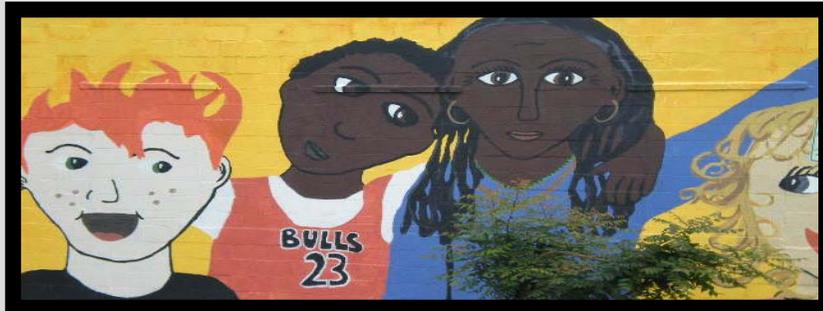
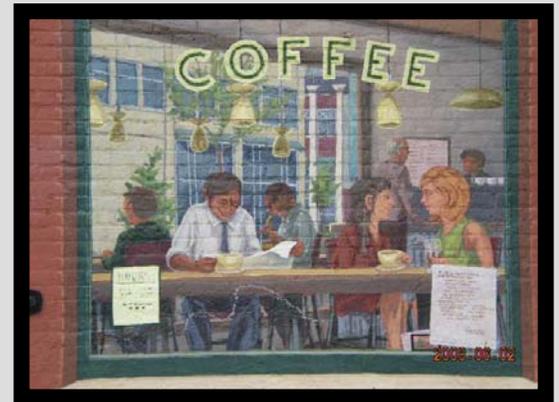
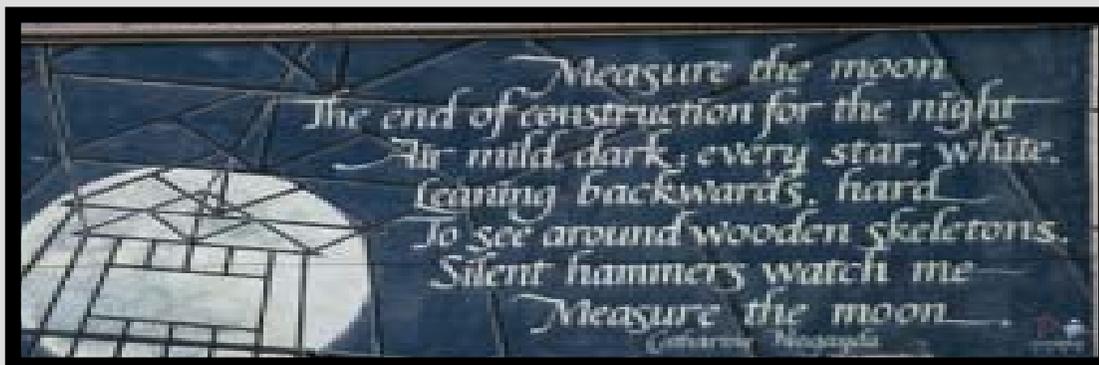


# City of Kalamazoo Comprehensive Annual Financial Report

## 2007



COOL City Art



# **CITY OF KALAMAZOO, MICHIGAN**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2007**

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### **City Commission**

**Bobby J. Hopewell, Mayor  
Hannah J. McKinney, Vice Mayor  
Don Cooney  
David Anderson  
Barbara Hamilton Miller  
Sean McCann  
Stephanie Moore**

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

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

**Independent Auditors:  
Rehmann Robson**

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# INTRODUCTORY SECTION



## OFFICE OF THE CITY MANAGER

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Kalamazoo, MI 49007-4796  
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Fax: (269) 337-8182  
[www.kalamazoo.org](http://www.kalamazoo.org)

June 30, 2008

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, 2007.

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

Rehmann Robson, Certified Public Accounts, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2007. 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 77,145. The City, also the county seat, is home to Western Michigan University, a state-designated Research I university, as well as Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College. As a municipality of the State of Michigan, the City of Kalamazoo is empowered to levy a property tax on both real and personal property located within its boundaries.

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

### **City Services**

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

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

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

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

### **Budgeting Control**

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

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

The budget has been approved in accordance with GAAP for all governmental funds with the exception of property taxes, as the State of Michigan property tax calendar (which begins July 1) differs from the City's fiscal year (which begins January 1). The City Charter allows property taxpayers to pay their taxes in twelve (12) monthly installments. Property taxes are budgeted in the year levied, even though they are not fully available to finance operations in the current year. Because GAAP requires the recognition of only those property tax collections made during the fiscal year with a sixty-day accrual period, the City prepares dual statements for its General and Solid Waste funds, one in conformity with GAAP, and one on a "Non-GAAP, budgetary basis". Further discussion on this difference and its implication is provided in the 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, 2007, the City of Kalamazoo Employee Retirement System had 1,550 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 2007. The funded status, defined as the percentage of actuarial assets to actuarial liabilities, increased from 148.4% in 2006 to 153.0% as of December 31, 2007, due to favorable asset experience.

The City also provides post-employment health care benefits for certain retirees and their beneficiaries. These benefits are financed on a pay-as-you go basis. Current GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. Additional information on the City's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

### **SEC Disclosure under Rule 15c2-12**

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

## **Local Economy**

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

A long-time cultural and commercial center for the region, Kalamazoo has made tremendous strides over the past decade to revitalize its central business district, and downtown Kalamazoo has now become a dining and entertainment hub, with much of the new activity occurring in restored historic buildings. Within the last several years, the Radisson Plaza Hotel, located in the heart of downtown, celebrated the completion of its \$33 million renovation, including a new façade, the addition of 71 rooms (including suites and long-term stay rooms), a new restaurant, and several upscale shops. Other recently completed projects include the \$4.6 million renovation of the United Electric Building; the public-private \$27 million multi-screen movie theater, parking ramp and retail/residential project at 141 East South Street; continued progress on Bronson Healthcare Group's campus master plan and several smaller projects resulting in preservation of historic structures and creation of residential loft space. The Arcadia Commons project, the new \$180 million Bronson Hospital campus, improvements to the downtown mall, the \$33 million expansion of the Kalamazoo Gazette, the \$3.3 million project to renovate 2 buildings in the downtown into new entertainment and restaurant venues and projects discussed above account for more than \$450 million in total new investment downtown over the past 10 years.

In 2005, a group of anonymous citizens interested in the economic strength and quality of life in the City of Kalamazoo made a tremendous contribution on behalf of Kalamazoo Public School System students. All students who graduate from Kalamazoo Public Schools, are residing in the district, and have been students four years or more will be given funding for college tuition and mandatory fees. The amount of available dollars depends on years of residency and the number of grades attended in KPS, up to 100% of tuition and mandatory fees. The funds will be available to use at any public university or community college in the State of Michigan. The scholarships that now await graduates of Kalamazoo Public Schools go a long way toward making the school-improvement goal a done deal and in the process, could launch an unprecedented boon to business and economic development.

The City has completed plans for redevelopment along the Kalamazoo River on the eastern edge of downtown using \$2.9 million in state grant money for land acquisition and site preparation work leading to higher and better land uses, such as townhouses, unique commercial venues, and public amenities designed to draw people to the waterfront.

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

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

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

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

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

### **Long-term financial planning**

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

Fiscal year 2008 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.

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

### **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, 2006. This was the twelfth 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.

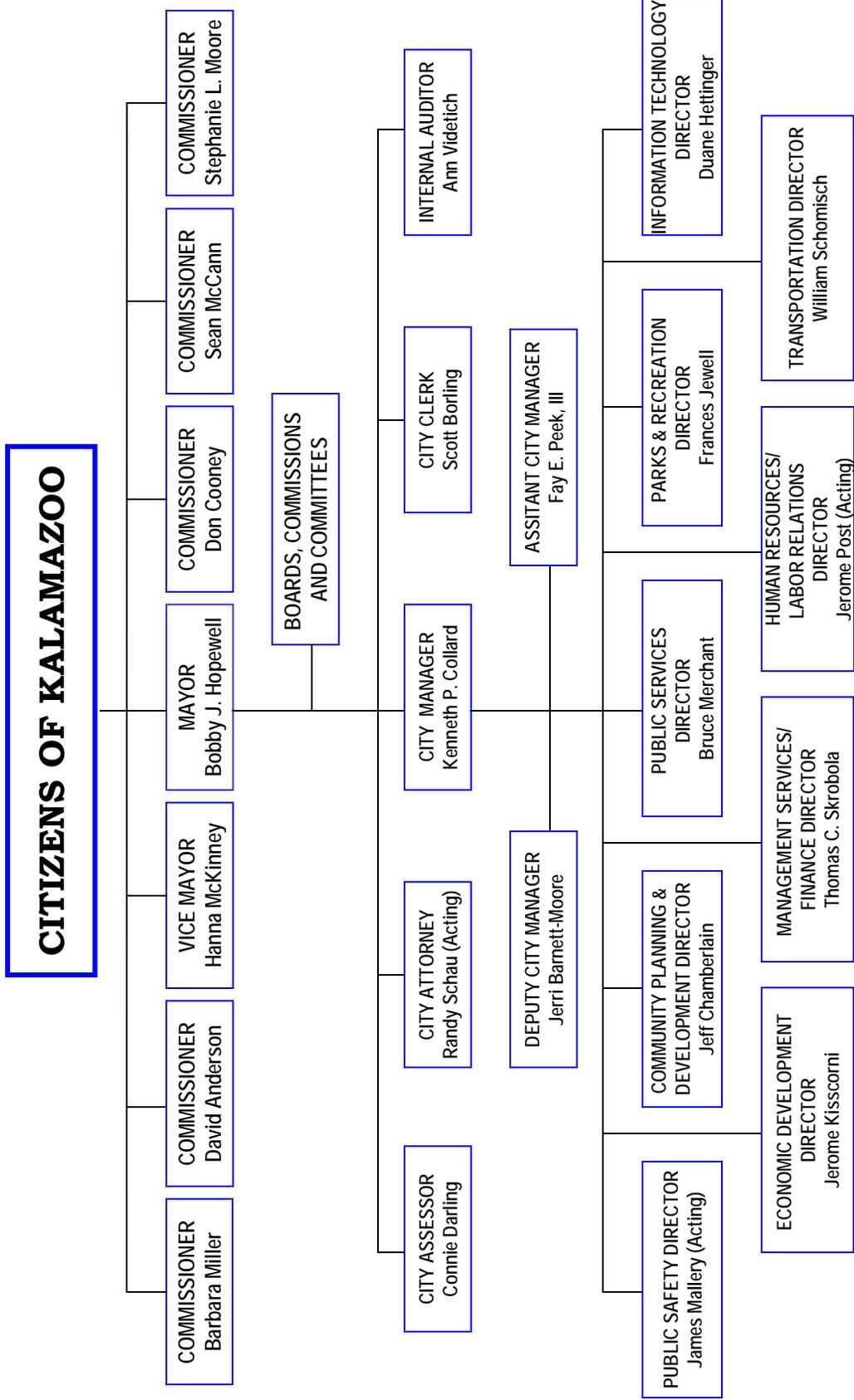
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the City of Kalamazoo. We want to thank all involved in the financial monitoring and reporting of City activities, especially the Budget & Accounting Division and specifically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

Respectfully submitted,



Kenneth P. Collard  
City Manager

# City of Kalamazoo Organizational Chart



# CITY OF KALAMAZOO, MICHIGAN

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

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### City Commission

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

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

### City Administration

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

Jerri Barnett-Moore, Deputy City Manager  
Fay Peek, Assistant City Manager  
Jerome Kisscorni, Executive Director of Economic Development Corporation  
Jerome Post, Acting Human Resources/Labor Relations Director  
James Mallery, Acting Chief of Public Safety  
Thomas C. Skrobola, Director of Management Services and Finance Director  
Patsy Moore, Deputy Finance Director  
William Schomisch, Transportation Director  
Frances Jewell, Parks & Recreation Director  
Duane Hettinger, Information Technology Director  
Bruce Merchant, Public Services Director

#### **MANAGEMENT SERVICES DEPARTMENT**

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

#### **CITY COMMISSION APPOINTEES**

Scott Borling, City Clerk  
Constance Darling, City Assessor  
Ann Videtich, Internal Auditor  
Randy Schau, Acting City Attorney

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kalamazoo  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

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



President

Executive Director

# FINANCIAL SECTION



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

June 30, 2008

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kalamazoo's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority and the Kalamazoo Municipal Golf Association, which represent 12.1% and 3.4% of the assets and 29.4% and 5.2% of the revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Development Authority and the Kalamazoo Municipal Golf Association, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Kalamazoo Municipal Golf Association were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the City of Kalamazoo, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the City of Kalamazoo, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$336,032,290 (*net assets*). Of this amount, \$26,897,584 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,528,945 or 0.76%. This net increase was a combination of a \$4.28 million increase in governmental activities net assets and a \$1.74 million decrease in business-type activity net assets.
- The City's balance of bonded debt stayed level, increasing by \$255,000 during the current fiscal year. The City added \$6.6 million in bonded debt, including one General Obligation debt bond for \$855,000, and two revenue bonds: one Michigan Transportation Fund bond (\$3.86 million) and one Water System Supply Revenue bond (\$1.9 million). The City made scheduled bond payments totaling slightly more than \$6.6 million.
- As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$28,987,494, a decrease of \$1,109,328 in comparison of the prior year. Approximately 53% of the combined fund balances, or \$15,378,650, was available for spending at the government's discretion ("*unreserved fund balance*"). However of that amount, \$10,761,021 was attributable to special revenue funds, debt service funds, capital projects funds and permanent funds. Fund balances in those funds must be used for their intended purposes.
- The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) unreserved, undesignated fund balance for the general fund was \$7,918,759, or 14.9% of total general fund revenues and other financing sources. For the purpose of the City's policy, amounts designated as budgeted for use in the next year, (\$1,238,283 for 2008) is added to the unreserved, undesignated fund balance, resulting in a fund balance of \$9,157,042, or 17.22%. The General Fund *GAAP* unreserved, undesignated fund balance for the general fund was \$2,186,752 or 4.1% of total general fund revenues and other financing sources.
- Combined business-type activities net assets decreased \$1,748,684 in 2007. This included \$2.4 million increase to net assets in the Water Fund, due mainly to \$3.9 million capital contributions received (revenues for extensions and system improvements from an outside party), and a \$4.1 million operating loss in the Wastewater fund.

## Management's Discussion and Analysis

### Overview and Analysis of the Financial Statements

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

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

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

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

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

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

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

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

## Management's Discussion and Analysis

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

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

The City maintains twenty (20) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's general funds; solid waste, neighborhood and community development special revenue funds; and the Building authority debt service fund. Data from the other sixteen (16) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

**Proprietary funds.** The City maintains two different types of proprietary funds, *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, and farmer's market. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance, self-insurance, engineering services, city-wide maintenance, and printing/mail services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

## Management's Discussion and Analysis

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-74 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 75 of this report.

The combining statements referred to earlier in connection with non major funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 76-121 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 \$336,032,290 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$267,862,241 or 79.7 percent, reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$41,272,465 or 12.3 percent, represents resources that are subject to external restrictions on how they may be used. Restricted net assets include amounts set aside for endowments, debt service, debt-financed projects, long-term advances, and externally mandated commitments. The remaining balance of *unreserved net assets*, \$26,897,584 or 8.0 percent may be used to meet the government's ongoing obligations to citizens and creditors.

## Management's Discussion and Analysis

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

### City of Kalamazoo's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 66,511,816	\$ 65,112,763	\$ 24,533,338	\$ 30,470,223	\$ 91,045,154	\$ 95,582,986
Capital assets, net	174,239,484	170,061,365	178,599,777	175,817,594	352,839,261	345,878,959
Total assets	240,751,300	235,174,128	203,133,115	206,287,817	443,884,415	441,461,945
Long-term liabilities outstanding	72,335,004	72,391,833	25,856,796	25,765,201	98,191,800	98,157,034
Other liabilities	7,615,947	6,259,575	2,044,378	3,541,991	9,660,325	9,801,566
Total liabilities	79,950,951	78,651,408	27,901,174	29,307,192	107,852,125	107,958,600
Net assets:						
Invested in capital assets, net						
of related debt	113,110,907	109,408,557	154,751,334	152,082,594	267,862,241	261,491,151
Restricted	30,356,826	28,757,898	10,915,639	11,618,293	41,272,465	40,376,191
Unrestricted	17,332,616	18,356,265	9,564,968	13,279,738	26,897,584	31,636,003
Total net assets	\$ 160,800,349	\$ 156,522,720	\$ 175,231,941	\$ 176,980,625	\$ 336,032,290	\$ 333,503,345

The government's total net assets increased by \$2,528,945 or 0.76%. This net increase was a combination of a \$4.27 million increase in governmental activities net assets and a \$1.74 million decrease in business-type activity net assets.

