</u>	<u>\$ 102,235,860</u>	<u>\$ 103,498,749</u>	<u>\$ 45,008,747</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2011

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,496,969
Investments	456,682
Receivables	
Accounts	299,509
Notes	<u>858,084</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 3,111,244</u></u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 3,011
Due to other governmental units	6,684
Advance from other governmental units	828,084
Deferred revenue	<u>49,083</u>
<b>TOTAL LIABILITIES</b>	<b>886,862</b>
<b>FUND BALANCE</b>	
Nonspendable	30,000
Committed	85,280
Unassigned	<u>2,109,102</u>
<b>TOTAL FUND BALANCE</b>	<b><u>2,224,382</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u><u>\$ 3,111,244</u></u></b>

City of Kalamazoo

Component Unit Fund

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

December 31, 2011

**Total fund balance - governmental fund** \$ 2,224,382

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

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

Deferred revenue 49,083

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 (11,931)

**Net assets of governmental activities** \$ 2,261,534

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2011

	<u>General</u>
REVENUES	
Taxes	\$ 1,408,202
Interest	4,218
Other	<u>104,543</u>
TOTAL REVENUES	1,516,963
EXPENDITURES	
Current	
Community and economic development	<u>1,273,860</u>
NET CHANGE IN FUND BALANCE	243,103
Fund balance, beginning of year	<u>1,981,279</u>
Fund balance, end of year	<u><u>\$ 2,224,382</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, 2011

**Net change in fund balance - governmental fund** \$ 243,103

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 (16,824)

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 (2,405)

**Change in net assets of governmental activities** \$ 223,874

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2011

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 419,154
Accounts receivable	<u>42,457</u>
TOTAL ASSETS	<u><u>\$ 461,611</u></u>
LIABILITIES AND FUND BALANCE (DEFICIT)	
LIABILITIES	
Due to other governmental units	\$ 188,341
Advance from other governmental units	1,052,815
Deferred revenue	<u>8,980</u>
TOTAL LIABILITIES	1,250,136
FUND BALANCE (DEFICIT)	
Unassigned	<u>(788,525)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ 461,611</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, 2011

**Total fund balance (deficit) - governmental fund** \$ (788,525)

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

Long-term receivables are not available to pay for current period expenditures and, therefore, are

Deferred revenue 8,980

**Net assets of governmental activities** \$ (779,545)

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2011

	<u>General</u>
REVENUES	
Taxes	\$ 440,029
EXPENDITURES	
Current	
Community and economic development	<u>242,096</u>
NET CHANGE IN FUND BALANCE	197,933
Fund (deficit), beginning of year	<u>(986,458)</u>
Fund (deficit), end of year	<u><u>\$ (788,525)</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, 2011

**Net change in fund balance - governmental fund** \$ 197,933

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 634

**Change in net assets of governmental activities** \$ 198,567

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	106-115
<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	116-119
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	120-126
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	127-128
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	129-135
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Supplementary Schedules	136-168

## NET ASSETS BY COMPONENT

2003-2011  
(unaudited)  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 107,634,804	\$ 107,099,832	\$ 105,799,049	\$ 109,408,557
Restricted	13,611,731	11,360,665	30,173,266	28,757,898
Unrestricted	<u>19,450,183</u>	<u>22,618,398</u>	<u>13,089,868</u>	<u>18,356,265</u>
Total governmental activities net assets	<u>\$ 140,696,718</u>	<u>\$ 141,078,895</u>	<u>\$ 149,062,183</u>	<u>\$ 156,522,720</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 147,019,802	\$ 145,705,440	\$ 148,221,106	\$ 152,082,594
Restricted	12,521,283	15,616,902	14,823,500	11,618,293
Unrestricted	<u>11,151,951</u>	<u>12,307,683</u>	<u>12,425,961</u>	<u>13,279,738</u>
Total business-type activities	<u>\$ 170,693,036</u>	<u>\$ 173,630,025</u>	<u>\$ 175,470,567</u>	<u>\$ 176,980,625</u>
Primary government				
Invested in capital assets, net of related debt	\$ 254,654,606	\$ 252,805,272	\$ 254,020,155	\$ 261,491,151
Restricted	26,133,014	26,977,567	44,996,766	40,376,191
Unrestricted	<u>30,602,134</u>	<u>34,926,081</u>	<u>25,515,829</u>	<u>31,636,003</u>
Total primary government net assets	<u>\$ 311,389,754</u>	<u>\$ 314,708,920</u>	<u>\$ 324,532,750</u>	<u>\$ 333,503,345</u>

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

Table 1

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 114,330,019	\$ 117,057,211	\$ 116,294,415	\$ 123,355,990	\$ 125,529,739
30,795,758	26,784,242	12,721,683	12,050,021	11,045,791
<u>15,674,572</u>	<u>6,069,437</u>	<u>13,197,414</u>	<u>(8,666,188)</u>	<u>(22,606,617)</u>
<u>\$ 160,800,349</u>	<u>\$ 149,910,890</u>	<u>\$ 142,213,512</u>	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>
\$ 154,384,778	\$ 154,535,045	\$ 143,501,852	\$ 150,485,254	\$ 152,806,937
10,915,639	-	2,577,935	2,577,960	2,524,960
<u>9,931,524</u>	<u>21,785,289</u>	<u>26,067,765</u>	<u>18,046,633</u>	<u>7,408,224</u>
<u>\$ 175,231,941</u>	<u>\$ 176,320,334</u>	<u>\$ 172,147,552</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>
\$ 268,714,797	\$ 271,592,256	\$ 259,796,267	\$ 273,841,244	\$ 278,336,676
41,711,397	26,784,242	15,299,618	14,627,981	13,570,751
<u>25,606,096</u>	<u>27,854,726</u>	<u>39,265,179</u>	<u>9,380,445</u>	<u>(15,198,393)</u>
<u>\$ 336,032,290</u>	<u>\$ 326,231,224</u>	<u>\$ 314,361,064</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>

## CHANGES IN NET ASSETS

2003-2011  
(unaudited)  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,275,945	\$ 5,354,674	\$ 5,307,982	\$ 6,491,807
Public safety	31,128,037	32,320,014	30,897,982	29,898,894
Public works	13,264,603	13,124,011	12,617,824	11,891,558
Community and economic development	6,635,385	8,658,751	7,266,137	5,578,544
Recreation and culture	2,749,218	2,709,819	2,488,294	2,749,809
Interest on long-term debt	<u>2,489,721</u>	<u>2,582,855</u>	<u>3,119,829</u>	<u>3,091,454</u>
Total governmental activities expenses	<u>62,542,909</u>	<u>64,750,124</u>	<u>61,698,048</u>	<u>59,702,066</u>
Business-type activities:				
Wastewater	20,109,707	19,904,896	20,770,198	20,370,767
Water	10,982,741	10,936,547	11,392,060	11,875,242
Other	<u>192,711</u>	<u>195,459</u>	<u>1,119,540</u>	<u>40,649</u>
Total business-type activities expenses	<u>31,285,159</u>	<u>31,036,902</u>	<u>33,281,798</u>	<u>32,286,658</u>
Total primary government expenses	<u>\$ 93,828,068</u>	<u>\$ 95,787,026</u>	<u>\$ 94,979,846</u>	<u>\$ 91,988,724</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 2,598,972	\$ 2,746,278	\$ 2,507,300	\$ 2,988,396
Community development and planning	1,574,513	1,560,806	2,985,821	1,166,367
Other	1,008,671	1,012,056	1,003,322	1,085,864
Operating grants and contributions	15,874,688	16,811,523	18,002,937	13,439,433
Capital grants and contributions	<u>90,690</u>	<u>532,334</u>	<u>479,577</u>	<u>393,565</u>
Total governmental activities program revenues	<u>21,147,534</u>	<u>22,662,997</u>	<u>24,978,957</u>	<u>19,073,625</u>
Business-type activities:				
Charges for services				
Wastewater	19,582,578	19,266,485	18,424,157	17,996,945
Water	8,010,662	8,284,199	8,914,883	10,933,129
Other	115,912	136,499	32,560	45,611
Operating grants and contributions	327,609	236,315	1,422,097	1,010,733
Capital grants and contributions	<u>5,717,560</u>	<u>5,674,667</u>	<u>6,316,121</u>	<u>3,618,003</u>
Total business-type activities program revenues	<u>33,754,321</u>	<u>33,598,165</u>	<u>35,109,818</u>	<u>33,604,421</u>
Total primary government program revenues	<u>\$ 54,901,855</u>	<u>\$ 56,261,162</u>	<u>\$ 60,088,775</u>	<u>\$ 52,678,046</u>
Net (Expense) Revenue				
Governmental activities	\$(41,395,375)	\$(42,087,127)	\$(36,719,091)	\$(40,628,441)
Business-type activities	<u>2,469,162</u>	<u>2,561,263</u>	<u>1,828,020</u>	<u>1,317,763</u>
Total primary government net expense	<u>\$ (38,926,213)</u>	<u>\$ (39,525,864)</u>	<u>\$ (34,891,071)</u>	<u>\$ (39,310,678)</u>