## Management's Discussion and Analysis

### City of Kalamazoo's Changes in Net Assets

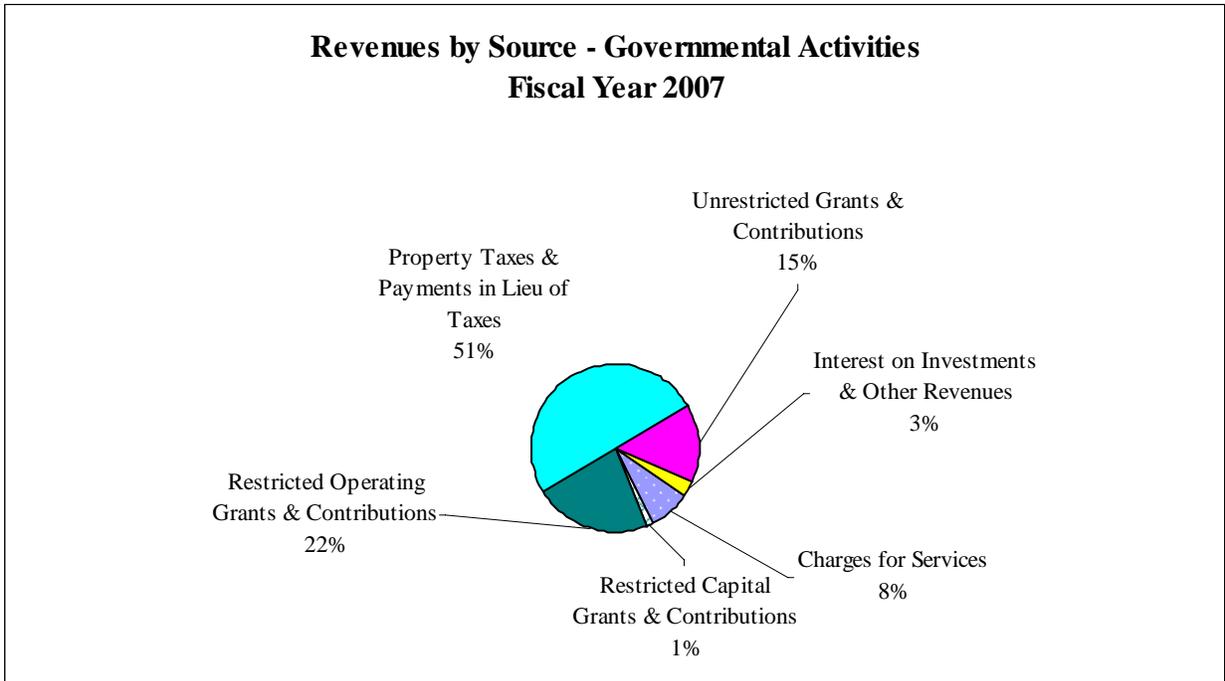
	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenue:						
Charges for services	\$ 5,856,878	\$ 5,240,627	\$ 27,760,888	\$ 28,975,685	\$ 33,617,766	\$ 34,216,312
Operating grants and contributions	15,685,545	13,439,433	962,170	1,010,733	16,647,715	14,450,166
Capital grants and contributions	661,968	393,565	3,965,417	3,618,003	4,627,385	4,011,568
General revenue:						
Property taxes	35,263,246	35,148,859	-	-	35,263,246	35,148,859
Grants and contributions not restricted to specific programs	10,243,913	10,967,559	7,390	8,645	10,251,303	10,976,204
Other	2,074,947	1,802,340	92,189	183,650	2,167,136	1,985,990
Total revenue	<u>69,786,497</u>	<u>66,992,383</u>	<u>32,788,054</u>	<u>33,796,716</u>	<u>102,574,551</u>	<u>100,789,099</u>
Expenses:						
General government	3,370,219	6,491,807	-	-	3,370,219	6,491,807
Public safety	31,437,072	29,898,894	-	-	31,437,072	29,898,894
Economic development	522,649	527,345	-	-	522,649	527,345
Community development and planning	5,162,836	5,051,199	-	-	5,162,836	5,051,199
Parks	1,171,824	894,120	-	-	1,171,824	894,120
Recreation	1,921,507	1,855,689	-	-	1,921,507	1,855,689
Public works	6,015,033	5,255,159	-	-	6,015,033	5,255,159
Streets	13,354,094	6,636,399	-	-	13,354,094	6,636,399
Interest on long-term debt	2,986,121	3,091,454	-	-	2,986,121	3,091,454
Wastewater	-	-	20,240,292	20,370,767	20,240,292	20,370,767
Water	-	-	13,819,287	11,875,242	13,819,287	11,875,242
Other	-	-	44,672	40,649	44,672	40,649
Total expenses	<u>65,941,355</u>	<u>59,702,066</u>	<u>34,104,251</u>	<u>32,286,658</u>	<u>100,045,606</u>	<u>91,988,724</u>
Increase in net assets before transfers	3,845,142	7,290,317	(1,316,197)	1,510,058	2,528,945	8,800,375
Transfers	432,487	-	(432,487)	-	-	-
Change in net assets	<u>4,277,629</u>	<u>7,290,317</u>	<u>(1,748,684)</u>	<u>1,510,058</u>	<u>2,528,945</u>	<u>8,800,375</u>
Net assets - beginning, as restated	<u>156,522,720</u>	<u>149,232,403</u>	<u>176,980,625</u>	<u>175,470,567</u>	<u>333,503,345</u>	<u>324,702,970</u>
Net assets - end of year	<u>\$ 160,800,349</u>	<u>\$ 156,522,720</u>	<u>\$ 175,231,941</u>	<u>\$ 176,980,625</u>	<u>\$ 336,032,290</u>	<u>\$ 333,503,345</u>

**Governmental activities.** Governmental activities increased the City's net assets \$4.2 million. Key elements of this increase are as follows:

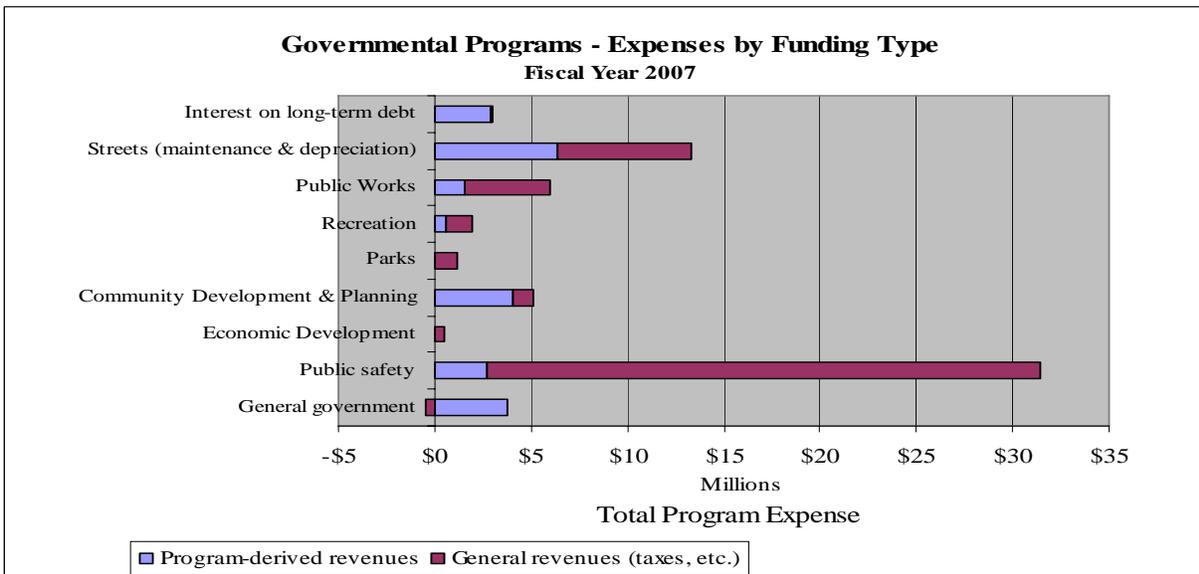
- Property taxes increased by \$799,576 or 2.5%, on a non-GAAP, budgetary basis from 2006, primarily as a result of personal property tax audits resulting in increased collections.
- Operating grants and contributions increased by \$2,246,112, primarily as a result of support for major capital projects by the State and other local governments.

## Management's Discussion and Analysis

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 2007, 69% of governmental program expenses were funded by a combination of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and reserves as depicted on the following chart.



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

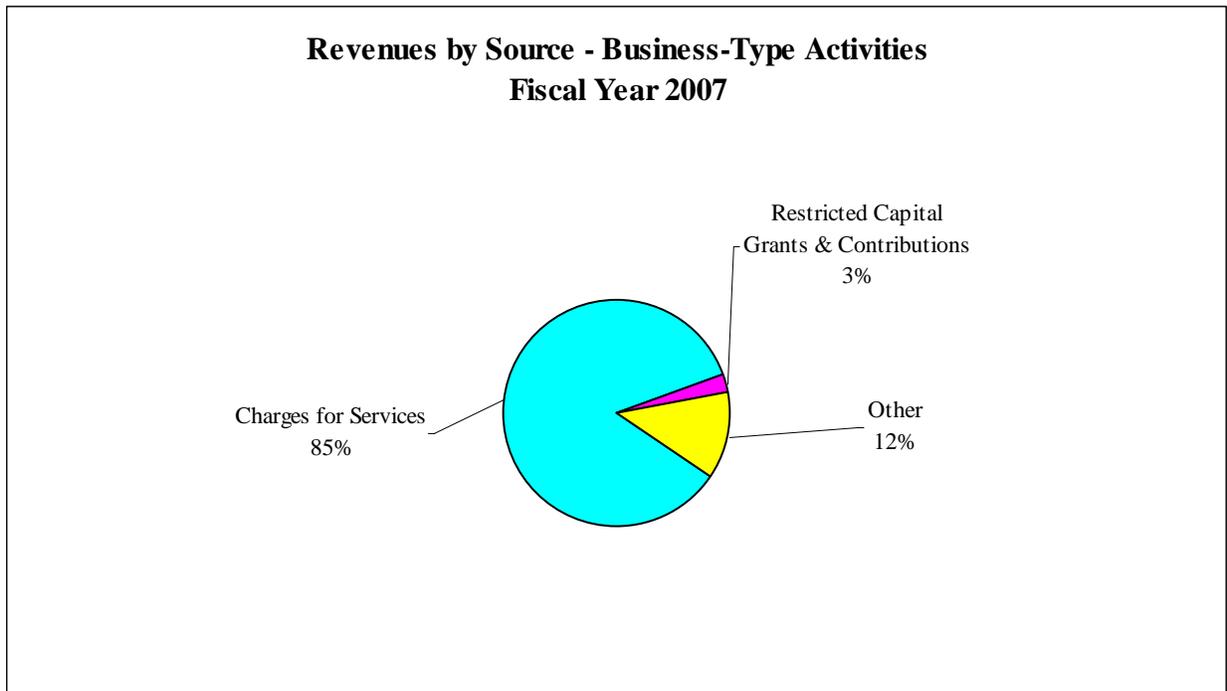


## Management's Discussion and Analysis

**Business-type activities.** Business-type activities decreased the City's net assets by \$1.74 million. The key elements of this decrease are as follows:

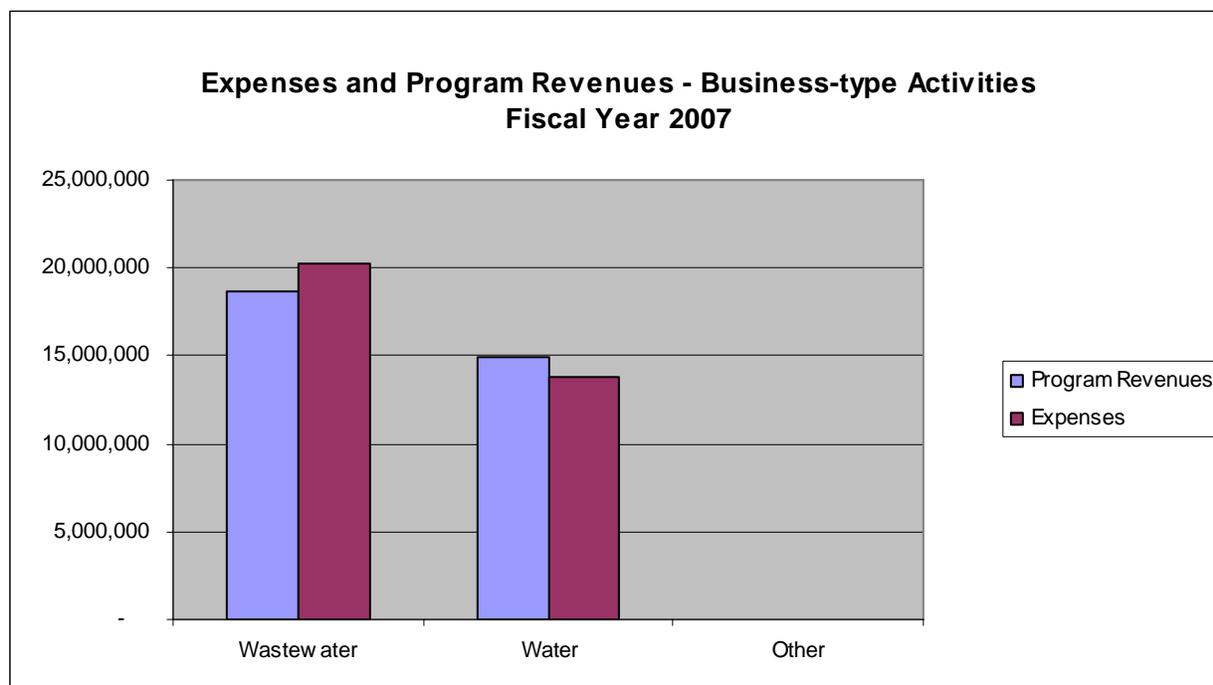
- There was a major decrease in operating revenue of \$2.06 million for the Wastewater System. This was primarily driven by drop in industrial production by Pfizer, Inc.'s Portage facility.
- Inflationary increases in expenditures.
- Capital contributions represented a major revenue source for the Water fund during the current fiscal year, producing \$3.9 million in revenue.

In contrast to governmental activities, business-type activities are funded through user fees and charges. Business-type activities of the City include wastewater, water, and a farmer's market. In 2007, 85% of business-type activity revenues were derived from charges for services, 3% were funded through capital grants and contributions, with the remaining 12% attributable to other revenue sources, as depicted in the following chart:



## Management's Discussion and Analysis

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



### Financial Analysis of the Government's Funds.

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

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

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$28,987,494, a decrease of \$1,109,328 in comparison of the prior year. Approximately 53% of the combined fund balances, or \$15,378,650, was available for spending at the government's discretion ("*unreserved fund balance*"). However of that amount, \$10,761,021 was attributable to special revenue funds, debt service funds, capital projects funds and permanent funds. Fund balances in those funds must be used for their intended purposes.

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

## Management's Discussion and Analysis

**General Fund.** The general fund is the chief operating fund of the City of Kalamazoo. Because of the City's property tax installment payment option provided for in the City charter, some property tax collections, \$5,732,007 for 2007, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principals (GAAP). As a result the City reports two fund balances in the fund financial statements, a "GAAP" fund balance and a "non-GAAP, budgetary basis" fund balance.

The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) unreserved, undesignated fund balance for the general fund was \$7,918,759, or 14.9% of total general fund revenues and other financing sources. For the purpose of the City's policy, amounts designated as budgeted for use in the next year, \$1,238,283 for 2008 is added to the unreserved, undesignated fund balance, resulting in a fund balance of \$9,157,042, or 17.22%.

The *GAAP* unreserved, undesignated fund balance for the general fund was \$2,186,752 or 4.1% of total general fund revenues and other financing sources. This was a \$584,553 decrease from 2006 and resulted from a combination of a planned decrease in the non-GAAP, budgetary fund balance; a \$148 thousand increase in property tax deferrals, which results in less property tax revenues being recognized; and a \$2.4 million designation of fund balance for operational uses in 2008.

The fund experienced a \$716,183 *non-GAAP, budgetary* fund balance decrease during 2007. However, the change actually reflected a favorable variance of \$2,685,397, since fund balance was budgeted to decrease by \$3.4 million in 2007.

Revenues and other financing sources came in \$688,196 more than the amended budget. Expenditures and other financing uses were \$1,977,201 below budget, resulting in the favorable variance. However, \$2,430,877 of the positive expenditure and other financing source variance is being carried forward for spending in 2008 (recorded as designations of fund balance on the balance sheet). The General fund experienced an overall positive variance of \$2,685,397 between final amended budgeted expenditures and actual final results on a *non-GAAP budgetary basis*.

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

Like the General Fund, the Solid Waste fund balance is reported using two bases: the non-GAAP, budgetary basis and the GAAP basis. The fund's *non-GAAP, budgetary* unreserved, undesignated fund balance increased \$173,538 during the course of 2007 to \$1,568,861. The GAAP basis unreserved, undesignated fund balance is \$1,085,930 (the entire fund balance is being carried forward for use in 2008).

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

## Management's Discussion and Analysis

During 2007, the fund balance increased from \$765,587 to \$844,489, which was mainly due to the change in classification of current properties held for resale.

**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 decreased from \$89,319 to \$46,450. The fund balance is comprised of accumulated interest earnings and bond proceeds, which will be used to offset debt service payments in 2008.

**Other (Non-major) Governmental Funds.** During the year, the combined fund balance for the City's non-major governmental funds decreased from \$22,193,030 to \$21,719,950. The majority of the \$21.7 million fund balance was attributable to capital improvement projects funds (\$6.9 million), special revenue funds used for major and local streets (\$3.5 million), economic activities (\$3.7 million), and endowments held for the mayors riverfront park, recreational and cemetery perpetual care purposes (\$6.5 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

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

**Wastewater Fund.** *Unrestricted* net assets (the amount available for future spending) of the City's Wastewater fund amounted to \$4,031,600 as of December 31, 2007. The fund had a decrease in total net assets for the year of \$4,094,928.

Contributing to the decrease in total net assets was an operating loss of \$4,113,112. The operating loss realized was greater than anticipated, however operational savings helped to offset the loss.

Overall revenues decreased by \$2.15 million. The industrial contract surcharge revenue decreased by \$883 thousand as a result of operational changes of some of our major users. Additionally, there was a combined revenue decrease of \$1.12 million from the various other customers.

The City has a financial policy, which targets minimum levels for certain reserves in the Wastewater Fund. The Operating Reserve (working capital) should be at least 90 days of budgeted operation & maintenance expense; the Emergency Capital Reserve should be at least equal to the prior year's depreciation expense; and the Environmental Clean-Up Reserve should be equal to the estimated present value cost of known, quantifiable and probable clean-up liabilities. As of December 31, 2007, the balances in these reserves were at or above the minimum levels.

## Management's Discussion and Analysis

**Water Fund.** *Unrestricted* net assets (the amount available for future spending) of the City's Water fund amounted to \$3,488,639 as of December 31, 2007. The fund had an increase in total net assets for the year of \$2,421,701 and a decrease in unrestricted net assets of \$2,177,150.

The increase in net assets is primarily attributable to \$3.9 million of capital contributions (revenues received for extensions and improvements to the water distribution system that are paid for by an outside party, such as a homeowner or developer) received in 2007. Because that amount was used to purchase capital assets, it increased the amount of net assets reported as *Invested in capital assets, net of related debt*, thereby resulting in an increase by that amount in *unrestricted net assets*.

The Water Fund experienced an operating loss of \$913,516, due to inflationary increases in expenses.

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, 2007, 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, 2007, the balance was at the prior year's depreciation expense.

**Other Enterprise Funds.** During the year, the combined net assets for the City's non-major proprietary funds increased \$1,823 to \$134,799. The City Market (farmers' market) Fund represents the entire net asset balance, the unrestricted portion (not invested in fixed assets) being \$48,331.

### General Fund Budgetary Highlights

During the year, there was a \$2,062,034 increase in appropriations between the original and final amended general fund budget adopted by the City Commission. Following are the main components of the increase:

- Unspent budget appropriations in the amount of \$1,061,034 from 2006 under the City's budgetary policies were re-appropriated in 2007.
- Various operating budget appropriations of \$841,132.

There was one revenue object that had a significant negative variance from the amended budget. In Intergovernmental Revenues, the City received less than anticipated revenues because a continued slowdown in the Michigan economy caused fewer state sales tax receipts. This resulted in a lower amount of shared revenue received by the City from the State of Michigan.

## Management's Discussion and Analysis

There are two general expenditure activities that had significant negative variances of actual expenditures vs. the amended budget. The first was in Public Works Forestry, where a \$55,138 negative variance was caused by several late summer storms that caused major tree damage. The Public Works organization as a whole finished under budget by \$25,108. The second instance was in Non-Departmental Street Lighting, where \$988,071 of expenditures did not have an offsetting budget amount. A decision was made to break out Street Lighting from "Other" during the fiscal period. The Non-Departmental organization as a whole was under budget by \$515,913.

### 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, 2007, totaled \$352.8 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; water, wastewater, and storm sewer systems; vehicles and equipment; park facilities; roads; highways; and bridges. Net capital assets for governmental activities increased \$4.17 million, or 2.5%, while net business-type activity net assets increased \$2.78 million, or 1.6%, for business-type activities.

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

- Construction of the Park Street Public Safety Station in the amount of \$2.58 million
- Other public safety capital purchases in the amount of \$845 thousand
- Construction, reconstruction, or widening of streets and sidewalks in the amount of \$6.09 million
- Construction or reconstruction of park improvements in the amount of \$184 thousand

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

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 29,603,757	\$ 29,522,851	\$ 2,865,494	\$ 2,865,494	\$ 32,469,251	\$ 32,388,345
Building & Improvements	40,280,682	28,247,771	54,907,477	55,654,338	95,188,159	83,902,109
Land Improvements	1,873,943	1,789,892	5,705,399	5,754,411	7,579,342	7,544,303
Machinery & Equipment	4,244,493	4,423,092	13,660,126	11,921,167	17,904,619	16,344,259
Vehicles	3,091,400	3,459,481	1,332,770	1,400,741	4,424,170	4,860,222
Infrastructure	91,873,742	89,375,797	92,097,691	88,510,116	183,971,433	177,885,913
Intangible Assets	-	-	1,170,189	1,320,993	1,170,189	1,320,993
Construction in Progress	3,271,467	13,242,481	6,860,631	8,390,334	10,132,098	21,632,815
Total	<u>\$ 174,239,484</u>	<u>\$ 170,061,365</u>	<u>\$ 178,599,777</u>	<u>\$ 175,817,594</u>	<u>\$ 352,839,261</u>	<u>\$ 345,878,959</u>

## Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes from 2006, can be found in Note III C on pages 59-61 of this report.

**Long-term debt.** The City's balance of bonded debt stayed level, increasing by \$255,000 during the current fiscal year. The City added \$6.6 million in bonded debt, including one General Obligation debt bond for \$855,000, and two revenue bonds: one Michigan Transportation Fund bond (\$3.86 million) and one Water System Supply Revenue bond (\$1.9 million). The City made scheduled bond payments totaling slightly more than \$6.6 million.

*General obligation bonds.* The City issues direct obligations where the government pledges the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The balance of outstanding general obligation bonds as of December 31, 2007 is \$48,070,000.

*Revenue Bonds.* The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The balance of outstanding revenue bonds as of December 31, 2007 is \$12,480,000 for governmental activities and \$24,215,000 for business activities.

*Special Assessment Debt.* The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. Management considers the likelihood of this occurring to be extremely remote. The balance of outstanding special assessment bonds as of December 31, 2007 is \$285,000.

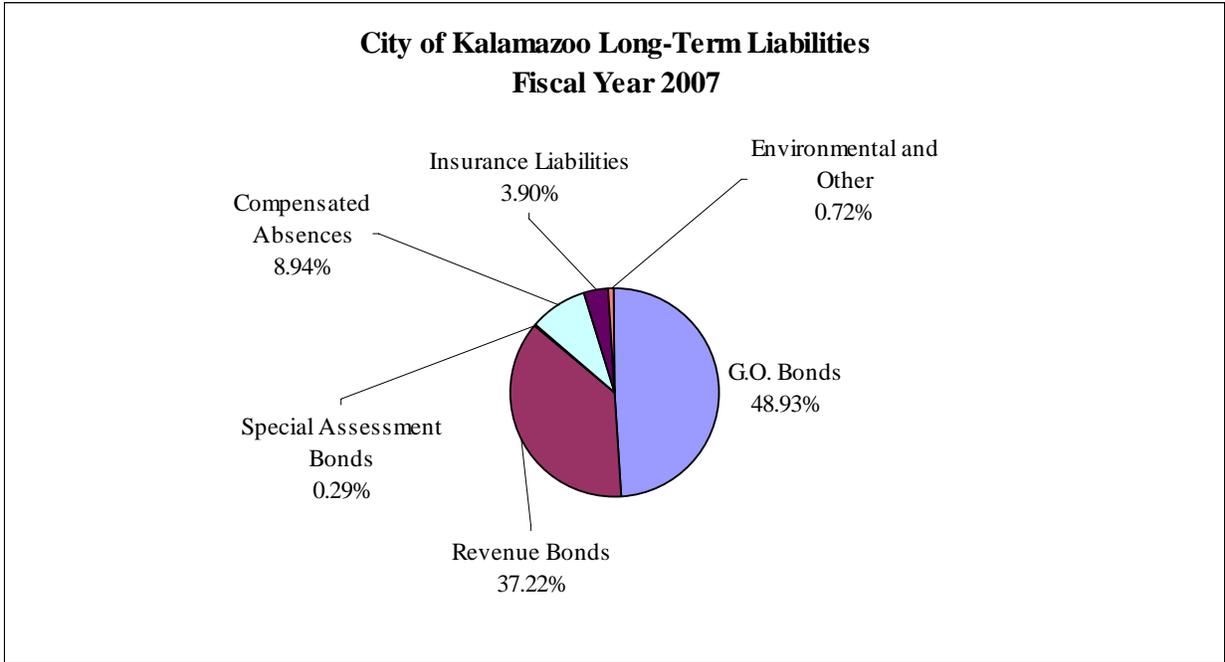
*Installment Obligations.* The City has entered into various long-term installment payment agreements which are similar in nature to bonds. The balance of outstanding installment obligations as of December 31, 2007 is \$167,000.

*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, 2007 is \$8,373,426.

*Insurance Claims and Environmental Matters.* The City has estimated its liability for various legal issues that the City is aware of as of December 31, 2007. The estimated liability to the City is \$4,550,979.

## Management's Discussion and Analysis

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 2006, can be found in note disclosures on pages 62-68.

### Bond Ratings

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies as of December 31, 2007.

	Fitch	S&P
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% 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 of \$11.8 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.

To address these fiscal challenges, the City has enacted a number of budgeting measures over the past several years, including reductions in staffing and certain support area service levels. Additionally, the City has developed a five-year fiscal plan "Blueprint for Action: A Sustainable Community", which details the foundation for a transformation from budgeting based on "allocation of resources" to an outcomes based approach. The 2008 budget continues the implementation of this new approach to budgeting, which will focus on positively impacting the quality of life for all citizens of the Kalamazoo community.

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

The 2008 budget once again maintains basic services and infrastructure, economic growth, neighborhood and community development, affordable housing and expansion of the resource base. The 2008 fiscal year budget increases operational General Fund spending by 2% from fiscal year 2007 amended budget, despite contractual wage increases and the escalating cost of health care, while transferring a significant amount, \$3.8 million for capital project needs. Additionally, the City has set-aside \$600 thousand into two different fund reservation accounts for Capital Reserve funds and Budget Stabilization funds.

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

For fiscal year 2008, the ending fund balance is budgeted to come in at 15% of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2008.

### **Requests for Information**

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

## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF KALAMAZOO, MICHIGAN**

**Statement of Net Assets**

**December 31, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 26,273,179	\$ 3,776,385	\$ 30,049,564	\$ 7,050,071
Investments	4,416,370	-	4,416,370	-
Receivables, net	31,319,386	4,882,823	36,202,209	7,145,675
Internal balances	(1,405,854)	1,405,854	-	-
Prepaid items and other assets	1,275,927	1,420,028	2,695,955	371,270
Restricted cash	2,033,002	2,957,236	4,990,238	1,381,672
Restricted investments	-	10,091,012	10,091,012	1,132,909
Investments with agents	2,122,921	-	2,122,921	-
Assets held for resale	476,885	-	476,885	-
Capital assets not being depreciated	32,875,224	9,726,125	42,601,349	2,070,793
Capital assets being depreciated, net	141,364,260	168,873,652	310,237,912	18,408,448
<b>Total assets</b>	<b>240,751,300</b>	<b>203,133,115</b>	<b>443,884,415</b>	<b>37,560,838</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	7,201,336	1,997,502	9,198,838	10,596,885
Unearned revenue	414,611	46,876	461,487	1,286,244
Long-term liabilities:				
Due within one year	7,978,034	1,711,044	9,689,078	726,048
Due in more than one year	64,356,970	24,145,752	88,502,722	1,975,272
<b>Total liabilities</b>	<b>79,950,951</b>	<b>27,901,174</b>	<b>107,852,125</b>	<b>14,584,449</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	113,110,907	154,751,334	267,862,241	19,205,866
Restricted net assets:				
Non-expendable restricted net assets	3,828,969	-	3,828,969	-
Expendable restricted net assets:				
Debt service	5,793,127	-	5,793,127	-
Major and local street projects	3,552,757	-	3,552,757	-
Economic development projects	4,418,041	-	4,418,041	-
Programs	12,763,932	10,915,639	23,679,571	-
Unrestricted	17,332,616	9,564,968	26,897,584	3,770,523
<b>Total net assets</b>	<b>\$ 160,800,349</b>	<b>\$ 175,231,941</b>	<b>\$ 336,032,290</b>	<b>\$ 22,976,389</b>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 3,370,219	\$ 2,797,940	\$ 1,016,382	\$ -
Public safety (combined police & fire)	31,437,072	611,833	1,588,318	545,584
Economic development	522,649	11,616	15,000	-
Community development and planning	5,162,836	1,748,885	2,227,328	116,384
Parks	1,171,824	17,167	-	-
Recreation	1,921,507	308,985	313,969	-
Public works	6,015,033	309,416	1,267,636	-
Streets (maintenance & depreciation)	13,354,094	51,036	6,355,608	-
Interest on long-term debt	2,986,121	-	2,901,304	-
Total governmental activities	<u>65,941,355</u>	<u>5,856,878</u>	<u>15,685,545</u>	<u>661,968</u>
Business-type activities:				
Wastewater	20,240,292	15,941,791	594,163	33,419
Water	13,819,287	11,774,026	368,007	3,931,998
Other	44,672	45,071	-	-
Total business-type activities	<u>34,104,251</u>	<u>27,760,888</u>	<u>962,170</u>	<u>3,965,417</u>
Total primary government	<u>\$ 100,045,606</u>	<u>\$ 33,617,766</u>	<u>\$ 16,647,715</u>	<u>\$ 4,627,385</u>
<b>Component units</b>				
Development authorities	\$ 10,045,728	\$ 2,702,726	\$ 2,598,435	\$ 243,256
Public transportation	13,195,287	2,435,555	9,556,333	898,336
Hospital financing authority	-	-	-	-
Golf courses	1,481,016	1,332,905	1,681	-
Total component units	<u>\$ 24,722,031</u>	<u>\$ 6,471,186</u>	<u>\$ 12,156,449</u>	<u>\$ 1,141,592</u>

General revenues:  
Property taxes  
Grants and contributions not restricted  
to specific programs  
Unrestricted investment earnings  
Gain on disposal of capital assets  
Contributions to permanent funds  
Transfers - internal activities

Total general revenues and contributions

Change in net assets

Net assets, beginning of year

**Net assets, end of year**

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

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ 444,103	\$ -	\$ 444,103	\$ -
(28,691,337)	-	(28,691,337)	-
(496,033)	-	(496,033)	-
(1,070,239)	-	(1,070,239)	-
(1,154,657)	-	(1,154,657)	-
(1,298,553)	-	(1,298,553)	-
(4,437,981)	-	(4,437,981)	-
(6,947,450)	-	(6,947,450)	-
(84,817)	-	(84,817)	-
<u>(43,736,964)</u>	<u>-</u>	<u>(43,736,964)</u>	<u>-</u>
-	(3,670,919)	(3,670,919)	-
-	2,254,744	2,254,744	-
-	399	399	-
<u>-</u>	<u>(1,415,776)</u>	<u>(1,415,776)</u>	<u>-</u>
<u>(43,736,964)</u>	<u>(1,415,776)</u>	<u>(45,152,740)</u>	<u>-</u>
-	-	-	(4,501,311)
-	-	-	(305,063)
-	-	-	-
-	-	-	(146,430)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,952,804)</u>
35,263,246	-	35,263,246	5,951,296
10,243,913	7,390	10,251,303	-
2,038,489	41,592	2,080,081	-
-	50,597	50,597	2,539
36,458	-	36,458	-
432,487	(432,487)	-	-
<u>48,014,593</u>	<u>(332,908)</u>	<u>47,681,685</u>	<u>5,953,835</u>
4,277,629	(1,748,684)	2,528,945	1,001,031
156,522,720	176,980,625	333,503,345	21,975,358
<u>\$ 160,800,349</u>	<u>\$ 175,231,941</u>	<u>\$ 336,032,290</u>	<u>\$ 22,976,389</u>

## FUND FINANCIAL STATEMENTS

**CITY OF KALAMAZOO, MICHIGAN**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

	General	Solid Waste	Neighborhood and Community Development	Building Authority Debt Service
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 4,407,911	\$ 1,177,031	\$ 498,005	\$ 47,502
Investments	-	-	-	-
Receivables:				
Taxes	8,319,726	620,903	-	-
Notes	160,109	-	6,297,826	-
Special assessments	15,482	-	-	-
Accrued interest	37,142	-	6,271	-
Other	1,744,827	-	197,408	-
Due from other funds	674,427	1,150	719	-
Due from component units	49,043	-	-	6,208,375
Due from other governments	218,603	-	496,943	-
Advances to other funds	340,000	-	-	-
Advances to component units	-	-	-	-
Prepaid items and other assets	175,922	-	-	-
Restricted cash	-	-	-	-
Investments with agents	-	-	-	-
Assets held for resale	-	-	476,885	-
	<b>\$ 16,143,192</b>	<b>\$ 1,799,084</b>	<b>\$ 7,974,057</b>	<b>\$ 6,255,877</b>
<b><u>TOTAL ASSETS</u></b>				
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 605,907	\$ 134,349	\$ 209,114	\$ -
Accrued and other liabilities	70,155	-	-	-
Due to other funds	1,645,752	95,868	308,971	1,052
Due to component units	16,621	6	-	-
Due to other governments	264,192	-	21,293	-
Advances from other funds	-	-	-	-
Deposits payable	13,877	-	74,903	-
Deferred revenue	8,236,013	482,931	6,515,287	6,208,375
	<b>10,852,517</b>	<b>713,154</b>	<b>7,129,568</b>	<b>6,209,427</b>
<b>Fund balance</b>				
Reserved for:				
Encumbrances	157,124	-	844,489	-
Prepaid items	175,922	-	-	-
Advances to other funds	340,000	-	-	-
Advances to component unit	-	-	-	-
Cemetery perpetual care	-	-	-	-
Recreational activities	-	-	-	-
Debt-financed projects	-	-	-	-
Unreserved:				
Designated for subsequent years' expenditures	2,430,877	-	-	-
Designated for subsequent years' expenditures, reported in nonmajor:				
Special revenue funds	-	-	-	-
Undesignated	2,186,752	1,085,930	-	46,450
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
	<b>5,290,675</b>	<b>1,085,930</b>	<b>844,489</b>	<b>46,450</b>
	<b>\$ 16,143,192</b>	<b>\$ 1,799,084</b>	<b>\$ 7,974,057</b>	<b>\$ 6,255,877</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>				