Table 2

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,370,219	\$ 11,449,623	\$ 8,805,148	\$ 9,371,185	\$ 8,471,082
31,437,072	37,207,556	43,098,269	43,495,846	45,215,879
19,369,127	17,285,103	13,479,086	13,814,938	20,094,540
5,685,485	7,505,930	6,430,431	8,746,176	15,666,823
3,093,331	2,099,090	2,554,547	3,223,463	3,182,766
<u>2,986,121</u>	<u>2,957,164</u>	<u>2,792,089</u>	<u>2,672,721</u>	<u>2,717,822</u>
<u>65,941,355</u>	<u>78,504,466</u>	<u>77,159,570</u>	<u>81,324,329</u>	<u>95,348,912</u>
20,240,292	20,584,823	22,079,492	22,825,084	23,435,464
13,819,287	14,686,137	13,944,668	14,946,226	15,415,808
<u>44,672</u>	<u>49,291</u>	<u>48,805</u>	<u>44,230</u>	<u>135,204</u>
<u>34,104,251</u>	<u>35,320,251</u>	<u>36,072,965</u>	<u>37,815,540</u>	<u>38,986,476</u>
<u>\$ 100,045,606</u>	<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>	<u>\$ 134,335,388</u>
\$ 2,797,940	\$ -	\$ 5,094,411	\$ 4,731,626	\$ 11,900,982
1,748,885	-	642,866	246,453	1,240,353
1,310,053	-	616,485	733,970	1,023,442
15,685,545	12,966,562	12,915,313	15,255,631	20,982,518
<u>661,968</u>	<u>151,241</u>	<u>21,686</u>	<u>868,221</u>	<u>1,163,643</u>
<u>22,204,391</u>	<u>13,117,803</u>	<u>19,290,761</u>	<u>21,835,901</u>	<u>36,310,938</u>
15,941,791	21,201,437	18,220,534	19,085,813	18,178,855
11,774,026	11,604,749	11,922,529	12,759,940	12,451,401
45,071	50,244	52,059	58,832	67,287
962,170	451,421	-	-	238,233
<u>3,965,417</u>	<u>2,959,418</u>	<u>2,599,746</u>	<u>4,001,255</u>	<u>3,308,895</u>
<u>32,688,475</u>	<u>36,267,269</u>	<u>32,794,868</u>	<u>35,905,840</u>	<u>34,244,671</u>
<u>\$ 54,892,866</u>	<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>
\$ (43,736,964)	\$ (65,386,663)	\$ (57,868,809)	\$ (59,488,428)	\$ (59,037,974)
<u>(1,415,776)</u>	<u>947,018</u>	<u>(3,278,097)</u>	<u>(1,909,700)</u>	<u>(4,741,805)</u>
<u>\$ (45,152,740)</u>	<u>\$ (64,439,645)</u>	<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>

## CHANGES IN NET ASSETS - CONCLUDED

2003-2011  
(unaudited)  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
General revenues				
Property taxes	\$ 30,937,165	\$ 31,803,955	\$ 33,066,650	\$ 35,148,859
Grants and contributions not restricted to specific programs	11,436,571	10,499,478	10,461,886	10,967,559
Unrestricted investment earnings	488,519	513,444	1,119,704	1,757,763
Gain on sale of assets	80,533	27,753	-	-
Contributions to permanent funds	55,275	35,020	54,139	44,577
Other	-	-	-	-
Transfers - internal activities	<u>(32,000)</u>	<u>(319,342)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>42,966,063</u>	<u>42,560,308</u>	<u>44,702,379</u>	<u>47,918,758</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	5,035	29,593	(8,646)	8,645
Unrestricted investment earnings	15,276	15,085	16,454	36,799
Gain on sale of assets	14,912	11,706	4,714	146,851
Other	-	-	-	-
Transfers - internal activities	32,000	319,342	-	-
Special item - loss on sale of capital assets/inventory	<u>(4,218,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>(4,151,458)</u>	<u>375,726</u>	<u>12,522</u>	<u>192,295</u>
Total primary government	<u>\$ 38,814,605</u>	<u>\$ 42,936,034</u>	<u>\$ 44,714,901</u>	<u>\$ 48,111,053</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 1,570,688	\$ 473,181	\$ 7,983,288	\$ 7,290,317
Business-type activities	<u>(1,682,296)</u>	<u>2,936,989</u>	<u>1,840,542</u>	<u>1,510,058</u>
Total primary government	<u>\$ (111,608)</u>	<u>\$ 3,410,170</u>	<u>\$ 9,823,830</u>	<u>\$ 8,800,375</u>

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

Table 2

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 35,263,246	\$ 36,221,234	\$ 36,421,813	\$ 34,292,608	\$ 33,313,845
10,243,913	10,548,626	8,968,211	8,669,650	8,063,444
2,038,489	1,382,472	1,999,482	1,411,281	206,017
-	-	-	-	6,270
36,458	34,800	-	-	-
-	-	60,947	304,588	900,135
<u>432,487</u>	<u>(97,939)</u>	<u>(455,622)</u>	<u>(663,388)</u>	<u>3,777,353</u>
<u>48,014,593</u>	<u>48,089,193</u>	<u>46,994,831</u>	<u>44,014,739</u>	<u>46,267,064</u>
7,390	1,326	-	-	-
41,592	3,590	165,786	28,161	32,163
50,597	38,520	41,767	7,418	6,346
-	-	572,923	173,028	110,923
(432,487)	97,939	455,622	663,388	(3,777,353)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(332,908)</u>	<u>141,375</u>	<u>1,236,098</u>	<u>871,995</u>	<u>(3,627,921)</u>
<u>\$ 47,681,685</u>	<u>\$ 48,230,568</u>	<u>\$ 48,230,929</u>	<u>\$ 44,886,734</u>	<u>\$ 42,639,143</u>
\$ 4,277,629	\$ (17,297,470)	\$ (10,873,978)	\$ (15,473,689)	\$ (12,770,910)
<u>(1,748,684)</u>	<u>1,088,393</u>	<u>(2,041,999)</u>	<u>(1,037,705)</u>	<u>(8,369,726)</u>
<u>\$ 2,528,945</u>	<u>\$ (16,209,077)</u>	<u>\$ (12,915,977)</u>	<u>\$ (16,511,394)</u>	<u>\$ (21,140,636)</u>

## FUND BALANCES

## GOVERNMENTAL FUNDS

2003-2011  
(unaudited)  
(modified accrual basis of accounting)

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

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

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

Table 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 756,760	\$ 504,595	\$ 504,164	\$ -
3,461,861	4,740,113	3,881,019	-
-	-	-	730,673
-	-	-	3,504,897
-	-	-	5,325,787
<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>
\$ 9,410,736	\$ 10,641,923	\$ 12,011,218	\$ -
4,241,786	4,874,600	5,028,383	-
124,551	127,942	91,569	-
3,934,958	3,847,713	1,994,543	-
1,195,345	1,956,373	-	-
-	-	-	13,522,951
-	-	-	7,509,890
-	-	-	1,660,542
<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>	<u>\$ 22,693,383</u>

## CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

2003-2011  
(unaudited)  
(modified accrual basis of accounting)

	2003	2004	2005	2006
<b>Revenues</b>				
Property taxes and special assessments	\$ 30,187,060	\$ 31,059,692	\$ 32,472,148	\$ 34,508,937
Licenses and permits	1,797,321	1,972,128	2,187,748	1,937,580
Intergovernmental revenue	21,477,998	22,951,771	22,062,498	20,120,520
Charges for services	1,009,499	1,520,621	1,362,100	1,599,259
Fines and forfeits	220,918	313,457	412,643	241,075
Interest and rents	3,181,272	3,359,644	3,953,244	4,936,149
Net investment earnings	1,188,778	662,985	293,975	660,122
Other revenue	7,110,905	6,358,129	7,076,876	7,580,521
<b>Total revenues</b>	<b>66,173,751</b>	<b>68,198,427</b>	<b>69,821,232</b>	<b>71,584,163</b>
<b>Expenditures</b>				
Current Expenditures:				
General government	9,847,867	9,703,164	9,159,839	9,543,763
Public safety	30,164,964	31,422,767	30,677,808	30,547,482
Public works	6,554,353	7,086,037	7,048,497	12,964,423
Community and economic development	6,929,342	8,918,917	7,402,139	5,692,502
Recreation and culture	2,503,219	2,824,267	2,540,006	2,587,159
Other	-	-	92,747	169,271
Debt service:				
Principal	5,149,510	5,060,999	13,754,076	5,067,709
Interest and fiscal charges	2,537,353	2,503,431	3,315,456	2,912,669
Capital outlay	9,531,293	7,790,172	18,582,210	5,125,701
<b>Total expenditures</b>	<b>73,217,901</b>	<b>75,309,754</b>	<b>92,572,778</b>	<b>74,610,679</b>
Excess (deficiency) of revenues over expenditures	(7,044,150)	(7,111,327)	(22,751,546)	(3,026,516)
Other financing sources (uses)				
Transfers in	8,190,472	9,119,874	10,466,647	10,001,607
Transfers out	(8,102,193)	(8,275,022)	(9,634,221)	(10,758,458)
Proceeds from the sale of capital assets	29,566	21,293	1,896,539	36,705
Issuance of long-term debt	1,940,000	12,735,000	18,145,000	7,110,000
Payments to advance refunding escrow agent	-	-	-	-
Bond premium (discount)	147	-	173,669	23,732
<b>Total other financing sources (uses)</b>	<b>2,057,992</b>	<b>13,601,145</b>	<b>21,047,634</b>	<b>6,413,586</b>
<b>Net change in fund balances</b>	<b>\$ (4,986,158)</b>	<b>\$ 6,489,818</b>	<b>\$ (1,703,912)</b>	<b>\$ 3,387,070</b>
Debt service as a percentage of noncapital expenditures	13.7%	12.6%	30.0%	13.0%

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

Table 4

2007	2008	2009	2010	2011
\$ 35,199,103	\$ 35,569,119	\$ 37,997,860	\$ 35,071,496	\$ 35,163,954
2,077,407	1,951,085	1,770,824	1,867,123	1,897,096
21,082,782	20,762,621	19,150,714	22,470,227	28,241,290
1,417,088	1,582,665	5,289,988	5,622,676	10,318,577
288,650	279,435	326,755	296,200	642,680
5,310,737	4,507,507	3,989,784	3,429,583	3,304,621
(22,516)	(1,858,775)	1,207,786	780,472	(370,143)
7,650,248	6,696,145	1,699,387	1,668,632	1,474,703
<u>73,003,499</u>	<u>69,489,802</u>	<u>71,433,098</u>	<u>71,206,409</u>	<u>80,672,778</u>
9,992,094	10,767,415	7,300,485	7,169,369	7,618,751
33,513,942	33,718,520	34,409,853	34,804,767	35,476,959
13,413,733	12,038,364	11,703,326	11,981,237	16,122,984
5,743,272	6,921,457	5,803,640	7,763,530	14,182,010
2,971,644	2,820,672	2,598,348	2,806,451	2,806,756
50,000	-	1,184,639	2,761,908	2,560,728
5,206,300	4,997,000	5,245,000	5,125,000	5,510,000
2,930,686	2,932,497	2,796,889	2,721,982	2,757,767
5,692,545	5,264,042	1,869,810	2,861,401	3,408,241
<u>79,514,216</u>	<u>79,459,967</u>	<u>72,911,990</u>	<u>77,995,645</u>	<u>90,444,196</u>
(6,510,717)	(9,970,165)	(1,478,892)	(6,789,236)	(9,771,418)
11,474,277	8,280,263	8,772,072	10,646,777	16,291,542
(11,041,790)	(8,378,202)	(8,272,072)	(9,962,957)	(9,009,217)
274,136	32,020	-	-	-
4,715,000	4,165,000	4,585,000	2,855,000	12,910,000
-	-	-	-	(8,051,763)
(20,235)	9,587	(38,846)	68,053	145,167
<u>5,401,388</u>	<u>4,108,668</u>	<u>5,046,154</u>	<u>3,606,873</u>	<u>12,285,729</u>
<u>\$ (1,109,329)</u>	<u>\$ (5,861,497)</u>	<u>\$ 3,567,262</u>	<u>\$ (3,182,363)</u>	<u>\$ 2,514,311</u>
12.4%	12.0%	12.8%	11.7%	10.5%

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				
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%
2011	1,363,745,396	225,838,500	57,115,455	1,646,699,351	21.4205	3,528,848,624	46.7%

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, 2011. 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 2011 roll by \$25,958,897.

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
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
2011	19.2705	1.5500	0.6000	21.4205	23.3500	6.7555	6.0000	4.8616	2.8135	3.9583	69.1594	51.1594

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, 2011 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	2011					2001 (C)			
		Taxable Value of Property			Rank	(B) Percent of Total	Taxable Assessed Value	Rank	Percent of Total	
		Ad Valorem	Abated (A)	Total						
Pfizer Corporation	Pharmaceuticals	\$ 81,004,865	\$ 6,340,000	\$ 87,344,865	1	5.23%	\$ 120,233,125	1	8.78%	
Graphic Packaging	Paper Products	29,405,225	5,779,650	35,184,875	2	2.11%	39,097,750	2	2.85%	
Consumer's Energy	Utility	32,087,922	-	32,087,922	3	1.92%	-		0.00%	
Catalyst Development	Real Estate	29,901,934	-	29,901,934	4	1.79%	30,530,400	3	2.23%	
MPI Research	Pharmaceuticals Research	20,227,800	-	20,227,800	5	1.21%	-		0.00%	
James S. Smith Trust	Rental Properties	10,517,200	-	10,517,200	6	0.63%	10,418,825	5	0.76%	
Lifecare (Friendship Village)	Retirement Community	10,355,634	-	10,355,634	7	0.62%	8,613,700	9	0.63%	
Parker Hannifin Corp	Aerospace Manufacturer	8,591,100	929,650	9,520,750	8	0.57%	11,908,150	4	0.87%	
Bronson Methodist Hosp	Medical Offices	8,895,668	-	8,895,668	9	0.53%	-		0.00%	
Cytec Industries	Chemical Manufacturing	6,576,600	1,701,700	8,278,300	10	0.50%	8,150,500	10	0.59%	
Former Top 10 Taxpayers	various						26,437,100	6,7,8	1.93%	
		<u>\$ 237,563,948</u>	<u>\$ 14,751,000</u>	<u>\$ 252,314,948</u>		<u>15.10%</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 \$1,670,542,410 for the year ending December 31, 2011 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 2001 Assessment Roll and the 2001 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,360,346,140.

## 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		
2002	27,343,397	24,051,078	87.96%	3,143,510	27,194,588	99.46%
2003	28,501,661	24,665,670	86.54%	3,441,353	28,107,023	98.62%
2004	29,156,966	25,195,702	86.41%	3,890,815	29,086,517	99.76%
2005	30,020,529	25,828,635	86.04%	4,149,568	29,978,203	99.86%
2006	30,861,994	26,574,222	86.11%	4,324,570	30,898,792	100.12%
2007	32,254,963	27,691,394	85.85%	4,755,082	32,446,476	100.59%
2008	32,525,352	28,058,610	86.27%	4,380,483	32,439,093	99.73%
2009	33,382,726	30,786,313	92.22%	2,509,861	33,296,174	99.74%
2010	32,040,705	29,781,694	92.95%	2,181,778	31,963,472	99.76%
2011	31,210,358	29,212,109	93.60%	-	29,212,109	93.60%

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, 2011. 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			
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
2011	49,640,000	6,905,000	-	95,000	-	28,155,000	-	84,795,000	4.66%	1,142

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

(A) Special assessment bonds were issued in 1999.