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

<b>Other Governmental Funds</b>		<b>Total</b>
\$ 11,078,034	\$ 17,208,483	
4,416,370	4,416,370	
-	8,940,629	
677,338	7,135,273	
98,244	113,726	
30,824	74,237	
683,970	2,626,205	
1,458,591	2,134,887	
361,200	6,618,618	
1,113,534	1,829,080	
7,017	347,017	
3,644,460	3,644,460	
-	175,922	
2,033,002	2,033,002	
2,122,921	2,122,921	
-	476,885	
<u>\$ 27,725,505</u>	<u>\$ 59,897,715</u>	

\$ 974,657	\$ 1,924,027
47,926	118,081
2,483,409	4,535,052
150,280	166,907
-	285,485
7,017	7,017
960,432	1,049,212
1,381,834	22,824,440
<u>6,005,555</u>	<u>30,910,221</u>

4,485,161	5,486,774
-	175,922
7,017	347,017
3,744,460	3,744,460
1,735,160	1,735,160
2,093,809	2,093,809
25,702	25,702
-	2,430,877
29,187	29,187
-	3,319,132
3,026,360	3,026,360
163,680	163,680
3,751,120	3,751,120
2,658,294	2,658,294
<u>21,719,950</u>	<u>28,987,494</u>
<u>\$ 27,725,505</u>	<u>\$ 59,897,715</u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**December 31, 2007**

Fund balances - total governmental funds	\$ 28,987,494
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Amounts reported for *governmental activities* in the statement of net assets are different because:

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

Add: capital assets	289,109,910
Subtract: accumulated depreciation	(116,929,762)

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

Add: deferred property taxes	6,214,938
Add: other deferred revenues	16,212,491

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	7,739,700
Subtract: net assets allocated to business-type activities from governmental-type activity internal service funds	(1,950,685)
Subtract: net assets allocated to component units from governmental-type activity internal service funds	(656,945)

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

Subtract: bonds and installment purchase contracts payable	(61,002,000)
Subtract: accrued interest on long-term debt	(705,631)
Subtract: compensated absences	(6,260,752)
Subtract: environmental liabilities	(707,283)
Subtract: unamortized bond premium	(171,550)
Add: unamortized bond discount	19,271

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

Add: deferred charges for bond issuance costs	<u>901,153</u>
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Net assets of governmental activities	<u><u>\$ 160,800,349</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

	<b>General</b>	<b>Solid Waste</b>	<b>Neighborhood and Community Development</b>	<b>Building Authority Debt Service</b>
<b>Revenue</b>				
Property taxes and special assessments	\$ 32,621,087	\$ 2,526,980	\$ -	\$ -
Licenses and permits	2,077,407	-	-	-
Intergovernmental revenue	11,047,140	-	2,193,026	-
Charges for services	1,220,238	-	26,699	-
Fines and forfeits	47,128	-	-	-
Interest and dividends	1,197,420	45,181	13,574	7,382
Net investment earnings	-	-	-	-
Rental of facilities	-	-	-	3,085,849
Contributions	-	-	116,384	-
Other revenue	4,590,904	-	-	84,327
<b>Total revenue</b>	<b>52,801,324</b>	<b>2,572,161</b>	<b>2,349,683</b>	<b>3,177,558</b>
<b>Expenditures</b>				
Current expenditures:				
General government	9,556,594	-	-	-
Public safety (combined police & fire)	32,368,329	-	-	-
Economic development	500,000	-	-	-
Community development and planning	2,786,044	-	2,370,781	-
Parks and recreation	2,405,104	-	-	-
Public works	1,280,681	-	-	-
Cemeteries	-	-	-	-
Solid waste	-	2,379,594	-	-
Streets	-	-	-	-
Other	-	-	-	50,000
Debt service:				
Principal	-	-	-	2,725,000
Interest and fiscal charges	221,439	-	-	2,033,437
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>49,118,191</b>	<b>2,379,594</b>	<b>2,370,781</b>	<b>4,808,437</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>3,683,133</b>	<b>192,567</b>	<b>(21,098)</b>	<b>(1,630,879)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	100,000	1,588,010
Transfers out	(4,768,997)	-	-	-
Proceeds from the sale of capital assets	221,016	-	-	-
Issuance of long-term debt	-	-	-	-
Bond discount	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(4,547,981)</b>	<b>-</b>	<b>100,000</b>	<b>1,588,010</b>
<b>Net change in fund balances</b>	<b>(864,848)</b>	<b>192,567</b>	<b>78,902</b>	<b>(42,869)</b>
Fund balance, beginning of year	6,155,523	893,363	765,587	89,319
<b>Fund balance, end of year</b>	<b>\$ 5,290,675</b>	<b>\$ 1,085,930</b>	<b>\$ 844,489</b>	<b>\$ 46,450</b>

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

<b>Other Governmental Funds</b>		<b>Total</b>
\$ 51,036	\$ 35,199,103	
-	2,077,407	
7,842,616	21,082,782	
170,151	1,417,088	
241,522	288,650	
961,331	2,224,888	
(22,516)	(22,516)	
-	3,085,849	
1,698,186	1,814,570	
1,160,447	5,835,678	
<u>12,102,773</u>	<u>73,003,499</u>	
-	9,556,594	
1,145,613	33,513,942	
55,013	555,013	
31,433	5,188,258	
566,540	2,971,644	
-	1,280,681	
435,500	435,500	
-	2,379,594	
9,753,458	9,753,458	
-	50,000	
2,481,300	5,206,300	
675,810	2,930,686	
5,692,545	5,692,545	
<u>20,837,212</u>	<u>79,514,215</u>	
<u>(8,734,439)</u>	<u>(6,510,716)</u>	
9,786,267	11,474,277	
(6,272,793)	(11,041,790)	
53,120	274,136	
4,715,000	4,715,000	
(20,235)	(20,235)	
<u>8,261,359</u>	<u>5,401,388</u>	
(473,080)	(1,109,328)	
<u>22,193,030</u>	<u>30,096,822</u>	
<u>\$ 21,719,950</u>	<u>\$ 28,987,494</u>	

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2007**

Net change in fund balances - total governmental funds \$ (1,109,328)

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

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

Add: capital outlay	10,394,163
Subtract: depreciation expense	(5,597,712)
Subtract: proceeds from the sale of capital assets	(274,136)
Subtract: loss on disposal of capital assets	(180,777)

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

Add: net change in deferred property tax revenues	129,636
Add: net change in other deferred revenue	41,635

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

Add: principal payments on long-term liabilities	5,206,300
Add: bond issuance costs capitalized	140,385
Subtract: bond proceeds received	(4,715,000)
Add: bond premium amortized	25,851
Add: bond discount received	20,235
Subtract: bond discount amortized	(964)
Subtract: bond issuance costs amortized	(55,131)

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

Add: reduction of long-term liability for environmental remediation	2,728
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in accrued interest on bonds	(25,191)
Subtract: increase in the accrual of compensated absences	(564,706)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	394,283
Add: gain/loss on disposal of capital assets in governmental internal service funds	46,471
Add: net operating gain from governmental activities accounted for in internal service funds	398,887

Change in net assets of governmental activities	\$ 4,277,629
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The accompanying notes are an integral part of these financial statements.

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**General Fund**  
**For the Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenue</b>				
Property taxes and special assessments	\$ 32,620,059	\$ 32,620,059	\$ 32,769,752	\$ 149,693
Licenses and permits	2,031,954	2,031,954	2,077,407	45,453
Intergovernmental	11,531,018	11,531,018	11,047,140	(483,878)
Charges for services	1,151,590	1,151,590	1,220,238	68,648
Fines and forfeitures	36,205	36,205	47,128	10,923
Interest and rent	882,450	967,716	1,197,420	229,704
Other revenue	4,142,267	4,142,267	4,590,904	448,637
<b>Total revenue</b>	<b>52,395,543</b>	<b>52,480,809</b>	<b>52,949,989</b>	<b>469,180</b>
<b>Expenditures</b>				
City Commission	85,800	199,415	186,786	12,629
City Administration: City Manager	762,079	767,298	759,137	8,161
City Attorney	849,942	881,742	850,804	30,938
City Clerk: Administration	295,291	296,291	298,240	(1,949)
Election	141,497	135,455	136,766	(1,311)
Records management	219,560	225,602	215,792	9,810
<b>Total city clerk</b>	<b>656,348</b>	<b>657,348</b>	<b>650,798</b>	<b>6,550</b>
Internal Audit	89,174	89,174	84,885	4,289
Human Resources	867,474	870,974	815,230	55,744
Management Services Department: Accounting	1,067,730	1,077,730	1,036,841	40,889
Assessing	739,449	751,014	695,909	55,105
Treasury	952,291	952,291	909,076	43,215
Purchasing and risk management	484,191	484,192	467,713	16,479
<b>Total management services department</b>	<b>3,243,661</b>	<b>3,265,227</b>	<b>3,109,539</b>	<b>155,688</b>
Public Safety (combined police and fire): Administration	1,072,132	1,072,132	931,345	140,787
Training	897,313	969,722	888,790	80,932
K-Vet drug enforcement	1,338,495	1,312,440	1,273,882	38,558
Operations division	18,313,615	19,849,090	19,694,844	154,246
Criminal investigations	3,325,869	3,302,056	3,338,585	(36,529)
Service division	6,503,333	6,607,020	6,240,883	366,137
<b>Total public safety (combined police and fire)</b>	<b>31,450,757</b>	<b>33,112,460</b>	<b>32,368,329</b>	<b>744,131</b>

Continued...

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Budgetary Basis) and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures (concluded)</b>				
Public Works:				
Forestry, creeks, and environmental inspections	\$ 728,199	\$ 728,199	\$ 783,337	\$ (55,138)
Sidewalks and Pedestrian Mall maintenance	577,590	577,590	497,344	80,246
Total public works	1,305,789	1,305,789	1,280,681	25,108
Economic Development	500,000	500,000	500,000	-
Community Planning and Development:				
Programs	602,799	602,799	579,374	23,425
Planning	463,750	463,750	439,220	24,530
Inspections	1,820,986	1,850,506	1,767,450	83,056
Total community planning and development	2,887,535	2,917,055	2,786,044	131,011
Parks and Recreation:				
Parks maintenance	1,084,696	1,093,031	1,076,833	16,198
Recreation	1,381,631	1,419,112	1,328,271	90,841
Total parks and recreation	2,466,327	2,512,143	2,405,104	107,039
Non-Departmental:				
City Hall maintenance	574,253	574,253	577,306	(3,053)
Street lighting	-	-	988,071	(988,071)
Debt Service - interest and fiscal charges	-	220,999	221,439	(440)
Other	3,274,087	3,041,515	1,534,038	1,507,477
Total non-departmental	3,848,340	3,836,767	3,320,854	515,913
Total expenditures	49,013,226	50,915,392	49,118,191	1,797,201
Excess of revenue over expenditures	3,382,317	1,565,417	3,831,798	2,266,381
<b>Other financing sources (uses)</b>				
Transfers out	(4,809,129)	(4,968,997)	(4,768,997)	200,000
Proceeds from the sale of capital assets	2,000	2,000	221,016	219,016
Total other financing sources (uses)	(4,807,129)	(4,966,997)	(4,547,981)	419,016
Net change in fund balance	(1,424,812)	(3,401,580)	(716,183)	2,685,397
Fund balance, beginning of year	11,738,865	11,738,865	11,738,865	-
<b>Fund balance, end of year (budgetary basis)</b>	<u>\$ 10,314,053</u>	<u>\$ 8,337,285</u>	11,022,682	<u>\$ 2,685,397</u>
Accounting basis difference			<u>(5,732,007)</u>	
<b>Fund balance, end of year (GAAP basis)</b>			<u>\$ 5,290,675</u>	

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**Solid Waste**  
**For the Year Ended December 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenue</b>				
Taxes	\$ 2,513,950	\$ 2,513,950	\$ 2,507,951	\$ (5,999)
Interest and dividends	-	-	45,181	45,181
Total revenue	2,513,950	2,513,950	2,553,132	39,182
<b>Expenditures</b>				
Solid Waste	2,497,216	2,497,216	2,379,594	117,622
Excess of revenue over expenditures	16,734	16,734	173,538	156,804
Fund balance, beginning of year	1,395,323	1,395,323	1,395,323	-
<b>Fund balance, end of year (budgetary basis)</b>	<u>\$ 1,412,057</u>	<u>\$ 1,412,057</u>	1,568,861	<u>\$ 156,804</u>
Accounting basis difference			<u>(482,931)</u>	
<b>Fund balance, end of year (GAAP basis)</b>			<u>\$ 1,085,930</u>	

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Neighborhood and Community Development Fund**  
**For the Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenue</b>				
Intergovernmental revenue:				
Federal grants	\$ 3,516,587	\$ 5,205,670	\$ 2,193,026	\$ (3,012,644)
Charges for services	-	-	26,699	26,699
Interest	-	-	13,574	13,574
Contributions	-	-	116,384	116,384
	<hr/>			
Total revenue	3,516,587	5,205,670	2,349,683	(2,855,987)
	<hr/>			
<b>Expenditures</b>				
Community Development:				
Demolition revolving	-	182,956	131,987	50,969
Housing services	928,078	938,664	695,621	243,043
Community Development Block Grant	2,588,509	2,208,244	1,242,938	965,306
Emergency shelter	-	-	18,057	(18,057)
Housing rehabilitation	-	-	19,046	(19,046)
HOME	-	2,058,762	263,132	1,795,630
	<hr/>			
Total expenditures	3,516,587	5,388,626	2,370,781	3,017,845
	<hr/>			
Excess (deficiency) of revenue over expenditures	-	(182,956)	(21,098)	161,858
	<hr/>			
<b>Other financing sources</b>				
Transfers in:				
General Fund	-	100,000	100,000	-
	<hr/>			
Net change in fund balance	-	(82,956)	78,902	161,858
	<hr/>			
Fund balance, beginning of year	765,587	765,587	765,587	-
	<hr/>			
<b>Fund balance, end of year</b>	<b>\$ 765,587</b>	<b>\$ 682,631</b>	<b>\$ 844,489</b>	<b>\$ 161,858</b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF KALAMAZOO, MICHIGAN**

**Statement of Net Assets**

**Proprietary Funds**

**December 31, 2007**

	Enterprise Funds				
	Wastewater	Water	Nonmajor		Internal Service Funds
			City	Market	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,147,214	\$ 1,579,558	\$ 49,275	\$ 3,776,047	\$ 9,065,034
Receivables:					
Customers	2,559,985	1,984,394	-	4,544,379	-
Special assessments	105,012	-	-	105,012	-
Accrued interest	3,674	4,822	-	8,496	-
Other	-	-	-	-	74,515
Due from other funds	725,359	668,930	-	1,394,289	5,152,903
Due from component units	673	338	-	1,011	262,643
Inventories	417,633	333,493	-	751,126	222,671
Prepaid items and other assets	26,627	5,199	-	31,826	21,952
Total current assets	5,986,177	4,576,734	49,275	10,612,186	14,799,718
Noncurrent assets:					
Restricted cash	420,386	1,712,223	-	2,132,609	824,627
Restricted investments	7,379,941	2,711,071	-	10,091,012	-
Advances to component units	223,925	-	-	223,925	-
Deferred bond issuance costs	109,640	481,665	-	591,305	-
Capital assets	87,765,019	89,305,687	86,468	177,157,174	3,501,939
Total noncurrent assets	95,898,911	94,210,646	86,468	190,196,025	4,326,566
Total assets	101,885,088	98,787,380	135,743	200,808,211	19,126,284
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	267,387	457,996	370	725,753	321,727
Accrued and other liabilities	42,503	310,069	-	352,572	1,996,041
Due to other funds	1,177,528	850,306	574	2,028,408	2,118,619
Due to component units	-	200	-	200	166
Due to other governments	31,059	64,527	-	95,586	38,325
Advances from other funds	-	-	-	-	340,000
Deposits payable	200	761,980	-	762,180	-
Unearned revenue	-	46,876	-	46,876	17,600
Current portion of compensated absences	148,731	98,754	-	247,485	16,599
Current portion of long-term debt	210,000	1,250,000	-	1,460,000	1,990,006
Total current liabilities	1,877,408	3,840,708	944	5,719,060	6,839,083
Noncurrent liabilities:					
Bonds payable	3,415,000	18,973,443	-	22,388,443	-
Compensated absences payable	1,041,120	691,275	-	1,732,395	116,195
Employee death benefits payable	-	-	-	-	264,673
Uninsured claim liability	-	-	-	-	1,853,690
Total noncurrent liabilities	4,456,120	19,664,718	-	24,120,838	2,234,558
Total liabilities	6,333,528	23,505,426	944	29,839,898	9,073,641
<b>Net assets</b>					
Invested in capital assets, net of related debt	84,140,019	69,082,244	86,468	153,308,731	3,501,939
Restricted for:					
Asset replacement	4,037,279	2,711,071	-	6,748,350	2,540,288
Capital improvements	3,342,662	-	-	3,342,662	-
Unrestricted	4,031,600	3,488,639	48,331	7,568,570	4,010,416
Total net assets	\$ 95,551,560	\$ 75,281,954	\$ 134,799	\$ 170,968,313	\$ 10,052,643