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

## 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)
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	48,127	49,541,873	1.31%	680.29
2010	48,775,000	48,373	48,726,627	1.33%	656.14
2011	49,640,000	61,469	49,578,531	1.36%	667.62

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, 2011  
(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
<b>Total overlapping debt</b>	<b><u>\$ 395,911,718</u></b>		<b><u>\$ 113,259,879</u></b>

**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	-
<b>Total direct debt</b>	<b><u>\$ 57,250,000</u></b>	<b><u>\$ 33,381,939</u></b>	<b><u>\$ 23,868,061</u></b>

**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, 2011  
(unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,750,636,695
Tax abated property	<u>29,783,150</u>
<b>Total State Equalized Value (SEV)</b>	<b><u><u>\$ 1,780,419,845</u></u></b>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
<b>Legal Limitation</b>	<b><u><u>\$ 178,041,985</u></u></b>
Debt Obligations of the Primary Government (B)	\$ 84,795,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (28,155,000)
Michigan Transportation Fund Bonds	(6,905,000)
Special Assessment Bonds	<u>(95,000)</u>
	<u>(35,155,000)</u>
<b>Total Debt of the City Subject to Limitation</b>	<b><u><u>49,640,000</u></u></b>
<b>LEGAL DEBT MARGIN</b>	<b><u><u>\$ 128,401,985</u></u></b>

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
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%
2011	128,401,985	49,640,000	78,761,985	38.7%

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

## PLEDGED-REVENUE COVERAGE

Last Ten Years  
(unaudited)**Governmental Activities:**

<b>Michigan Transportation Revenue Bonds (A)</b>					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
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
2011	4,983,054	3,425,000	337,088	3,762,088	1.32

<b>Special Assessment Bonds (B)</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
2011	13,676	45,000	7,280	52,280	0.26

(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**

<b>Wastewater System Revenue Bonds</b>							
Year	Revenues (C)	Direct Operating Expense (D)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
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
2011	19,947,070	17,201,640	2,745,430	2,895,000	283,096	3,178,096	0.86

<b>Water System Revenue Bonds</b>							
Year	Revenues (C)	Direct Operating Expense (D)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
1998	\$ 10,113,204	\$ 5,843,320	\$ 4,269,884	\$ 545,000	\$ 1,082,584	\$ 1,627,584	2.62
1999	9,810,609	6,808,040	3,002,569	570,000	1,054,259	1,624,259	1.85
2000	9,804,250	6,945,196	2,859,054	600,000	1,024,231	1,624,231	1.76
2001	9,937,764	7,334,374	2,603,390	630,000	992,193	1,622,193	1.60
2002	10,664,599	7,547,334	3,117,265	665,000	796,662	1,461,662	2.13
2003	9,716,990	7,435,078	2,281,912	785,000	554,405	1,339,405	1.70
2004	9,926,656	7,281,642	2,645,013	940,000	800,314	1,740,314	1.52
2005	11,248,538	7,376,725	3,871,813	1,010,000	890,428	1,900,428	2.04
2006	11,304,497	7,909,955	3,394,542	1,050,000	845,568	1,895,568	1.79
2007	11,988,244	9,002,540	2,985,704	1,000,000	809,620	1,809,620	1.65
2008	11,624,631	8,909,554	2,715,077	1,250,000	956,272	2,206,272	1.23
2009	12,335,419	8,557,285	3,778,134	1,315,000	859,744	2,174,744	1.74
2010	13,391,306	8,869,353	4,521,953	1,360,000	1,083,573	2,443,573	1.85
2011	14,127,181	9,175,037	4,952,144	1,425,000	1,227,533	2,652,533	1.87

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
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%
2011	74,262	24,517	1,820,690,455	24.7	15,964	11.3%

## Data Sources:

- (A) United States Census, 2010, 2011 estimates not yet available.
- (B) Bureau of Economic Analysis for 2002 to 2010 data.  
Updated 2011 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 12,687 in 2011.
- (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%
<b>Total</b>		<b>25,963</b>		<b>19.0%</b>	<b>21,476</b>		<b>16.2%</b>

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.

(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 134,000 in 2011 were obtained from the Michigan Department of Technology, Management & Budget - Office of Labor Market Information.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Nine Years  
(unaudited)

Function/Program	Full-time Equivalent Employees (A)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	80	79	75	74	74	74	75	65	75
Public safety	307	308	301	296	301	301	301	287	287
Economic development	6	6	7	7	6	6	6	6	6
Community development and planning	44	43	42	41	40	40	40	39	40
Parks and recreation	26	26	20	20	19	19	19	18	18
Public works	52	52	44	44	50	49	44	43	42
Streets	27	27	28	28	33	33	33	30	35
Wastewater	97	97	112	111	103	90	94	87	87
Water	95	95	88	88	85	85	79	76	61
Total	<u>734</u>	<u>733</u>	<u>717</u>	<u>709</u>	<u>711</u>	<u>697</u>	<u>691</u>	<u>651</u>	<u>651</u>

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

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

## OPERATING INDICATORS BY FUNCTION

Last Seven Years  
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government:</b>			
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%
<b>Public Safety:</b>			
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
<b>Economic development:</b>			
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
<b>Community development and planning:</b>			
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
<b>Parks and recreation:</b>			
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

<b>2008</b>	<b>2009</b>	<b>2010 (B)</b>	<b>2011 (A)</b>
22,848	23,430	23,987	23,838
\$17.29	\$21.90	\$18.29	\$18.46
\$11.00	(\$9.70)	(\$85.14)	(\$70.71)
3,180	3,632	3,322	3,089
\$37.18	\$49.89	\$43.71	\$49.15
150	292	184	100
84%	92%	93%	93%
T-Bill + 22 basis pts	T-Bill + 203 basis pts	T-Bill + 63 basis pts	T-Bill +24 basis pts
140 / 1	140 / 2	140 / 0	140 / 0
2,700	2,700	2,700	2,700
989	989	909	975
704	783	729	790
96,603	97,100	94,100	78,000
8,975	8,672	8,900	7,800
30,567	28,058	25,000	15,000
3,001 / 373	3,069 / 393	3,069 / 400	3069 / 400
34.4	34.4	0	2.19
\$17,000,000 / 82	\$17,000,000 / 82	\$6,100,000 / 120	\$16,400,000 / 114
\$4,200,000	\$4,200,000	\$2,400,000	\$3,900,000
14,357	13,654	14,089	12,100
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
216	235	568	330
2,452	2,063	2,702	2,219
196	194	211	225
12	12	7	7
7,311	9,083	7,212	6,845
56	57	54	48
9,520	10,818	12,566	13,112
-	-	-	-

## OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Seven 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) 2011 data is projected in conjunction with the City of Kalamazoo 2011 proposed budget procedures.  
Actual data is not currently available.

(B) 2010 data has been updated from estimated to actual numbers.

Comparative statistical data preceeding 2005 is not available.

Table 17

<b>2008</b>	<b>2009</b>	<b>2010 (B)</b>	<b>2011 (A)</b>
85	87	92	110
70,000	90,000	90,000	90,000
2,350	2,400	2,400	2,400
21,000	21,500	21,500	21,575
9,975	9,845	9,958	10,000
181	185	180	175
\$295	\$300	\$315	\$330
484	475	450	475
\$245	\$255	\$265	\$275
22.4	22.6	22.6	22.9
\$0.440	\$0.460	\$0.460	\$0.420
251,449	252,780	252,780	253,165
36.2	36.2	34.9	34.7
\$0.440	\$0.440	\$0.550	\$0.570
14	14	28	27

## CAPITAL ASSET STATISTICS BY FUNCTION

Last Seven Years  
(unaudited)

Function/Program	2005	2006	2007	Year 2008	2009	2010	2011
General government:							
Administration buildings	-	1	1	1	1	1	1
Vehicles	-	6	8	8	8	7	7
Parking lots	-	7	7	7	7	7	7
Parking ramps	-	3	3	3	3	3	3
Public safety:							
Public safety headquarters building	-	1	1	1	1	1	1
Public safety stations	7	7	7	7	7	7	7
Training facility	-	1	1	1	1	1	1
Vehicles	-	194	193	198	196	191	192
Community development and planning:							
Vehicles	-	25	26	27	27	27	27
Parks and recreation:							
Administration building	-	1	1	1	1	1	1
Youth development center	-	1	1	1	1	1	1
Acreage of parks:							
Mini-parks	-	8.9	8.9	8.9	8.9	8.9	8.9
Neighborhood parks and playgrounds	-	111.5	111.5	111.5	111.5	111.5	111.5
Major community parks	-	728.5	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	137.0
Number of parks:							
Mini-parks	-	9	9	9	9	9	9
Neighborhood parks and playgrounds	-	14	14	14	14	14	14
Major community parks	-	8	8	8	8	8	8
Open green space and preserves	-	17	17	17	17	17	17
Festival site	-	1	1	1	1	1	1
Farmers market	-	1	1	1	1	1	1
Cemeteries	-	2	2	2	2	2	2
Swimming pool	-	1	1	1	1	1	1
Beach	-	1	1	1	1	1	1
Golf courses	-	3	3	3	3	3	3
Vehicles	-	2	2	2	3	3	3
Public works:							
Gravel pit	-	1	1	1	1	1	1
Salt storage building	-	1	1	1	1	1	1
Streets:							
Local streets (miles)	166.29	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	82.39
Traffic signals	-	135	135	135	135	135	136

## CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Seven Years  
(unaudited)

Function/Program	2005	2006	2007	Year 2008	2009	2010	2011
Wastewater:							
Sanitary sewers (miles)	291	293	293	293	293	293	293
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	187.5	187.5
Number of lift stations maintained	52	52	54	54	54	54	59
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5
Water:							
Water facility	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	18	18
Booster/bleeder stations	13	13	13	13	13	13	15
Water mains (miles)	665	665	665	665	665	807	812
Wells in Service	103	103	99	99	99	99	99
Maximum daily well capacity (millions of gallons)	66.79	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	17.80
Internal service:							
Public works equipment (A)							
Utility and other vehicles	-	95	93	90	91	95	76
Public utilities equipment (B)							
Utility and other vehicles	-	120	136	136	136	130	115

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, 2011  
(unaudited)

REVENUES	
Building Permits	\$ 292,080
Electrical Permits	101,929
Mechanical Permits	90,912
Plumbing Permits	45,290
Other Permits & License Fees	<u>57,551</u>
TOTAL REVENUES	587,762
EXPENDITURES	
Wages, Salaries and Benefits	438,430
Supplies	7,045
Services	67,891
Administrative Overhead*	<u>82,260</u>
TOTAL EXPENDITURES	<u>595,626</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ (7,864)</u></u>

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

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

Last Ten Years  
(unaudited)

**Revenue by Source**

Year Ended December 31	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
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
2011	1,519,670	-	-	(11,039,051)	(9,519,381)

**Expenses by Type**

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
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
2011	18,140,577	426,033	249,948	18,816,558

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

TAXABLE VALUE

Last Seven Years  
(unaudited)

<b>TOTAL TAXABLE VALUE</b>						
Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
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%
2010	2011	2011	1,597,347,235	29,798,234	1,627,145,469	-2.42%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2011 (3) ..... \$ 21,910.88

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, 2011, the Taxable Value of the property located in the Zone totaled \$23,393,219.
- (2) Abated taxable value is the equivalent taxable value of property granted tax abatement under Act 198.
- (3) Based on the City's 2011 census of 74,262.

TAXABLE VALUE - CONCLUDED

Last Seven Years  
(unaudited)

**TOTAL TAXABLE VALUE BY USE AND CLASS**

	Years Ended December 31						
	2005	2006	2007	2008	2009	2010	2011
<b>Use</b>							
Commercial	\$ 534,014,385	\$ 567,815,005	\$ 591,866,114	\$ 589,583,943	\$ 606,607,218	\$ 563,036,502	\$ 541,614,381
Industrial	300,634,764	284,054,454	281,518,175	289,483,928	288,393,750	267,710,185	266,864,890
Residential	743,766,235	785,984,354	827,332,071	856,069,445	857,033,288	836,667,489	818,666,198
	<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>	<u>\$ 1,627,145,469</u>
<b>Class</b>							
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	\$ 1,386,487,819
Personal	226,854,600	231,563,748	230,630,950	223,960,600	240,339,200	239,249,150	240,657,650
	<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>	<u>\$ 1,627,145,469</u>

**PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS**

	Years Ended December 31						
	2005	2006	2007	2008	2009	2010	2011
<b>Use</b>							
Commercial	33.83%	34.67%	34.80%	33.98%	34.62%	33.77%	33.29%
Industrial	19.05%	17.34%	16.55%	16.68%	16.46%	16.06%	16.40%
Residential	47.12%	47.99%	48.65%	49.34%	48.92%	50.18%	50.31%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Class</b>							
Real	85.63%	85.86%	86.44%	87.09%	86.28%	85.65%	85.21%
Personal	14.37%	14.14%	13.56%	12.91%	13.72%	14.35%	14.79%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

STATE EQUALIZED VALUATION

Last Seven Years  
(unaudited)

**Total State Equalized Value (SEV)**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem SEV Value (1)	Abated SEV Value (2)	Total SEV Value	Percent Increase
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%
2010	2011	2011	1,690,093,209	30,362,100	1,720,455,309	-3.37%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2010 (3) ..... \$ 23,167.37

(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, 2011, the SEV of the property located in the Zone totaled \$23,625,000

(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 74,262

STATE EQUALIZED VALUATION - CONCLUDED

Last Six Years  
(unaudited)

**Total SEV by Use and Class**

		Years Ended December 31						
<u>Use</u>		2005	2006	2007	2008	2009	2010	2011
Commercial	\$	593,461,785	648,762,947	656,955,700	655,406,800	659,635,900	594,185,500	572,537,400
Industrial		271,393,700	291,139,765	288,315,850	297,254,500	295,147,000	272,429,550	270,606,100
Residential		930,215,135	983,096,900	1,014,513,950	1,036,579,306	958,208,614	913,804,795	877,311,809
		<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>	<u>\$ 1,720,455,309</u>
<u>Class</u>								
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	1,479,786,159
Personal		216,872,200	232,348,848	232,348,848	223,960,600	240,295,600	239,246,450	240,669,150
		<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>	<u>\$ 1,720,455,309</u>

**Percent of Total SEV by Use and Class**

		Years Ended December 31						
<u>Use</u>		2005	2006	2007	2008	2009	2010	2011
Commercial		33.06%	33.74%	33.52%	32.95%	34.48%	33.37%	33.28%
Industrial		15.12%	15.14%	14.71%	14.94%	15.43%	15.30%	15.73%
Residential		51.82%	51.12%	51.77%	52.11%	50.09%	51.33%	50.99%
		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<u>Class</u>								
Real		87.92%	87.92%	87.92%	88.74%	87.44%	86.56%	86.01%
Personal		12.08%	12.08%	12.08%	11.26%	12.56%	13.44%	13.99%
		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

## MAXIMUM AND ACTUAL TAX RATES

December 31, 2011  
(unaudited)

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction (A)	Maximum Allowable Millage	Actual Millage Levied
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	3.0000	0.9635	2.8906	1.5500
Mass Transportation	<u>1.0000</u>	0.0000	<u>1.0000</u>	<u>1.0000</u>
	<u><u>24.0000</u></u>		<u><u>23.1611</u></u>	<u><u>21.8205</u></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>	<u>2011</u>
Constitutional	\$ 5,270,861	\$ 5,205,102	\$ 6,645,230	\$ 4,803,822	\$ 4,997,354	\$ 5,234,462
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>	<u>2,828,982</u>
Total payments received	10,191,621	9,924,746	9,985,176	8,968,211	8,595,042	8,063,444
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</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>	<u>\$ 8,063,444</u>
% of General Fund revenue (2)	18.8%	18.4%	18.8%	18.6%	16.6%	15.0%