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Net Assets on the Statement of Net Assets**  
**for Proprietary Funds to Net Assets**  
**of Business-Type Activities on the Statement of Net Assets**  
**December 31, 2007**

Net assets - total enterprise funds	\$ 170,968,313
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the Statement of Net Assets</p>	
Add: net assets of business-type activities accounted for in business-type activity internal service funds	2,312,943
Add: net assets allocated to business-type activities from governmental-type activity internal service funds	<u>1,950,685</u>
Net assets of business-type activities	<u><u>\$ 175,231,941</u></u>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	Enterprise Funds				
	Wastewater	Water	Nonmajor		Internal Service Funds
			City	Market	
<b>Operating revenue</b>					
Charges for services	\$ 15,875,476	\$ 11,615,862	\$ 45,071	\$ 27,536,409	\$ 26,880,325
Other	73,582	177,920	-	251,502	-
Total operating revenue	15,949,058	11,793,782	45,071	27,787,911	26,880,325
<b>Operating expenses</b>					
Operation and maintenance	15,896,890	9,930,265	41,169	25,868,324	8,003,444
Risk management	-	-	-	-	17,449,435
Depreciation	4,165,280	2,777,033	3,959	6,946,272	1,078,133
Total operating expenses	20,062,170	12,707,298	45,128	32,814,596	26,531,012
Operating income (loss)	(4,113,112)	(913,516)	(57)	(5,026,685)	349,313
<b>Non-operating revenue (expenses)</b>					
Interest income	594,163	348,374	1,880	944,417	433,999
Interest expense	(176,911)	(934,429)	-	(1,111,340)	-
Gain (loss) on sale of capital assets	-	(10,726)	-	(10,726)	97,068
Total non-operating revenue (expenses)	417,252	(596,781)	1,880	(177,649)	531,067
Income (loss) before contributions and transfers	(3,695,860)	(1,510,297)	1,823	(5,204,334)	880,380
<b>Capital contributions</b>	33,419	3,931,998	-	3,965,417	-
<b>Transfers</b>					
Transfers out	(432,487)	-	-	(432,487)	-
Increase (decrease) in net assets	(4,094,928)	2,421,701	1,823	(1,671,404)	880,380
Net assets, beginning of year	99,646,488	72,860,253	132,976	172,639,717	9,172,263
<b>Net assets, end of year</b>	<u>\$ 95,551,560</u>	<u>\$ 75,281,954</u>	<u>\$ 134,799</u>	<u>\$ 170,968,313</u>	<u>\$ 10,052,643</u>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**of Proprietary Funds to the Statement of Activities**  
**For the Year Ended December 31, 2007**

Net change in net assets - total proprietary funds \$ (1,671,404)

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

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Add: interest revenue from business-type activity internal service funds	39,716
Add: gain on disposal of capital assets in business-type internal service funds	50,597
Subtract: net operating loss from business-type activities accounted for in internal service funds	(256,157)
Add: net operating gain from business-type activities accounted for in governmental internal service funds	88,564
	88,564

Change in net assets of business-type activities \$ (1,748,684)

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	<u>Enterprise Funds</u>				
	<u>Wastewater</u>	<u>Water</u>	<u>Nonmajor</u>		<u>Internal Service Funds</u>
			<u>City Market</u>	<u>Total</u>	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 17,734,774	\$ 13,185,376	\$ 45,071	\$ 30,965,221	\$ -
Cash received from providing interfund services	-	-	-	-	27,876,886
Cash payments to suppliers for goods and services	(14,442,924)	(7,024,186)	(19,918)	(21,487,028)	(22,305,467)
Cash payments to employees for services	(5,494,340)	(3,868,878)	(20,657)	(9,383,875)	(2,949,604)
Net cash provided (used) by operating activities	(2,202,490)	2,292,312	4,496	94,318	2,621,815
<b>Cash flows from non-capital financing activities</b>					
Transfers out	(432,487)	-	-	(432,487)	-
<b>Cash flows from capital and related financing activities</b>					
Principal payments	(200,000)	(1,220,000)	-	(1,420,000)	-
Interest payments	(168,476)	(957,323)	-	(1,125,799)	-
Proceeds from issuance of long-term debt	-	1,900,000	-	1,900,000	-
Purchases of capital assets	(2,286,034)	(7,610,935)	-	(9,896,969)	(894,195)
Capital contributions received	33,419	3,931,998	-	3,965,417	-
Proceeds from sale of capital assets	77,959	-	-	77,959	156,378
Net cash used by capital and related financing activities	(2,543,132)	(3,956,260)	-	(6,499,392)	(737,817)
<b>Cash flows from investing activities</b>					
Interest received	594,163	348,374	1,880	944,417	433,999
Purchase of investments	(7,379,941)	(2,711,071)	-	(10,091,012)	-
Sale of investments	8,171,713	2,621,953	-	10,793,666	-
Net cash provided by investing activities	1,385,935	259,256	1,880	1,647,071	433,999
Net increase (decrease) in cash and cash equivalents	(3,792,174)	(1,404,692)	6,376	(5,190,490)	2,317,997
Cash and cash equivalents, beginning of year	6,359,774	4,696,473	42,899	11,099,146	7,571,664
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,567,600</u>	<u>\$ 3,291,781</u>	<u>\$ 49,275</u>	<u>\$ 5,908,656</u>	<u>\$ 9,889,661</u>
<b>Statement of net assets classification of cash and cash equivalents</b>					
Cash and cash equivalents	\$ 2,147,214	\$ 1,579,558	\$ 49,275	\$ 3,776,047	\$ 9,065,034
Restricted assets	420,386	1,712,223	-	2,132,609	824,627
	<u>\$ 2,567,600</u>	<u>\$ 3,291,781</u>	<u>\$ 49,275</u>	<u>\$ 5,908,656</u>	<u>\$ 9,889,661</u>

**Non-cash investing capital and financing transactions**

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

Continued...

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds (Concluded)**  
**For the Year Ended December 31, 2007**

	<u>Enterprise Funds</u>				
	<u>Wastewater</u>	<u>Water</u>	<u>Nonmajor</u>		<u>Internal</u>
			<u>City</u>	<u>Total</u>	
			<u>Market</u>		
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (4,113,112)	\$ (913,516)	\$ (57)	\$ (5,026,685)	\$ 349,313
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	4,165,280	2,777,033	3,959	6,946,272	1,078,133
Changes in assets and liabilities:					
Receivables	1,615,019	192,334	-	1,807,353	10,651
Due from other funds	153,833	1,198,777	-	1,352,610	1,108,753
Due from component units	16,864	483	-	17,347	(122,843)
Inventories	13,762	14,994	-	28,756	(1,537)
Prepaid items and other assets	(21,600)	4,547	-	(17,053)	(21,722)
Accounts payable	(977,780)	(199,404)	325	(1,176,859)	45,548
Accrued and other liabilities	(227,200)	(71,848)	(132)	(299,180)	1,439,301
Due to other funds	(2,775,906)	(783,317)	401	(3,558,822)	(1,210,698)
Due to component units	-	200	-	200	136
Due to other governments	4,070	7,796	-	11,866	38,325
Deposits payable	(200)	(25,475)	-	(25,675)	-
Unearned revenue	-	46,876	-	46,876	-
Compensated absences payable	(55,520)	42,832	-	(12,688)	(35,765)
Employee death benefits payable	-	-	-	-	844
Uninsured claim liability	-	-	-	-	(56,624)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (2,202,490)</b>	<b>\$ 2,292,312</b>	<b>\$ 4,496</b>	<b>\$ 94,318</b>	<b>\$ 2,621,815</b>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2007**

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>General Private Purpose Trust Fund</b>	<b>Tax Collector's Agency Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,502,203	\$ 65,894	\$ 11,423,405
Investments:			
U.S. treasuries	47,842,799	-	-
U.S. agencies	29,457,032	-	-
Corporate debt securities	54,864,290	-	-
Equity mutual funds	358,419,628	-	-
Real estate mutual funds	25,537,632	-	-
Receivables:			
Taxes	-	-	35,726,262
Accrued interest	1,523,439	-	-
Other	-	-	40
Investments with agent	-	500	-
<b>Total assets</b>	<b>519,147,023</b>	<b>66,394</b>	<b>\$ 47,149,707</b>
<b>Liabilities</b>			
Accounts payable	47,174	-	\$ 155
Accrued and other liabilities	-	51,244	-
Due to other governments	-	-	47,149,552
<b>Total liabilities</b>	<b>47,174</b>	<b>51,244</b>	<b>\$ 47,149,707</b>
<b>Net assets</b>			
Held in trust for pension benefits and other purposes	<b>\$ 519,099,849</b>	<b>\$ 15,150</b>	

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2007**

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>General Private Purpose Trust Fund</b>
<b>Additions</b>		
Contributions:		
Employees	\$ 1,599,967	\$ -
Other	-	806
Total contributions	1,599,967	806
Investment earnings:		
Net depreciation in fair value of investments	(14,220,260)	-
Interest and dividends	26,312,291	450
Less investment advisor fees	(1,429,930)	-
Net investment earnings	10,662,101	450
Total additions	12,262,068	1,256
<b>Deductions</b>		
Pension benefits paid directly to participants	15,800,304	-
Refund payments to terminated employees	125,963	-
Trustee fees	223,472	-
Actuarial fees	48,031	-
Administrative expenses paid to the City of Kalamazoo	109,444	-
Investment committee expenses	18,491	-
Parks and recreation	-	952
Other expenses	79,594	-
Total deductions	16,405,299	952
Change in net assets	(4,143,231)	304
Net assets, beginning of year	523,243,080	14,846
<b>Net assets, end of year</b>	<b>\$ 519,099,849</b>	<b>\$ 15,150</b>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Net Assets**  
**Component Units**  
**December 31, 2007**

	<b>Downtown Development Authority</b>	<b>Economic Development Corporation</b>	<b>Brownfield Redevelopment Authority</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 220,800	\$ 24,737	\$ 1,743,068
Receivables, net	2,609,188	1,719,464	919,368
Other assets	21,831	-	-
Restricted cash	1,381,672	-	-
Restricted investments	-	-	-
Capital assets, net	351,193	-	-
<b>Total assets</b>	<b>4,584,684</b>	<b>1,744,201</b>	<b>2,662,436</b>
<b>Liabilities</b>			
Account payable and accrued liabilities	5,538,566	1,534,619	628,254
Unearned revenue	103,142	-	-
Long-term liabilities:			
Due within one year	535,181	-	-
Due in more than one year	713,442	-	-
<b>Total liabilities</b>	<b>6,890,331</b>	<b>1,534,619</b>	<b>628,254</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	351,193	-	-
Unrestricted (deficit)	(2,656,840)	209,582	2,034,182
<b>Total net assets</b>	<b>\$ (2,305,647)</b>	<b>\$ 209,582</b>	<b>\$ 2,034,182</b>

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

<b>Hospital Finance Authority</b>	<b>Local Development Finance Authority</b>	<b>Metro Transit</b>	<b>Kalamazoo Municipal Golf Association</b>	<b>Total</b>
\$ -	\$ 348,820	\$ 4,632,572	\$ 80,074	\$ 7,050,071
-	149,757	1,747,898	-	7,145,675
-	-	316,931	32,508	371,270
-	-	-	-	1,381,672
-	-	1,132,909	-	1,132,909
-	-	18,949,107	1,178,941	20,479,241
-	498,577	26,779,417	1,291,523	37,560,838
-	2,047,436	812,169	35,841	10,596,885
-	-	1,017,521	165,581	1,286,244
-	-	22,415	168,452	726,048
-	-	156,907	1,104,923	1,975,272
-	2,047,436	2,009,012	1,474,797	14,584,449
-	-	18,949,107	(94,434)	19,205,866
-	(1,548,859)	5,821,298	(88,840)	3,770,523
\$ -	\$ (1,548,859)	\$ 24,770,405	\$ (183,274)	\$ 22,976,389

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended December 31, 2007**

	<b>Downtown Development Authority</b>	<b>Economic Development Corporation</b>	<b>Brownfield Redevelopment Authority</b>
<b>Expenses</b>	\$ 8,147,171	\$ 101,086	\$ 1,556,769
<b>Program revenues</b>			
Charges for services	2,702,726	-	-
Operating grants, contributions, and restricted interest	1,385,986	133,620	1,078,829
Capital grants and contributions	243,256	-	-
Total program revenues	4,331,968	133,620	1,078,829
Net (expense) revenue	(3,815,203)	32,534	(477,940)
<b>General revenues:</b>			
Property taxes	3,288,265	-	648,197
Gain on sale of capital assets	-	-	2,500
Total general revenues	3,288,265	-	650,697
Change in net assets	(526,938)	32,534	172,757
Net assets (deficit), beginning of year	(1,778,709)	177,048	1,861,425
<b>Net assets (deficit), end of year</b>	<b>\$ (2,305,647)</b>	<b>\$ 209,582</b>	<b>\$ 2,034,182</b>

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

<b>Hospital Finance Authority</b>	<b>Local Development Finance Authority</b>	<b>Metro Transit</b>	<b>Kalamazoo Municipal Golf Association</b>	<b>Total</b>
\$ -	\$ 240,702	\$ 13,195,287	\$ 1,481,016	\$ 24,722,031
-	-	2,435,555	1,332,905	6,471,186
-	-	9,556,333	1,681	12,156,449
-	-	898,336	-	1,141,592
-	-	12,890,224	1,334,586	19,769,227
-	(240,702)	(305,063)	(146,430)	(4,952,804)
-	384,698	1,630,136	-	5,951,296
-	-	39	-	2,539
-	384,698	1,630,175	-	5,953,835
-	143,996	1,325,112	(146,430)	1,001,031
-	(1,692,855)	23,445,293	(36,844)	21,975,358
\$ -	\$ (1,548,859)	\$ 24,770,405	\$ (183,274)	\$ 22,976,389

## NOTES to the FINANCIAL STATEMENTS

**CITY OF KALAMAZOO, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

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# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

#### **Blended Component Unit**

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

#### **Discretely Presented Component Units**

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

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

**Hospital Finance Authority** - The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission.

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

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

**Downtown Development Authority**

141 East Michigan Avenue  
Kalamazoo, MI 49007

**Economic Development Corporation**

241 West South Street  
Kalamazoo, MI 49007

**Metro Transit System**

530 South Rose  
Kalamazoo, MI 49007

**Kalamazoo Municipal Golf Association**

4200 Lovers Lane  
Kalamazoo, MI 49007

**B. Government-wide and fund financial statements**

*Government-wide financial statements.* The statements of net assets and activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Property taxes, franchise taxes, licenses, and interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

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

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

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

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

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

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

### **D. Assets, Liabilities and Equity**

#### ***1. Deposits and Investments***

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

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

Investments are stated at fair value.

#### ***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the long-term portion of interfund loans).

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### **3. *Inventories and Prepaid Items***

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

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

### **4. *Restricted Assets***

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

### **5. *Capital Assets***

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

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

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

### 6. *Compensated Absences*

Amounts of vested or accumulated vacation leave are accrued in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “termination leave” prior to retirement.

### 7. *Long-term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### 8. *Fund Equity*

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

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. **Budgetary Information**

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

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

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

### B. Budget/GAAP Reconciliation

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

	<b>Budgetary Basis</b>	<b>Accounting Basis Difference</b>	<b>GAAP Basis</b>
<b>General Fund:</b>			
Deferred revenue	\$ 2,504,006	\$ 5,732,007	\$ 8,236,013
Property tax revenue	32,769,752	(148,665)	32,621,087
Fund balance, beginning of year	11,738,865	(5,583,342)	6,155,523
Fund balance, end of year	11,022,682	(5,732,007)	5,290,675
<b>Solid Waste Special Revenue Fund:</b>			
Deferred revenue	-	482,931	482,931
Property tax revenue	2,507,951	19,029	2,526,980
Fund balance, beginning of year	1,395,323	(501,960)	893,363
Fund balance, end of year	1,568,861	(482,931)	1,085,930

### C. Excess of Expenditures Over Appropriations

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

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

During the year ended December 31, 2007, the Economic Development Program fund was not budgeted for the year.

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

### D. Deficit Fund Equity

The Public Works Equipment internal service fund had a deficit in unrestricted net assets of \$854,387 as of December 31, 2007, although its total net assets (including amounts invested in capital assets) amounted to a positive \$581,384.

The Downtown Development Authority, the Local Development Finance Authority and the Kalamazoo Municipal Golf Association component units had deficits in unrestricted net assets at December 31, 2007, of \$2,656,840, \$1,548,859 and \$88,840, respectively. For the DDA and the LDFA, these deficits existed as a result of presenting the financial statements for these component units on the full accrual basis, in accordance with GAAP. On a modified accrual fund basis, only the LDFA has a deficit fund balance, which was a planned deficit, as eligible expenditures were incurred in advance of tax increment financing revenues. The City plans to eliminate the deficit of the LDFA through future tax increment financing collections.