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, 2009, 2010 or 2011.
- (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					
	2006	2007	2008	2009	2010	2011
<b><u>Cash Basis</u></b>						
Major Streets	\$ 4,145,499	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194	\$3,800,114	\$ 3,856,427
Local Streets	1,159,416	1,146,604	1,193,602	1,073,035	1,076,285	1,089,278
	<u>\$ 5,304,915</u>	<u>\$ 5,246,649</u>	<u>\$ 5,638,312</u>	<u>\$ 4,858,229</u>	<u>\$ 4,876,399</u>	<u>\$ 4,945,705</u>
	Years Ended December 31					
	2006	2007	2008	2009	2010	2011
<b><u>Accrual Basis</u></b>						
Major Streets	\$ 4,124,532	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932	\$3,803,492	\$ 3,885,881
Local Streets	1,153,481	1,146,418	1,105,811	1,075,337	1,076,655	1,097,173
	<u>\$ 5,278,013</u>	<u>\$ 5,245,597</u>	<u>\$ 5,017,964</u>	<u>\$ 4,868,269</u>	<u>\$ 4,880,147</u>	<u>\$ 4,983,054</u>

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

## LABOR CONTRACTS

December 31, 2011  
(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	Febrary 13, 2011
Non-Union	151	Not Applicable
<b>Total Employees</b>	<b>723</b>	

Source: City of Kalamazoo, Human Resources

\*In process of negotiation

EMPLOYMENT STATISTICS

Last Ten Years  
(unaudited)

	<u>City of Kalamazoo</u>				<u>State of Michigan</u>			
	<u>Employed</u>	<u>Unemployed</u>	<u>Total Labor Force</u>	<u>Unemployed as a % of Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Total Labor Force</u>	<u>Unemployed as a % of Labor Force</u>
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%
2011	33,469	4,255	37,724	11.3%	4,178,000	480,000	4,658,000	10.3%

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

Note: Unemployment data represents annual averages not adjusted for seasonal changes. 2002-2010 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*

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

\* For any contracts which have expired, the City and the affected Township(s) are continuing their relationship under the continuation 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	2007	2008	2009	2010	2011
City:					
Residential	18,295	18,220	18,230	17,425	17,171
Commercial / Industrial	<u>5,257</u>	<u>5,256</u>	<u>5,272</u>	<u>5,998</u>	<u>5,939</u>
Total City	<u>23,552</u>	<u>23,476</u>	<u>23,502</u>	<u>23,423</u>	<u>23,110</u>
Out City:					
Residential	16,863	17,095	18,200	16,475	16,501
Commercial / Industrial	<u>4,738</u>	<u>4,781</u>	<u>4,867</u>	<u>5,432</u>	<u>5,427</u>
Total Out City	<u>21,601</u>	<u>21,876</u>	<u>23,067</u>	<u>21,907</u>	<u>21,928</u>
Total System:					
Residential	35,158	35,315	36,430	33,900	33,672
Commercial / Industrial	<u>9,995</u>	<u>10,037</u>	<u>10,139</u>	<u>11,430</u>	<u>11,366</u>
Total System	<u>45,153</u>	<u>45,352</u>	<u>46,569</u>	<u>45,330</u>	<u>45,038</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>2010</u>	<u>2011</u>
<b><u>Meter Location and Size</u></b>		
City:		
5/8" - 3/4"	16,706	16,419
1"	2,326	2,325
1 1/2"	241	242
2"	1,003	974
3"	181	179
4"	77	78
6"	6	5
8"	<u>0</u>	<u>0</u>
Total City	<u>20,540</u>	<u>20,222</u>
Out City:		
5/8" - 3/4"	8,467	8,404
1"	8,804	8,901
1 1/2"	328	325
2"	901	896
3"	101	103
4"	44	43
6"	9	10
8"	<u>0</u>	<u>0</u>
Total Out City	<u>18,654</u>	<u>18,682</u>
Total Meters	<u><u>39,194</u></u>	<u><u>38,904</u></u>
<b><u>Location and Size of Fire Protection Line/Hydrant</u></b>		
City:		
4"	210	201
6"	174	161
8"	91	83
10"	2	2
Hydrants	<u>2,406</u>	<u>2,441</u>
Total City	<u>2,883</u>	<u>2,888</u>
Out City:		
4"	185	187
6"	97	99
8"	70	70
10"	5	5
Hydrants	<u>2,896</u>	<u>2,885</u>
Total Out City	<u>3,253</u>	<u>3,246</u>
Total Fire Protection	<u>6,136</u>	<u>6,134</u>
Total Service Connections	<u><u>45,330</u></u>	<u><u>45,038</u></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)				
	2007	2008	2009	2010	2011
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 17.93	\$ 17.93	\$ 18.65	\$ 18.30	\$ 18.84
1" Meter	23.11	23.11	24.03	23.91	24.81
1-1/2" Meter	28.29	28.29	29.42	29.52	30.77
2" Meter	42.54	42.54	44.24	44.94	47.18
City (Monthly Billed Accounts):					
5/8" Meter	9.30	9.30	9.67	8.95	8.90
1" Meter	11.02	11.02	11.46	10.82	10.89
1-1/2" Meter	12.75	12.75	13.26	12.69	12.88
2" Meter	17.50	17.50	18.20	17.83	18.35
3" Meter	52.47	52.47	54.57	55.70	58.61
4" Meter	65.43	65.43	68.05	69.72	73.52
6" Meter	95.65	95.65	99.48	102.45	108.32
8" Meter	130.19	130.19	135.40	139.35	148.08
City (Monthly Fire Protection Charge):					
4" Detector Check	16.34	16.34	16.99	19.54	21.72
6" Detector Check	21.02	21.02	21.86	23.06	25.46
8" Detector Check	30.28	30.28	31.49	30.60	33.26
10" Detector Check	66.31	66.31	68.96	65.03	68.49
Fire Hydrant	3.33	3.33	3.47	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	27.40	27.40	28.50	24.01	23.03
1" Meter	36.36	36.36	37.81	31.90	30.66
1-1/2" Meter	45.33	45.33	47.14	39.80	38.30
2" Meter	69.99	69.99	72.79	61.51	59.31
Out City (Monthly Billed Accounts):					
5/8" Meter	12.45	12.45	12.95	10.85	10.30
1" Meter	15.44	15.44	16.06	13.48	12.84
1-1/2" Meter	18.43	18.43	19.17	16.11	15.39
2" Meter	26.65	26.65	27.72	23.35	22.39
3" Meter	87.18	87.18	90.67	76.64	73.95
4" Meter	109.60	109.60	113.98	96.38	93.04
6" Meter	161.90	161.90	168.38	142.43	137.60
8" Meter	221.68	221.68	230.55	195.07	188.52
Out City (Monthly Fire Protection Charge):					
4" Detector Check	28.33	28.33	29.46	29.29	42.92
6" Detector Check	35.63	35.63	37.06	33.54	54.82
8" Detector Check	49.89	49.89	51.89	42.35	79.86
10" Detector Check	102.99	102.99	107.11	81.70	197.68
Fire Hydrant	3.33	3.33	3.47	3.33	3.33

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

## WATER SUPPLY SYSTEM

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

<u>Meter Location and Classification</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City:					
Residential	\$0.197	\$0.197	\$0.205	\$0.237	\$0.270
Multifamily	0.139	0.139	0.145	0.213	0.243
Commercial/Industrial	0.168	0.168	0.175	0.239	0.272
Fire Protection - First 15 M3	0.168	0.168	0.180	0.233	0.263
Fire Protection - Over 15 M3	0.504	0.504	0.524	0.699	0.789
Seasonal Uses	0.329	0.329	0.342	0.468	0.527
Out City:					
Residential	\$0.444	\$0.444	\$0.462	\$0.501	\$0.504
Multifamily	0.300	0.300	0.312	0.332	0.335
Commercial/Industrial	0.356	0.356	0.370	0.374	0.377
Fire Protection - First 15 M3	0.356	0.356	0.370	0.369	0.372
Fire Protection - Over 15 M3	1.068	1.068	1.111	1.107	1.116
Seasonal Uses	0.867	0.867	0.902	1.013	1.014

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

(1) per cubic meter

## WATER SUPPLY SYSTEM

History of System Rate Increases  
(unaudited)

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

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

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

## WATER SUPPLY SYSTEM

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

Last Five Years  
(unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Pumped	28,089,780	25,787,182	25,470,589	25,737,266	25,375,000
Billed	<u>23,937,831</u>	<u>22,381,271</u>	<u>22,588,130</u>	<u>22,747,167</u>	<u>22,362,833</u>
Unaccounted (2)	<u>4,151,949</u>	<u>3,405,911</u>	<u>2,882,459</u>	<u>2,990,099</u>	<u>3,012,167</u>
Unaccounted as a Percent of Pumped	<u>14.78%</u>	<u>13.21%</u>	<u>11.32%</u>	<u>11.62%</u>	<u>11.87%</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City:					
Residential	4,634,794	4,351,103	4,353,574	4,769,631	4,351,285
Multifamily	1,902,117	1,896,895	1,903,421	1,861,800	1,838,454
Commercial/Industrial	5,970,700	5,537,070	5,780,822	5,521,424	6,050,094
Fire Protection	1,786	8,067	7,919	7,165	6,519
Seasonal Uses (1)	<u>618,513</u>	<u>570,924</u>	<u>566,631</u>	<u>590,136</u>	<u>431,573</u>
Total City	<u>13,127,910</u>	<u>12,364,059</u>	<u>12,612,367</u>	<u>12,750,156</u>	<u>12,677,925</u>
Out City:					
Residential	6,234,057	5,700,057	5,719,634	5,614,720	5,133,751
Multifamily	1,580,616	1,654,052	1,631,892	1,553,430	1,579,548
Commercial/Industrial	2,418,745	2,173,597	2,099,465	2,329,291	2,521,467
Fire Protection	2,903	4,343	4,954	3,958	4,349
Seasonal Uses (1)	<u>573,600</u>	<u>485,163</u>	<u>519,818</u>	<u>495,612</u>	<u>445,793</u>
Total Out City	<u>10,809,921</u>	<u>10,017,212</u>	<u>9,975,763</u>	<u>9,997,011</u>	<u>9,684,908</u>
Total System:					
Residential	10,868,851	10,051,160	10,073,208	10,384,351	9,485,036
Multifamily	3,482,733	3,550,947	3,535,313	3,415,230	3,418,002
Commercial/Industrial	8,389,445	7,710,667	7,880,287	7,850,715	8,571,561
Fire Protection	4,689	12,410	12,873	11,123	10,868
Seasonal Uses (2)	<u>1,192,113</u>	<u>1,056,087</u>	<u>1,086,449</u>	<u>1,085,748</u>	<u>877,366</u>
Total System	<u>23,937,831</u>	<u>22,381,271</u>	<u>22,588,130</u>	<u>22,747,167</u>	<u>22,362,833</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)

	2007	2008	2009	2010	2011
Average Daily Water Supply	20.330	18.660	18.440	18.604	18.367
Peak Daily Water Supply	41.075	31.376	33.855	34.614	34.374
Peak as a Percent of Average	202.04%	168.15%	183.60%	186.06%	187.15%

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City:					
Residential	\$ 2,097,359	\$ 2,142,163	\$ 2,195,516	\$ 2,365,814	\$ 2,464,785
Multifamily	432,173	441,404	440,712	567,730	628,206
Commercial/Industrial	1,361,340	1,318,086	1,412,125	1,734,778	1,943,695
Fire Protection	117,994	125,011	131,510	144,982	150,425
Seasonal Uses	258,873	248,337	242,155	271,702	225,852
<b>Total City</b>	<b>4,267,739</b>	<b>4,275,001</b>	<b>4,422,018</b>	<b>5,085,006</b>	<b>5,412,963</b>
Out City:					
Residential	4,660,011	4,570,675	4,739,504	4,568,285	4,375,222
Multifamily	711,823	753,250	749,995	747,807	753,152
Commercial/Industrial	1,210,311	1,139,639	1,180,012	1,278,008	1,328,943
Fire Protection	147,035	164,881	178,517	167,293	165,903
Seasonal Uses	558,552	488,823	523,200	496,735	424,599
<b>Total Out City</b>	<b>7,287,732</b>	<b>7,117,268</b>	<b>7,371,228</b>	<b>7,258,128</b>	<b>7,047,819</b>
Total System:					
Residential	6,757,370	6,712,838	6,935,020	6,934,099	6,840,007
Multifamily	1,143,996	1,194,654	1,190,707	1,315,537	1,381,358
Commercial/Industrial	2,571,651	2,457,725	2,592,137	3,012,786	3,272,638
Fire Protection	265,029	289,892	310,027	312,275	316,328
Seasonal Uses	817,425	737,160	765,355	768,437	650,451
<b>Total System</b>	<b>\$ 11,555,471</b>	<b>\$ 11,392,269</b>	<b>\$ 11,793,246</b>	<b>\$ 12,343,134</b>	<b>\$ 12,460,782</b>

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

## WATER SUPPLY SYSTEM

## Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2011  
(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>
Graphic Packaging	Paper Products	1,891,733	8.5%	\$ 390,682	3.1%
Western Michigan University	Higher Education	773,973	3.5%	325,600	2.6%
Pfizer Corporation	Pharmaceuticals	455,677	2.0%	155,743	1.2%
Bronson Methodist Hospital	Hospital	298,370	1.3%	117,377	0.9%
Borgess Medical Center	Hospital	341,676	1.5%	113,176	0.9%
Kalsec Inc.	Food Grade Flavoring	217,946	1.0%	83,701	0.7%
5200 E. Cork St Investors	Multi Use Facility	137,159	0.6%	60,190	0.5%
Pavillion Estates	Mobile Home Park	112,830	0.5%	57,840	0.5%
Concord Place Apartments	Apartment Complex	112,593	0.5%	48,639	0.4%
Occidental Development	Real Estate Development	74,497	0.3%	47,872	0.4%
		<u>4,416,454</u>	<u>19.7%</u>	<u>1,400,820</u>	<u>11.2%</u>

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

(1) Based on water volume of 22,362,833 cubic meters.

(2) Based on Water System billed revenue of \$12,460,782.

## WASTEWATER SYSTEM

Wastewater Service Agreements  
(unaudited)

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

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

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

## WASTEWATER SYSTEM

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

Customer Location and Classification	2007	2008	2009	2010	2011
<u>Retail Customers</u>					
<i>In-City Retail Customers</i>					
Residential	16,622	16,527	16,487	16,977	16,742
Commercial	2,814	2,797	2,500	2,630	2,608
Industrial	179	174	168	102	99
Sub-Total	19,615	19,498	19,155	19,709	19,449
<i>Out-City Retail Customers</i>					
Residential	9,235	9,438	9,674	9,906	9,961
Commercial	1,431	1,449	1,410	1,452	1,479
Industrial	52	55	53	27	27
Sub-Total	10,718	10,942	11,137	11,385	11,467
Total Retail Customers	30,333	30,440	30,292	31,094	30,916
<u>Wholesale Customers</u>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	8	8	8	2	3
Septage Haulers	8	8	8	2	2
Sub-Total	26	26	26	14	15
<u>Flat Rate Customers</u>	1,505	1,511	1,511	1,525	1,524
Total Sewer Customers	31,864	31,977	31,829	32,633	32,455