### III. DETAILED NOTES ON ALL FUNDS

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

Following is a reconciliation of deposit and investment balances (including pooled cash and investments as well as pension trust fund balances; see Note A-2) as of December 31, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
<b>Statement of Net Assets</b>			
Cash and cash equivalents	\$ 30,049,564	\$ 7,050,071	\$ 37,099,635
Investments	4,416,370	-	4,416,370
Restricted cash	4,990,238	1,381,672	6,371,910
Restricted investments	10,091,012	1,132,909	11,223,921
Investments with agent	2,122,921	-	2,122,921
<b>Statement of Fiduciary Net Assets</b>			
Cash and cash equivalents	12,991,502	-	12,991,502
Investments	516,121,381	-	516,121,381
Investments with agent	<u>500</u>	<u>-</u>	<u>500</u>
	<b><u>\$ 580,783,488</u></b>	<b><u>\$ 9,564,652</u></b>	<b><u>\$ 590,348,140</u></b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### Deposits and Investments

Cash on hand	\$	7,150
Bank deposits (checking accounts, savings accounts and CDs)		36,482,521
Investments with agent (Kalamazoo Community Foundation)		2,123,421
Investments in securities, mutual funds and similar vehicles - pool		34,111,464
Investments in securities, mutual funds and similar vehicles - pension		<u>517,623,584</u>
		<b><u>\$ 590,348,140</u></b>

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of December 31, 2007, \$35,983,491 of the City's total bank balance of \$36,183,491 (total book balance was \$36,482,521) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

*Custodial Credit Risk – Investments with Agent.* As permitted by State statutes, the City has placed monies for investment with the Kalamazoo Community Foundation (KCF). These monies, amounting to \$2,123,421 as of December 31, 2007, are pooled with other KCF funds and invested at the discretion of KCF, which for purposes of the City essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Custodial Credit Risk - Investments.* Following is a summary of investments as of December 31, 2007:

U.S. agencies	\$ 18,425,535
Commercial paper	5,421,402
Equity mutual funds	4,416,370
Money market	<u>5,848,157</u>
<b>Total</b>	<b><u>\$ 34,111,464</u></b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery *vs.* payment. As of December 31, 2007, none of the City's investments, excluding the mutual funds and money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

*Credit Risk.* As of December 31, 2007, all of the City's investments in securities of U.S. agencies and commercial paper were rated AAA and A1+ by Standard & Poor's, respectively. The City also held investments in equity mutual funds and money market accounts, which are not rated. The City's investment policy requires that commercial paper held to be rated within the three highest classifications by at least two standard rating services. All of the City's investments comply with its policy regarding the types of investments it may hold.

*Concentration of Credit Risk.* At December 31, 2007, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Home Loan Bank	33.73%
	Federal Home Loan Mortgage Association	17.41%

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

*Interest Rate Risk.* As of December 31, 2007, \$19,819,227 of U.S. agencies and commercial paper securities were due within one year; the remaining balance of \$4,027,710 was due within two years. The City's policy provides that the maximum weighted average maturity will be limited to 18 months.

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### A-2. Deposits and Investments – Pension Trust Fund

*Cash and Short-term Investments* – The Pension Trust Fund (or the “System”) does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and short-term investments in the statement of plan net assets include cash and money market accounts held by the System’s investment managers. These accounts are insured by the Securities Investors Protection Act for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2007 was \$1,502,203, of which \$502,194 was uninsured and uncollateralized.

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

The System’s investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have established market values are reported at estimated fair value.

The System’s investments are held in 10 portfolios administered by five investment managers. Following is a summary of the System’s investments as of December 31, 2007:

U.S. treasuries	\$ 47,842,799
U.S. agencies	29,457,032
Corporate debt securities	54,864,290
Equity mutual funds	358,419,628
Real estate mutual funds	25,537,632
Cash and short-term investments	<u>1,502,203</u>
	<b><u>\$517,623,584</u></b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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*Credit Risk.* The System's investment policy provides that its investments in bonds must be rated in the top four major grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2007, the System's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

	<u>U.S. agencies</u>	<u>Corporate debt securities</u>
<b>Standard &amp; Poor's</b>		
AAA	\$ 29,457,032	\$ 22,356,152
AA	-	12,658,347
A	-	9,868,605
BBB	-	3,918,706
Not rated	-	6,062,480
	<u><u>\$ 29,457,032</u></u>	<u><u>\$ 54,864,290</u></u>
<b>Moody's</b>		
AAA	\$ 29,457,032	\$ 24,181,945
AA	-	12,541,219
A	-	12,140,484
BAA	-	4,381,608
Not rated	-	1,619,034
	<u><u>\$ 29,457,032</u></u>	<u><u>\$ 54,864,290</u></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 in the System's name. Investments in mutual funds and money market funds are not subject to custodial credit risk.

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

The System's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of December 31, 2007, the System's equity holdings accounted for 69.4% of the total investment portfolio; the System's holdings in real estate were 4.95% at December 31, 2007.

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

*Interest Rate Risk.* As of December 31, 2007, maturities of the System's debt securities were as follows:

<u>2007</u>	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 47,842,799	\$ -	\$ -	\$ 764,598	\$ 47,078,201
U.S. agencies	29,457,032	387,712	3,887,648	3,187,047	21,994,625
Corporate debt	54,864,290	-	21,035,091	7,052,991	26,776,208
<b>Total debt securities</b>	<b><u>\$ 132,164,121</u></b>	<b><u>\$ 387,712</u></b>	<b><u>\$ 24,922,739</u></b>	<b><u>\$ 11,004,636</u></b>	<b><u>\$ 95,849,034</u></b>

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

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

The portfolios managed by Jennison Associates utilize U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2007, the System had receivable futures contracts with a fair value of \$29,621,563 and payable futures contracts with a fair value of \$8,435,031. A cumulative gain on futures contracts amounting to \$194,048 has been recognized by the System through December 31, 2007. As of that date, a net receivable balance of \$79,067 has been reported in interest and dividends receivable.

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

### B. Receivables and Deferred Revenue

Receivables in the primary government are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Accounts	\$ 2,700,720	\$ -
Customer accounts	-	4,544,379
Taxes	8,940,629	-
Special assessments	113,726	105,012
Interest	74,237	8,496
Due from other governments	1,829,080	-
Notes	7,135,273	-
Due from component units	6,881,261	1,011
Advances to component units	<u>3,644,460</u>	<u>223,925</u>
	<b><u>\$ 31,319,386</u></b>	<b><u>\$ 4,882,823</u></b>
Amount not expected to be collected in one year	<b><u>\$ 10,779,733</u></b>	<b><u>\$ 223,925</u></b>

Customer accounts receivable of the Wastewater and Water Enterprise Funds are reported net of allowances for uncollectible accounts of \$8,900 and \$49,000, respectively.

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

	<b><u>Unavailable</u></b>	<b><u>Unearned</u></b>	<b><u>Total</u></b>
<b>Governmental funds</b>			
Property taxes receivable	\$ 6,214,938	\$ -	\$ 6,214,938
Grants and contracts received in advance of meeting all eligibility requirements	-	397,011	397,011
Long-term receivables	<u>16,212,491</u>	<u>-</u>	<u>16,212,491</u>
	22,427,429	397,011	22,824,440
<b>Internal service funds</b>			
Other	<u>-</u>	<u>17,600</u>	<u>17,600</u>
	<b><u>\$ 22,427,429</u></b>	<b><u>\$ 414,611</u></b>	<b><u>\$ 22,842,040</u></b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

### C. Capital Assets

Capital assets activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 29,522,851	\$ 400,906	\$ (320,000)	\$ 29,603,757
Construction in progress	13,242,481	2,695,202	(12,666,216)	3,271,467
Total capital assets not being depreciated	42,765,332	3,096,108	(12,986,216)	32,875,224
Capital assets being depreciated:				
Building & improvements	37,120,078	12,859,180	-	49,979,258
Land improvements	3,670,221	237,955	-	3,908,176
Machinery and equipment	11,216,987	628,435	(46,762)	11,798,660
Vehicles	11,684,383	631,050	(745,452)	11,569,981
Infrastructure	182,890,601	6,086,537	-	188,977,138
Total capital assets being depreciated	246,582,270	20,443,157	(792,214)	266,233,213
Accumulated depreciation:				
Building & improvements	(8,872,307)	(826,269)	-	(9,698,576)
Land improvements	(1,880,329)	(153,904)	-	(2,034,233)
Machinery and equipment	(6,793,895)	(806,825)	46,553	(7,554,167)
Vehicles	(8,224,902)	(864,218)	610,539	(8,478,581)
Infrastructure	(93,514,804)	(3,588,592)	-	(97,103,396)
Total accumulated depreciation	(119,286,237)	(6,239,808)	657,092	(124,868,953)
Total capital assets being depreciated, net	127,296,033	14,203,349	(135,122)	141,364,260
<b>Governmental Activities</b>				
<b>capital assets, net</b>	<b>\$ 170,061,365</b>	<b>\$ 17,299,457</b>	<b>\$ (13,121,338)</b>	<b>\$ 174,239,484</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,865,494	\$ -	\$ -	\$ 2,865,494
Construction in progress	8,390,334	3,073,495	(4,603,198)	6,860,631
Total capital assets not being depreciated	11,255,828	3,073,495	(4,603,198)	9,726,125
Capital assets being depreciated:				
Building & improvements	88,211,530	971,760	-	89,183,290
Land improvements	12,567,686	321,552	-	12,889,238
Machinery and equipment	48,231,831	3,683,488	(211,802)	51,703,517
Infrastructure	137,905,942	6,471,241	(1,259)	144,375,924
Vehicles	4,300,309	383,214	(296,057)	4,387,466
Intangible assets	1,508,040	-	-	1,508,040
Total capital assets being depreciated	292,725,338	11,831,255	(509,118)	304,047,475
Accumulated depreciation:				
Building & improvements	(32,557,192)	(1,718,621)	-	(34,275,813)
Land improvements	(6,813,275)	(370,564)	-	(7,183,839)
Machinery and equipment	(36,310,664)	(1,866,570)	133,843	(38,043,391)
Infrastructure	(49,395,826)	(2,883,666)	1,259	(52,278,233)
Vehicles	(2,899,568)	(392,085)	236,957	(3,054,696)
Intangible assets	(187,047)	(150,804)	-	(337,851)
Total accumulated depreciation	(128,163,572)	(7,382,310)	372,059	(135,173,823)
Total capital assets being depreciated, net	164,561,766	4,448,945	(137,059)	168,873,652
<b>Business-type activities capital assets, net</b>	<b>\$ 175,817,594</b>	<b>\$ 7,522,440</b>	<b>\$ (4,740,257)</b>	<b>\$ 178,599,777</b>

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

General government	\$ 454,009
Public safety (combined police & fire)	1,240,704
Community Development & Planning	16,455
Parks	268,549
Recreation	19,986
Public Works	9,417
Streets	3,588,592
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	642,096
	<b>\$ 6,239,808</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

Depreciation of business-type activities by function:

Wastewater	\$ 4,165,281
Water	2,777,033
Other	3,959
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	436,037
	<b>\$ 7,382,310</b>

### D. Accounts Payable and Accrued Expenses

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

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Accounts payable	\$ 2,184,543	\$ 786,964
Accrued and other liabilities	2,819,753	352,572
Due to component units	673,738	200
Due to other governments	474,090	95,586
Deposits payable	1,049,212	762,180
	<b>\$ 7,201,336</b>	<b>\$ 1,997,502</b>

### E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, was as follows:

	<b><u>Receivables</u></b>	<b><u>Payables</u></b>
<b>Due to/from other funds:</b>		
General Fund	\$ 674,427	\$ 1,645,752
Solid Waste	1,150	95,868
Neighborhood and Community Development	719	308,971
Building Authority Debt Service	-	1,052
Nonmajor governmental funds	1,458,591	2,483,409
Wastewater	725,359	1,177,528
Water	668,930	850,306
Nonmajor enterprise funds	-	574
Internal service funds	5,152,903	2,118,619
	<b>\$ 8,682,079</b>	<b>\$ 8,682,079</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

	<u>Receivables</u>	<u>Payables</u>
<b>Advances to/from other funds:</b>		
General Fund	\$ 340,000	\$ -
Nonmajor governmental funds	7,017	7,017
Internal service funds	-	340,000
	-	340,000
	<b><u>\$ 347,017</u></b>	<b><u>\$ 347,017</u></b>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In addition, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of the internal service funds.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Interfund transfers:</b>		
General Fund	\$ -	\$ 4,768,997
Neighborhood and Community Development	100,000	-
Building Authority Debt Service	1,588,010	-
Nonmajor governmental funds	9,786,267	6,272,793
Wastewater	-	432,487
	-	432,487
	<b><u>\$ 11,474,277</u></b>	<b><u>\$ 11,474,277</u></b>

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

### E. Long-Term Debt

*General Obligation Bonds.* The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, 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 \$89,890,000. General obligation bonds currently outstanding are as follows:

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>General Obligation Bonds</b>							
<i>Governmental Activities:</i>							
1992 Downtown Development	03/01/1992	5.50%-5.80%	\$ 1,475,000	\$ -	\$ 175,000	\$ 1,300,000	\$ 200,000
1993 Downtown Development Refunding	06/15/1993	4.30%-5.50%	1,880,000	-	225,000	1,655,000	240,000
1997 Building Authority Parking System Refunding	10/01/1997	3.90%-4.90%	975,000	-	300,000	675,000	320,000
1997 Downtown Development Refunding	10/01/1997	4.70%-5.35%	2,125,000	-	10,000	2,115,000	10,000
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	5,285,000	-	555,000	4,730,000	575,000
1998 Building Authority KMGA	12/01/1998	3.80%-5.00%	1,225,000	-	75,000	1,150,000	80,000
1999 Building Authority	09/01/1999	5.13%-5.38%	755,000	-	240,000	515,000	250,000
2001 Building Authority	04/01/2001	4.00%-5.00%	3,065,000	-	95,000	2,970,000	100,000
2002 Building Authority	01/01/2002	2.00%-4.75%	785,000	-	65,000	720,000	65,000
2002 Mayor's Riverfront Environmental	08/01/2002	2.50%-4.15%	315,000	-	315,000	-	-
2003 Building Authority	01/27/2003	1.75%-3.75%	1,415,000	-	185,000	1,230,000	185,000
2004 Capital Improvement	04/27/2004	2.00%-4.70%	7,125,000	-	665,000	6,460,000	675,000
2005 Parking Ramp Bonds	04/11/2005	5.00%-5.25%	7,020,000	-	415,000	6,605,000	370,000
2005B Parking Ramp Bonds	10/12/2005	5.00%-5.25%	2,780,000	-	145,000	2,635,000	140,000
2005 Refunding Bonds	07/26/2005	5.125%-5.50%	7,685,000	-	40,000	7,645,000	40,000
2006A Building Authority Bonds	01/23/2006	4.85%-5.50%	2,740,000	-	45,000	2,695,000	50,000
2006B Building Authority Bonds	10/26/2006	4.00%-4.40%	4,270,000	-	155,000	4,115,000	150,000
2007 Capital Improvement	07/12/2007	3.90%-4.75%	-	855,000	-	855,000	20,000
<b>Total General Obligation Bonds</b>			<b>\$ 50,920,000</b>	<b>\$ 855,000</b>	<b>\$ 3,705,000</b>	<b>\$ 48,070,000</b>	<b>\$ 3,470,000</b>

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

Years Ending December 31	Governmental Activities	
	Principal	Interest
2008	\$ 3,470,000	\$ 2,172,978
2009	3,570,000	2,019,041
2010	3,255,000	1,874,662
2011	3,335,000	1,735,697
2012	3,410,000	1,590,741
2013 - 2017	13,200,000	5,935,451
2018 - 2022	8,340,000	3,446,877
2023 - 2027	7,920,000	1,493,202
2028 - 2029	1,570,000	126,239
<b>Total</b>	<b>\$ 48,070,000</b>	<b>\$ 20,394,888</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

*Revenue Bonds.* The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$21,870,000 for governmental activities and \$36,025,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Revenue Bonds</b>							
<i>Governmental Activities:</i>							
1994 Michigan Transportation Fund	06/01/1994	4.75%-5.90%	\$ 250,000	\$ -	\$ 120,000	\$ 130,000	\$ 130,000
1996 Michigan Transportation Fund	03/01/1996	3.90%-5.10%	1,080,000	-	190,000	890,000	200,000
1998 Michigan Transportation Fund	04/01/1998	3.60%-4.75%	1,275,000	-	155,000	1,120,000	160,000
2000 Michigan Transportation Fund	04/24/2000	4.88%-5.13%	1,985,000	-	175,000	1,810,000	185,000
2002 Michigan Transportation Fund Refunding	04/01/2002	2.50%-4.88%	1,690,000	-	140,000	1,550,000	145,000
2004 Michigan Transportation Fund Refunding	04/27/2004	3.00%-3.70%	3,525,000	-	405,000	3,120,000	410,000
2007 Michigan Transportation Fund	07/12/2007	4.00%-4.50%	-	3,860,000	-	3,860,000	160,000
<b>Total Governmental Activities</b>			<b>9,805,000</b>	<b>3,860,000</b>	<b>1,185,000</b>	<b>12,480,000</b>	<b>1,390,000</b>
<i>Business-Type Activities:</i>							
1996 Water System	06/01/1996	5.13%-5.63%	220,000	-	220,000	-	-
2001 Wastewater System Refunding	04/01/2001	3.00%-5.00%	3,825,000	-	200,000	3,625,000	210,000
2002 Water System Refunding	06/06/2002	4.50%-4.75%	7,520,000	-	460,000	7,060,000	480,000
2002 Water System Refunding	10/23/2002	2.00%-3.88%	2,740,000	-	275,000	2,465,000	285,000
2004 Water System Refunding	04/27/2004	2.00%-4.65%	4,740,000	-	140,000	4,600,000	140,000
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	4,690,000	-	125,000	4,565,000	310,000
2007 Water Supply System	07/12/2007	4.00%-4.65%	-	1,900,000	-	1,900,000	35,000
<b>Total Business-Type Activities</b>			<b>23,735,000</b>	<b>1,900,000</b>	<b>1,420,000</b>	<b>24,215,000</b>	<b>1,460,000</b>
<b>Total Revenue Bonds</b>			<b>\$ 33,540,000</b>	<b>\$ 5,760,000</b>	<b>\$ 2,605,000</b>	<b>\$ 36,695,000</b>	<b>\$ 2,850,000</b>