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
5/8" - 3/4"	22,489	22,112	22,141	22,746	22,456
1"	5,395	5,845	5,742	6,115	6,223
1-1/2"	450	449	489	432	440
2"	1,558	1,579	1,511	1,465	1,457
3"	278	281	266	240	241
4"	139	139	108	89	90
6"	24	35	35	7	9
	<u>30,333</u>	<u>30,440</u>	<u>30,292</u>	<u>31,094</u>	<u>30,916</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>2007 (1)</u>		<u>2008-2009 (2)</u>		<u>2010 (3)</u>		<u>2011 (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"	\$ 7.08	\$ 7.87	\$ 5.76	\$ 6.53	\$ 6.71	\$ 7.10	\$ 6.44	\$ 6.93
3/4"	7.11	7.99	5.79	6.65	6.73	7.16	6.47	7.01
1"	7.23	8.35	5.91	7.00	6.79	7.34	6.54	7.24
1-1/2"	7.40	8.83	6.06	7.46	6.86	7.58	6.64	7.53
2"	7.84	10.16	6.49	8.75	7.08	8.23	6.91	8.35
3"	11.07	19.86	9.65	18.21	8.68	12.99	8.92	14.38
4"	12.27	23.46	10.81	21.72	9.26	14.76	9.67	16.61
6"	15.07	31.85	13.54	29.90	10.64	18.88	11.40	21.82
Out City:								
5/8"	\$ 7.57	\$ 10.63	\$ 6.43	\$ 9.65	\$ 7.62	\$ 11.20	\$ 7.37	\$ 10.88
3/4"	7.72	11.09	6.59	10.14	7.79	11.74	7.55	11.40
1"	8.18	12.47	7.07	11.58	8.34	13.35	8.08	12.98
1-1/2"	8.79	14.31	7.72	13.52	9.05	15.49	8.78	15.07
2"	10.48	19.37	9.49	18.84	11.02	21.41	10.70	20.86
3"	22.89	56.51	22.55	58.00	25.52	64.90	24.88	63.40
4"	27.48	70.36	27.39	72.51	30.88	81.01	30.13	79.16
6"	38.20	102.52	38.67	106.36	43.42	118.60	42.39	115.92

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

(1) Rate change effective July 1, 2007.

(2) Rate change effective March 1, 2008.

(3) Rate change effective February 1, 2010.

(4) Rate change effective March 1, 2011.

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
2007 (3)	0.308	0.637	0.378	0.406	33.514	0.283	0.648
2008-2009 (4)	0.315	0.680	0.408	0.439	34.842	0.288	0.692
2010 (5)	0.287	0.757	0.473	0.507	96.336	0.261	0.769
2010 (6)	0.322	0.755	0.487	0.529	69.627	0.297	0.766

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 July 1, 2007.
- (4) Rate change effective March 1, 2008.
- (5) Rate change effective February 1, 2010.
- (6) Rate change effective March 1, 2011.

## WASTEWATER SYSTEM

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

<u>Retail Customers</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	5,600,859	5,410,919	5,398,772	5,833,523	5,526,798
Commercial	8,370,324	8,073,068	8,371,739	7,581,237	7,400,234
Industrial	<u>1,548,037</u>	<u>1,360,888</u>	<u>1,407,118</u>	<u>1,906,731</u>	<u>1,844,858</u>
Sub-Total	<u>15,519,220</u>	<u>14,844,875</u>	<u>15,177,629</u>	<u>15,321,491</u>	<u>14,771,890</u>
<u>Wholesale Customers</u>					
Industries	4,589,025	4,602,014	4,331,149	4,561,502	4,211,293
Wholesale Municipal	8,309,205	8,504,167	8,275,112	7,698,627	7,517,900
Dewatering Accounts	200,886	476,339	403,709	100,854	83,497
Septage Haulers	<u>11,457</u>	<u>3,202</u>	<u>595</u>	<u>348</u>	<u>176</u>
Sub-Total	<u>13,110,573</u>	<u>13,585,722</u>	<u>13,010,565</u>	<u>12,361,331</u>	<u>11,812,866</u>
Total Wastewater Billed	<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>	<u><u>26,584,756</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Metered Wastewater Volume	32,744,521	36,205,564	35,368,222	34,915,178	35,566,982
Wastewater Consumption as Billed	<u>28,629,792</u>	<u>28,430,597</u>	<u>28,188,195</u>	<u>27,682,822</u>	<u>26,584,756</u>
Difference (2)	<u>4,114,729</u>	<u>7,774,967</u>	<u>7,180,027</u>	<u>7,232,356</u>	<u>8,982,226</u>
Difference as a % of Metered Wastewater Volume	12.6%	21.5%	20.3%	20.7%	25.3%

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Average Daily Sewage Disposal Volume	23.7	26.1	25.6	25.3	25.7
Peak Daily Sewage Disposal Volume	29.3	69.3	40.8	36.1	35.6
Peak as a Percent of Average	123.63%	265.52%	159.38%	142.69%	138.52%

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

(1) Measured in millions of gallons per day.

WASTEWATER SYSTEM

Ten Largest Customers  
by Wastewater System Revenue and Volume as Billed

Year Ended December 31, 2011  
(unaudited)

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
Pfizer	Pharmaceuticals	3,276,154	12.3%	\$ 583,094	\$ 3,432,543	\$ 4,015,637	21.7%
City of Portage	Municipality	5,251,131	19.8%	2,546,465	-	2,546,465	13.8%
Graphic Packaging	Paper Products	935,139	3.5%	49,657	1,024,862	1,074,519	5.8%
Gull Lake Sewer Authority District	Municipality	1,013,830	3.8%	491,775	-	491,775	2.7%
Kalsec	Food Grade Flavorings	103,695	0.4%	43,421	363,033	406,454	2.2%
JR7 (Graphic Packaging)	Paper Products	55,855	0.2%	3,335	254,169	257,504	1.4%
Pfizer Farms*	Research	-	0.0%	-	252,660	252,660	1.4%
Western Michigan University	Higher Education	652,155	2.5%	238,443	-	238,443	1.3%
Mattawan	Municipality	396,634	1.5%	192,364	-	192,364	1.0%
Cytec	Chemicals	273,052	1.0%	16,268	160,159	176,427	1.0%
		<u>11,957,645</u>	<u>45.0%</u>	<u>\$ 4,164,822</u>	<u>\$ 5,487,426</u>	<u>\$ 9,652,248</u>	<u>52.2%</u>

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

(1) Based on wastewater treatment volume of 26,584,756 cubic meters.

(2) Based on Wastewater System billed revenue of \$18,475,642.

\*Flow billed through Gull Lake Sewer Authority

## WASTEWATER SYSTEM

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

<u>Meter Location and Classification</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City:					
Residential	\$ 1,643,988	\$ 1,574,910	\$ 1,534,565	\$ 1,505,049	\$ 1,545,787
Commercial	1,776,627	1,723,460	1,833,658	1,502,101	1,590,620
Industrial	158,754	144,878	162,644	307,098	273,019
Industrial Monitored	408,036	492,099	634,294	578,621	571,486
Contract	873,332	974,042	973,752	973,155	1,074,519
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	32,718	63,764	45,892	6,549	6,933
<b>Total City</b>	<b>4,893,455</b>	<b>4,973,153</b>	<b>5,184,805</b>	<b>4,872,573</b>	<b>5,062,364</b>
Out City:					
Residential	1,915,832	2,031,765	2,094,785	2,526,059	2,482,763
Commercial	2,062,267	2,280,209	2,227,773	2,234,332	2,266,245
Industrial	116,366	76,495	69,198	79,018	150,980
Industrial Monitored	806,888	1,032,009	645,703	779,744	804,444
Contract	2,847,662	3,104,871	3,939,994	3,922,709	4,015,637
Municipalities	2,871,259	3,427,048	3,379,907	3,606,832	3,653,947
Septage Haulers	341,267	107,444	18,745	25,400	12,606
Dewatering	10,306	21,785	22,373	30,341	26,656
<b>Total Out City</b>	<b>10,971,847</b>	<b>12,081,626</b>	<b>12,398,478</b>	<b>13,204,435</b>	<b>13,413,278</b>
Total System:					
Residential	3,559,820	3,606,675	3,629,350	4,031,108	4,028,550
Commercial	3,838,894	4,003,669	4,061,431	3,736,433	3,856,865
Industrial	275,120	221,373	231,842	386,116	423,999
Industrial Monitored	1,214,924	1,524,108	1,279,997	1,358,365	1,375,930
Contract	3,720,994	4,078,913	4,913,746	4,895,864	5,090,156
Municipalities	2,871,259	3,427,048	3,379,907	3,606,832	3,653,947
Septage Haulers	341,267	107,444	18,745	25,400	12,606
Dewatering	43,024	85,549	68,265	36,890	33,589
<b>Total System</b>	<b>\$ 15,865,302</b>	<b>\$ 17,054,779</b>	<b>\$ 17,583,283</b>	<b>\$ 18,077,008</b>	<b>\$ 18,475,642</b>

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

## WASTEWATER SYSTEM

History of System Rate Increases  
(unaudited)

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

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

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