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

Years Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 1,390,000	\$ 540,733	\$ 1,460,000	\$ 1,088,605
2009	1,355,000	445,145	1,535,000	1,021,354
2010	1,410,000	388,807	1,590,000	959,282
2011	1,480,000	329,065	1,665,000	893,774
2012	1,285,000	271,474	1,730,000	824,196
2013 - 2017	3,995,000	671,099	8,300,000	2,915,143
2018 - 2022	1,565,000	179,385	4,375,000	1,286,655
2023 - 2027	-	-	2,395,000	591,996
2028 - 2032	-	-	1,165,000	122,297
<b>Total</b>	<b>\$ 12,480,000</b>	<b>\$ 2,825,708</b>	<b>\$ 24,215,000</b>	<b>\$ 9,703,302</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

Special Assessment Bonds	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i> 1999 Special Assessment Limited Tax Bonds	09/01/1999	4.40%-7.00%	\$ 335,000	\$ -	\$ 50,000	\$ 285,000	\$ 50,000

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

Years Ending December 31	Governmental Activities	
	Principal	Interest
2008	\$ 50,000	\$ 14,380
2009	50,000	11,980
2010	45,000	9,530
2011	45,000	7,280
2012	50,000	4,985
2013	45,000	2,385
<b>Total</b>	<b>\$ 285,000</b>	<b>\$ 50,540</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

*Installment Obligations.* The City has entered into various long-term installment payment agreements which are similar in nature to bonds. The original amount of installment obligations issued was \$5,357,055 for governmental activities. Installment obligations outstanding at December 31, 2007, are as follows:

Installment Purchase Contracts	Issuance Date	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>							
1997 Fire Equipment	06/16/1997	5.60%	\$ 136,300	\$ -	\$ 136,300	-	-
2000 Cable Access	07/24/2000	5.38%	98,000	-	66,000	32,000	21,000
2005 KMGA	04/25/2005	3.85%	199,000	-	64,000	135,000	66,000
<i>Total Governmental Activities</i>			<u>\$ 433,300</u>	<u>\$ -</u>	<u>\$ 266,300</u>	<u>\$ 167,000</u>	<u>\$ 87,000</u>

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

Years Ending December 31	Governmental Activities	
	Principal	Interest
2008	\$ 87,000	\$ 5,374
2009	80,000	1,623
<b>Total</b>	<u><b>\$ 167,000</b></u>	<u><b>\$ 6,997</b></u>

*Other Debt.* The City has also recorded liabilities related to certain environmental matters, accumulated compensated absences and a tax tribunal payable.

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2007, \$10,181,149 of bonds outstanding from prior year refundings are considered defeased.

*No Commitment Debt.* Excluded from the statement of net assets are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation and Hospital Finance Authority to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts, amounting to \$309,650,000, 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.

*Changes in Long-Term Debt.* Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligation bonds	\$ 50,920,000	\$ 855,000	\$ 3,705,000	\$ 48,070,000	\$ 3,470,000
Revenue bonds	9,805,000	3,860,000	1,185,000	12,480,000	1,390,000
Special assessment bonds	335,000	-	50,000	285,000	50,000
Installment purchase contracts	433,300	-	266,300	167,000	87,000
Compensated absences	5,452,715	2,400,057	1,982,083	5,870,689	733,836
Public safety comp time	374,257	120,127	-	494,384	247,192
Environmental matters	710,011	-	2,728	707,283	10,000
Uninsured claim liability	3,900,320	-	56,624	3,843,696	1,990,006
Death benefits payable	263,829	844	-	264,673	-
Add: unamortized bond premium	197,401	-	25,851	171,550	-
Subtract: unamortized bond discount	-	(20,235)	(964)	(19,271)	-
<b>Total Governmental Activities</b>	<b>\$ 72,391,833</b>	<b>\$ 7,215,793</b>	<b>\$ 7,272,622</b>	<b>\$ 72,335,004</b>	<b>\$ 7,978,034</b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Revenue bonds	\$ 23,735,000	\$ 1,900,000	\$ 1,420,000	\$ 24,215,000	\$ 1,460,000
Compensated absences	2,030,201	991,758	1,013,606	2,008,353	251,044
Subtract: unamortized defeasance expense	(522,593)	-	45,582	(477,011)	-
Add: unamortized bond premium	112,783	5,575	7,904	110,454	-
	<u>\$ 25,355,391</u>	<u>\$ 2,897,333</u>	<u>\$ 2,487,092</u>	<u>\$ 25,856,796</u>	<u>\$ 1,711,044</u>
Total Business-Type Activities	<u>\$ 25,355,391</u>	<u>\$ 2,897,333</u>	<u>\$ 2,487,092</u>	<u>\$ 25,856,796</u>	<u>\$ 1,711,044</u>

### G. Short-Term Debt

The City issued and repaid \$6,000,000 of tax revenue anticipation notes during the year ended December 31, 2007. The purpose of this short-term debt is to provide liquidity for governmental operations financed by property taxes, which are collected throughout the year.

## IV. OTHER INFORMATION

### A. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (i.e., workers' compensation), as well as medical and death benefits provided to employees. The City has purchased commercial insurance for excess claims for workers' compensation, medical claims, general and auto liability, auto physical damage and property loss claims. The City is primarily self-insured for workers' compensation, medical claims, general liability and property damage claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City estimates the liability for its self-insured coverages and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the City's third-party administrators for claims management and are recorded in the Insurance and Benefits internal service fund. The long-term portion of the workers' compensation liability has been discounted at a 6 percent present value factor. Changes in the estimated liability are as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$ 4,164,149	\$ 3,716,050
Estimated claims incurred, including changes in estimates	17,449,435	17,400,081
Claim payments	<u>(17,505,215)</u>	<u>(16,951,982)</u>
<b>Estimated liability, end of year</b>	<b><u>\$ 4,108,369</u></b>	<b><u>\$ 4,164,149</u></b>

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### **B. Property Taxes**

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

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

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

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

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

### C. Contingent Liabilities

#### Lawsuits

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

#### Environmental

The City of Kalamazoo has identified a number of sites within its boundaries that are in need of environmental remediation. Some are privately-held properties, and some are owned by the County and/or the City of Kalamazoo. The City of Kalamazoo has been named as a Potentially-Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) in two such sites: the Cork Street Landfill and the Auto Ion site. The City has also entered into cleanup agreements, although not named as a PRP, for two other sites. Based on currently-available information, the City has recorded liabilities for the net present value of estimated response costs for these sites in the amount of \$707,283 in the government-wide statements. The City has set aside \$ 662,611 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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

### **Commitments**

The City is obligated for construction contracts relating to various construction projects in the amount of \$8,696,871. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. However, \$4,188,873 of these commitments were made by governmental funds and are, therefore, included within the reservations of fund balance for encumbrances.

### **D. Postemployment Benefits**

The City provides postretirement health care benefits to all full-time employees upon retirement, in accordance with its labor contracts. Currently, 596 retirees are eligible to receive these benefits. The City includes pre-Medicare retirees and their dependents in its self-insured health care plan. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenses for postemployment health care benefits are recognized in the Insurance and Benefits Internal Service Fund on a pay-as-you-go basis. During the year, this amounted to \$5,762,061 (net of \$397,256 of retiree contributions). Beginning with the fiscal year ending December 31, 2008, the City will be required to begin recognizing expenses for OPEB costs in the government wide and proprietary fund financial statements based on an actuarially determined annual required contribution (ARC).

The entry-age normal cost method, with a 30 year amortization of unfunded accrued liabilities was used to determine OPEB liabilities. The entry age method is a stable method that is consistent with a level percentage of payroll financing. The actuarial accrued liability assumes a healthcare cost trend rate of 9.2% to 3.2%.

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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At December 31, 2006 (the date of the most recent actuarial valuation), the funded status and actuarial accrued liability were determined as follows:

Total actuarial accrued liability	\$ 115,049,925
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 115,049,925</u>
Funded ratio	0%
Covered payroll	\$ 42,489,213
UAAL as a percent of covered payroll	270.8%

### **E. Defined Benefit Pension Plan**

#### **Plan Description**

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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### 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.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

### Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Commission. Plan members are required to contribute at rates ranging from 1.0% to 6.5% of their annual covered salary, depending on union affiliation. The City is required to contribute at an actuarially determined rate; no employer contributions were required for 2007.

### Annual Pension Cost and Net Pension Obligation

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

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

# CITY OF KALAMAZOO, MICHIGAN

## Notes To Financial Statements

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The annual required contributions for 2007 were determined as part of an actuarial valuation of the System as of December 31, 2006, using the individual attained age normal cost actuarial funding method. The actuarial assumptions included: (a) a nominal rate of return on investments, net of expenses, of 7.5% per year compounded annually; (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 8.0% per year, depending on age and service, attributable to seniority/merit; and (d) the assumption that pension benefits will increase after retirement from 1.0% to 2.0% per year depending on the bargaining unit, age, and the date of retirement. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was ten years for the System.

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

### Three-Year Trend Information

<u>Years Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ -	-%	\$ -
2006	-	-	-
2007	-	-	-

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

#### **F. Subsequent Event**

Subsequent to year end, the City issued \$6,000,000 in Tax Anticipation Notes. The debt issue was dated and available for delivery on January 22, 2008.

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REQUIRED  
SUPPLEMENTARY INFORMATION

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

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Overfunded AAL (OAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	OAAL as a Percent of Covered Payroll
12/31/1998	267,250,249	167,726,504	99,523,745	159.3%	35,607,350	279.5%
12/31/1999	303,750,495	192,167,206	111,583,289	158.1%	37,541,170	297.2%
12/31/2000	331,521,519	208,070,230	123,451,289	159.3%	39,377,238	313.5%
12/31/2001	349,206,708	220,302,430	128,904,278	158.5%	41,595,437	309.9%
12/31/2002	348,677,897	230,979,927	117,697,970	151.0%	40,316,918	291.9%
12/31/2003	361,205,383	245,919,424	115,285,959	146.9%	40,914,264	281.8%
12/31/2004	390,615,277	265,080,190	125,535,087	147.4%	41,989,819	299.0%
12/31/2005	422,565,761	294,416,007	128,149,754	143.5%	40,944,435	313.0%
12/31/2006	463,280,966	312,101,938	151,179,028	148.4%	42,164,958	358.5%
12/31/2007	500,788,244	327,242,870	173,545,374	153.0%	42,889,419	404.6%

**Schedule of Employer Contributions**

Year Ended December 31	Annual Required Contributions	Percentage Contributed
1998	\$ -	- %
1999	-	-
2000	-	-
2001	-	-
2002	-	-
2003	-	-
2004	-	-
2005	-	-
2006	-	-
2007	-	-

**COMBINING and INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

	Special Revenue Funds	Debt Service Funds	Capital Projects	Permanent Funds	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 4,516,887	\$ 164,035	\$ 6,396,909	\$ 203	\$ 11,078,034
Investments	-	-	-	4,416,370	4,416,370
Receivables:					
Notes	677,338	-	-	-	677,338
Special assessments	7,997	80,253	9,994	-	98,244
Accrued interest	27,291	-	3,533	-	30,824
Other	44,261	32,000	605,401	2,308	683,970
Due from other funds	989,598	-	468,993	-	1,458,591
Due from component units	126,200	135,000	100,000	-	361,200
Due from other governments	998,791	-	114,743	-	1,113,534
Advances to other funds	-	-	7,017	-	7,017
Advances to component units	3,644,460	-	-	-	3,644,460
Restricted cash	-	-	2,033,002	-	2,033,002
Investments with agents	14,910	-	14,202	2,093,809	2,122,921
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 11,047,733</u></b>	<b><u>\$ 411,288</u></b>	<b><u>\$ 9,753,794</u></b>	<b><u>\$ 6,512,690</u></b>	<b><u>\$ 27,725,505</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 365,622	\$ 300	\$ 608,735	\$ -	\$ 974,657
Accrued and other liabilities	43,499	-	-	4,427	47,926
Due to other funds	1,332,237	55	1,130,117	21,000	2,483,409
Due to other governments	147,591	-	2,689	-	150,280
Advances from other funds	7,017	-	-	-	7,017
Deposits payable	2,904	-	957,528	-	960,432
Deferred revenue	985,887	247,253	148,694	-	1,381,834
<b>Total liabilities</b>	<b>2,884,757</b>	<b>247,608</b>	<b>2,847,763</b>	<b>25,427</b>	<b>6,005,555</b>
<b>Fund balance</b>					
Reserved for:					
Encumbrances	1,462,969	-	3,022,192	-	4,485,161
Debt-financed projects	-	-	25,702	-	25,702
Advances to other funds	-	-	7,017	-	7,017
Advances to component units	3,644,460	-	100,000	-	3,744,460
Cemetery perpetual care	-	-	-	1,735,160	1,735,160
Recreational activities	-	-	-	2,093,809	2,093,809
Unreserved:					
Designated for subsequent years' expenditures	29,187	-	-	-	29,187
Undesignated	3,026,360	163,680	3,751,120	2,658,294	9,599,454
<b>Total fund balance</b>	<b>8,162,976</b>	<b>163,680</b>	<b>6,906,031</b>	<b>6,487,263</b>	<b>21,719,950</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 11,047,733</u></b>	<b><u>\$ 411,288</u></b>	<b><u>\$ 9,753,794</u></b>	<b><u>\$ 6,512,690</u></b>	<b><u>\$ 27,725,505</u></b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

	Special Revenue Funds	Debt Service Funds	Capital Projects	Permanent Funds	Total Nonmajor Governmental Funds
<b>Revenue</b>					
Property taxes and special assessments	\$ 149	\$ 50,887	\$ -	\$ -	\$ 51,036
Intergovernmental revenue	7,079,455	-	763,161	-	7,842,616
Charges for services	145,327	-	-	24,824	170,151
Fines and forfeits	241,522	-	-	-	241,522
Interest and dividends	299,069	20,656	398,982	242,624	961,331
Net investment earnings	-	-	-	(22,516)	(22,516)
Contributions	-	-	1,686,552	11,634	1,698,186
Other revenue	435,596	140,853	583,998	-	1,160,447
<b>Total revenue</b>	<b>8,201,118</b>	<b>212,396</b>	<b>3,432,693</b>	<b>256,566</b>	<b>12,102,773</b>
<b>Expenditures</b>					
Current expenditures:					
Public safety	1,145,613	-	-	-	1,145,613
Economic development	55,013	-	-	-	55,013
Community development & planning	31,433	-	-	-	31,433
Recreation	415,876	-	-	150,664	566,540
Streets	9,753,458	-	-	-	9,753,458
Cemeteries	413,928	-	-	21,572	435,500
Debt service:					
Principal	-	2,481,300	-	-	2,481,300
Interest and fiscal charges	-	675,810	-	-	675,810
Capital outlay	-	-	5,692,545	-	5,692,545
<b>Total expenditures</b>	<b>11,815,321</b>	<b>3,157,110</b>	<b>5,692,545</b>	<b>172,236</b>	<b>20,837,212</b>
Excess (deficiency) of revenue over expenditures	(3,614,203)	(2,944,714)	(2,259,852)	84,330	(8,734,439)
<b>Other financing sources (uses)</b>					
Transfers in	2,733,123	2,949,118	2,874,988	1,229,038	9,786,267
Transfers out	(2,314,853)	-	(3,777,827)	(180,113)	(6,272,793)
Proceeds from the sale of capital assets	53,120	-	-	-	53,120
Issuance of long-term debt	3,860,000	-	855,000	-	4,715,000
Bond discount	(20,235)	-	-	-	(20,235)
<b>Total other financing sources (uses)</b>	<b>4,311,155</b>	<b>2,949,118</b>	<b>(47,839)</b>	<b>1,048,925</b>	<b>8,261,359</b>
Net change in fund balances	696,952	4,404	(2,307,691)	1,133,255	(473,080)
Fund balance, beginning of year	7,466,024	159,276	9,213,722	5,354,008	22,193,030
<b>Fund balance, end of year</b>	<b>\$ 8,162,976</b>	<b>\$ 163,680</b>	<b>\$ 6,906,031</b>	<b>\$ 6,487,263</b>	<b>\$ 21,719,950</b>

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2007**

	<b>Major Streets</b>	<b>Local Streets</b>	<b>Cemeteries</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 1,576,650	\$ 79,836	\$ 56,180
Receivables:			
Notes	-	-	-
Special assessments	-	7,997	-
Accrued interest	-	9,581	-
Other	9,916	15	9,985
Due from other funds	459,278	506,367	192
Due from component units	126,200	-	-
Due from other governments	662,899	172,712	-
Advances to component units	1,510,254	-	-
Investments with agents	-	-	-
	<b><u>4,345,197</u></b>	<b><u>776,508</u></b>	<b><u>66,357</u></b>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 4,345,197</u></b>	<b><u>\$ 776,508</u></b>	<b><u>\$ 66,357</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 231,104	\$ 17,485	\$ 17,247
Accrued and other liabilities	-	-	-
Due to other funds	724,953	569,540	6,465
Due to other governments	-	-	-
Advances from other funds	-	7,017	-
Deposits payable	-	-	-
Deferred revenue	1,264	17,585	3,465
	<b><u>957,321</u></b>	<b><u>611,627</u></b>	<b><u>27,177</u></b>
Total liabilities			
<b>Fund balance</b>			
Reserved for:			
Encumbrances	1,400,294	19,148	3,632
Advances to component units	1,510,254	-	-
Unreserved:			
Designated for subsequent years' expenditures	-	-	-
Undesignated	477,328	145,733	35,548
	<b><u>3,387,876</u></b>	<b><u>164,881</u></b>	<b><u>39,180</u></b>
Total fund balance			
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 4,345,197</u></b>	<b><u>\$ 776,508</u></b>	<b><u>\$ 66,357</u></b>

<b>Grants and Donations</b>	<b>Economic Development Programs</b>	<b>Drug Enforcement</b>	<b>Total</b>
\$ 283,170	\$ 1,713,278	\$ 807,773	\$ 4,516,887
-	677,338	-	677,338
-	-	-	7,997
-	17,710	-	27,291
1,207	23,138	-	44,261
13,788	-	9,973	989,598
-	-	-	126,200
163,180	-	-	998,791
-	2,134,206	-	3,644,460
14,910	-	-	14,910
<b>\$ 476,255</b>	<b>\$ 4,565,670</b>	<b>\$ 817,746</b>	<b>\$ 11,047,733</b>

\$ 49,105	\$ -	\$ 50,681	\$ 365,622
-	-	43,499	43,499
9,055	38	22,186	1,332,237
-	147,591	-	147,591
-	-	-	7,017
-	-	2,904	2,904
245,387	718,186	-	985,887
<b>303,547</b>	<b>865,815</b>	<b>119,270</b>	<b>2,884,757</b>
39,895	-	-	1,462,969
-	2,134,206	-	3,644,460
29,187	-	-	29,187
103,626	1,565,649	698,476	3,026,360
<b>172,708</b>	<b>3,699,855</b>	<b>698,476</b>	<b>8,162,976</b>
<b>\$ 476,255</b>	<b>\$ 4,565,670</b>	<b>\$ 817,746</b>	<b>\$ 11,047,733</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2007**

	<b>Major Streets</b>	<b>Local Streets</b>	<b>Cemeteries</b>
<b>Revenue</b>			
Property taxes and special assessments	\$ -	\$ 149	\$ -
Intergovernmental revenue	5,196,555	1,146,418	-
Charges for services	-	-	143,373
Fines and forfeits	-	-	-
Interest revenue	116,747	17,903	1,238
Other revenue	12,631	953	-
<b>Total revenue</b>	<b>5,325,933</b>	<b>1,165,423</b>	<b>144,611</b>
<b>Expenditures</b>			
Current expenditures:			
Public safety (combined police and fire)	-	-	-
Cemeteries	-	-	413,928
Economic Development	-	-	-
Community Development & Planning	-	-	-
Streets	7,382,812	2,370,646	-
Recreation	-	-	-
<b>Total expenditures</b>	<b>7,382,812</b>	<b>2,370,646</b>	<b>413,928</b>
Excess (deficiency) of revenue over expenditures	(2,056,879)	(1,205,223)	(269,317)
<b>Other financing sources (uses)</b>			
Transfers in	788,496	1,398,596	180,113
Transfers out	(1,710,144)	(598,659)	-
Proceeds from the sale of capital assets	-	53,120	-
Issuance of long-term debt	3,860,000	-	-
Bond discount	(20,235)	-	-
<b>Total other financing sources (uses)</b>	<b>2,918,117</b>	<b>853,057</b>	<b>180,113</b>
Net change in fund balances	861,238	(352,166)	(89,204)
Fund balance, beginning of year	2,526,638	517,047	128,384
<b>Fund balance, end of year</b>	<b>\$ 3,387,876</b>	<b>\$ 164,881</b>	<b>\$ 39,180</b>

<b>Grants and Donations</b>	<b>Economic Development Programs</b>	<b>Drug Enforcement</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 149
567,725	-	168,757	7,079,455
-	1,954	-	145,327
-	-	241,522	241,522
5,325	122,413	35,443	299,069
353,673	37,434	30,905	435,596
926,723	161,801	476,627	8,201,118
578,535	-	567,078	1,145,613
-	-	-	413,928
15,000	40,013	-	55,013
31,433	-	-	31,433
-	-	-	9,753,458
415,876	-	-	415,876
1,040,844	40,013	567,078	11,815,321
(114,121)	121,788	(90,451)	(3,614,203)
155,918	210,000	-	2,733,123
-	-	(6,050)	(2,314,853)
-	-	-	53,120
-	-	-	3,860,000
-	-	-	(20,235)
155,918	210,000	(6,050)	4,311,155
41,797	331,788	(96,501)	696,952
130,911	3,368,067	794,977	7,466,024
\$ 172,708	\$ 3,699,855	\$ 698,476	\$ 8,162,976

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Major Streets Fund**  
**For the Year Ended December 31, 2007**

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenue</b>			
Intergovernmental revenue:			
State trunkline maintenance	\$ 250,000	\$ 237,957	\$ (12,043)
Gas and weight tax distribution	4,404,400	4,099,179	(305,221)
Other state revenue	630,317	859,419	229,102
Interest	350,000	116,747	(233,253)
Other revenue	783,800	12,631	(771,169)
<b>Total revenue</b>	<b>6,418,517</b>	<b>5,325,933</b>	<b>(1,092,584)</b>
<b>Expenditures</b>			
Public services:			
Administration	506,038	475,097	30,941
Repair	610,544	542,431	68,113
Maintenance	691,001	842,563	(151,562)
Pavement painting	73,385	84,043	(10,658)
Traffic signals	517,496	326,558	190,938
Traffic signs	68,233	86,436	(18,203)
Construction	7,023,494	5,025,684	1,997,810
<b>Total expenditures</b>	<b>9,490,191</b>	<b>7,382,812</b>	<b>2,107,379</b>
Excess (deficiency) of revenue over expenditures	(3,071,674)	(2,056,879)	1,014,795
<b>Other financing sources (uses)</b>			
Transfers in:			
General Fund	-	788,496	788,496
Transfers out:			
Local Streets	-	(398,596)	(398,596)
Michigan Transportation Fund Debt Service Fund	-	(1,311,548)	(1,311,548)
Issuance of long-term debt	3,860,002	3,860,000	(2)
Discount on issuance of debt	-	(20,235)	(20,235)
<b>Total other financing sources (uses)</b>	<b>3,860,002</b>	<b>2,918,117</b>	<b>(941,885)</b>
Net change in fund balance	788,328	861,238	72,910
Fund balance, beginning of year	2,526,638	2,526,638	-
<b>Fund balance, end of year</b>	<b>\$ 3,314,966</b>	<b>\$ 3,387,876</b>	<b>\$ 72,910</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Local Streets Fund**  
**For the Year Ended December 31, 2007**

	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenue</b>			
Special assessments	\$ -	\$ 149	\$ 149
Intergovernmental revenue:			
Gas and weight tax distribution	1,235,000	1,146,418	(88,582)
Interest	25,000	17,903	(7,097)
Other revenue	10,500	953	(9,547)
<b>Total revenue</b>	<b>1,270,500</b>	<b>1,165,423</b>	<b>(105,077)</b>
<b>Expenditures</b>			
Public services:			
Administration	435,471	451,776	(16,305)
Repair	547,368	473,850	73,518
Maintenance	461,462	371,046	90,416
Pavement painting	8,738	4,106	4,632
Signs	44,348	29,254	15,094
Construction	1,061,407	1,040,614	20,793
<b>Total expenditures</b>	<b>2,558,794</b>	<b>2,370,646</b>	<b>188,148</b>
Excess (deficiency) of expenditures over revenue	(1,288,294)	(1,205,223)	83,071
<b>Other financing sources (uses)</b>			
Transfers in:			
General Fund	-	1,000,000	1,000,000
Major Streets	-	398,596	398,596
Transfers out:			
Michigan Transportation Fund Debt Service Fund	-	(274,353)	(274,353)
Capital Improvement Projects Fund	-	(324,306)	(324,306)
Proceeds from the sale of capital assets	-	53,120	53,120
Issuance of long-term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>853,057</b>	<b>853,057</b>
Net change in fund balance	(1,288,294)	(352,166)	936,128
Fund balance, beginning of year	517,047	517,047	-
<b>Fund balance, end of year</b>	<b>\$ (771,247)</b>	<b>\$ 164,881</b>	<b>\$ 936,128</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Cemeteries Fund**  
**For the Year Ended December 31, 2007**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenue</b>			
Charges for services - public services	\$ 175,600	\$ 143,373	\$ (32,227)
Interest	1,000	1,238	238
Other revenue	500	-	(500)
	<hr/>		
Total revenue	177,100	144,611	(32,489)
<hr/>			
<b>Expenditures</b>			
Cemeteries:			
Maintenance	174,393	187,224	(12,831)
Burials	414,820	226,704	188,116
	<hr/>		
Total expenditures	589,213	413,928	175,285
	<hr/>		
Excess (deficiency) of expenditures over revenue	(412,113)	(269,317)	142,796
<b>Other financing sources</b>			
Transfers in:			
Cemeteries' Perpetual Care	-	180,113	180,113
	<hr/>		
Net change in fund balance	(412,113)	(89,204)	322,909
	<hr/>		
Fund balance, beginning of year	128,384	128,384	-
	<hr/>		
<b>Fund balance (deficit), end of year</b>	<b>\$ (283,729)</b>	<b>\$ 39,180</b>	<b>\$ 322,909</b>
	<hr/> <hr/>		

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Grants and Donations Fund**  
**For the Year Ended December 31, 2007**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenue</b>			
Intergovernmental revenue:			
Federal grants	\$ 703,721	\$ 498,053	\$ (205,668)
State grants	-	69,672	69,672
Interest revenue	-	5,325	5,325
Local contributions	480,945	353,673	(127,272)
Total revenue	<u>1,184,666</u>	<u>926,723</u>	<u>(257,943)</u>
<b>Expenditures</b>			
Public safety (combined police and fire)	747,703	578,535	169,168
Economic development	-	15,000	(15,000)
Community development	160,465	31,433	129,032
Parks and recreation	542,892	415,876	127,016
Total expenditures	<u>1,451,060</u>	<u>1,040,844</u>	<u>410,216</u>
Excess (deficiency) of expenditures over revenue	<u>(266,394)</u>	<u>(114,121)</u>	<u>152,273</u>
<b>Other financing sources</b>			
Transfers in:			
General Fund	151,918	151,918	-
Drug Enforcement	4,000	4,000	-
Total other financing sources	<u>155,918</u>	<u>155,918</u>	<u>-</u>
Net change in fund balance	(110,476)	41,797	152,273
Fund balance, beginning of year	<u>130,911</u>	<u>130,911</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 20,435</u></u>	<u><u>\$ 172,708</u></u>	<u><u>\$ 152,273</u></u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Economic Development Programs Fund**  
**For the Year Ended December 31, 2007**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenue</b>			
Charges for service	\$ -	\$ 1,954	\$ 1,954
Interest	-	122,413	122,413
Other revenue	-	37,434	37,434
<b>Total revenue</b>	<b>-</b>	<b>161,801</b>	<b>161,801</b>
<b>Expenditures</b>			
Economic Development:			
Small Business Revolving Loan	-	40,000	(40,000)
Economic Opportunity Fund	-	13	(13)
<b>Total expenditures</b>	<b>-</b>	<b>40,013</b>	<b>(40,013)</b>
Excess revenue over expenditures	-	121,788	121,788
<b>Other financing sources</b>			
Transfers in from General Fund	-	210,000	210,000
Net change in fund balance	-	331,788	331,788
Fund balance, beginning of year	3,368,067	3,368,067	-
<b>Fund balance, end of year</b>	<b>\$ 3,368,067</b>	<b>\$ 3,699,855</b>	<b>\$ 331,788</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Drug Enforcement Fund**  
**For the Year Ended December 31, 2007**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenue</b>			
Intergovernmental revenue - federal grants	\$ 30,000	\$ 168,757	\$ 138,757
Fines and forfeits	300,000	241,522	(58,478)
Interest	30,000	35,443	5,443
Other revenue	30,000	30,905	905
<b>Total revenue</b>	<b>390,000</b>	<b>476,627</b>	<b>86,627</b>
<b>Expenditures</b>			
Public safety (combined police and fire)	753,219	567,078	186,141
Excess (deficiency) of revenue over expenditures	(363,219)	(90,451)	272,768
<b>Other financing uses</b>			
Transfers out:			
Grants and donations	(6,050)	(6,050)	-
Net change in fund balance	(369,269)	(96,501)	272,768
Fund balance, beginning of year	794,977	794,977	-
<b>Fund balance, end of year</b>	<b>\$ 425,708</b>	<b>\$ 698,476</b>	<b>\$ 272,768</b>

## NONMAJOR DEBT SERVICE FUNDS

---

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

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

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

**Mayors' Riverfront Park** - This fund is used to account for debt service activity, both public and private, for the debt issued for the City's Mayors' Riverfront Park.

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**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**December 31, 2007**

	Special Assessments	Michigan Transportation Fund	Installment Purchase Contracts
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 164,035	\$ -	\$ -
Receivables:			
Special assessments	80,253	-	-
Other	-	-	32,000
Due from component units	-	-	135,000
	\$ 244,288	\$ -	\$ 167,000
<b><u>TOTAL ASSETS</u></b>			
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 300	\$ -	\$ -
Due to other funds	55	-	-
Deferred revenue	80,253	-	167,000
	80,608	-	167,000
Total liabilities	80,608	-	167,000
<b>Fund balance</b>			
Unreserved, undesignated	163,680	-	-
	\$ 244,288	\$ -	\$ 167,000
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>			

**Mayors'  
Riverfront  
Park**

**Total**

\$	-	\$	164,035
	-		80,253
	-		32,000
	-		135,000
<hr/>			
\$	-	\$	411,288
<hr/> <hr/>			

\$	-	\$	300
	-		55
	-		247,253
<hr/>			
	-		247,608
	-		163,680
<hr/>			
\$	-	\$	411,288
<hr/> <hr/>			

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended December 31, 2007**

	Special Assessments	Michigan Transportation Fund	Installment Purchase Contracts
<b>Revenue</b>			
Special assessments	\$ 50,887	\$ -	\$ -
Interest	20,656	-	-
Other revenue	-	-	140,853
	<hr/>		
Total revenue	71,543	-	140,853
	<hr/>		
<b>Expenditures</b>			
Debt service:			
Principal	50,000	1,185,000	931,300
Interest and fiscal charges	17,139	400,901	244,448
	<hr/>		
Total expenditures	67,139	1,585,901	1,175,748
	<hr/>		
Excess (deficiency) of revenue over expenditures	4,404	(1,585,901)	(1,034,895)
	<hr/>		
<b>Other financing sources</b>			
Transfers in:			
Major Streets Fund	-	1,311,548	-
Local Streets Fund	-	274,353	324,306
Capital Improvements Project Fund	-	-	710,589
	<hr/>		
Total other financing sources	-	1,585,901	1,034,895
	<hr/>		
Net change in fund balances	4,404	-	-
	<hr/>		
Fund balance, beginning of year	159,276	-	-
	<hr/>		
<b>Fund balance, end of year</b>	<b>\$ 163,680</b>	<b>\$ -</b>	<b>\$ -</b>
	<hr/> <hr/>		

<b>Mayors' Riverfront Park</b>	<b>Total</b>
\$ -	\$ 50,887
-	20,656
-	140,853
-	212,396
315,000	2,481,300
13,322	675,810
328,322	3,157,110
(328,322)	(2,944,714)
-	1,311,548
-	598,659
328,322	1,038,911
328,322	2,949,118
-	4,404
-	159,276
\$ -	\$ 163,680

## NONMAJOR CAPITAL PROJECTS FUNDS

---

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

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

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

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**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**December 31, 2007**

	<b>Cork Street Landfill Cap Construction</b>	<b>Capital Improvements Projects</b>	<b>Building Authority Justice Facilities</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 6,371,183	\$ 25,726	\$ 6,396,909
Receivables:				
Special assessments	-	9,994	-	9,994
Accrued interest	3,533	-	-	3,533
Other	3,197	602,204	-	605,401
Due from other funds	-	468,993	-	468,993
Due from component units	-	100,000	-	100,000
Due from other governments	-	114,743	-	114,743
Advances to other funds	-	7,017	-	7,017
Restricted cash	2,033,002	-	-	2,033,002
Investments with agents	-	14,202	-	14,202
	<b><u>\$ 2,039,732</u></b>	<b><u>\$ 7,688,336</u></b>	<b><u>\$ 25,726</u></b>	<b><u>\$ 9,753,794</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 608,735	\$ -	\$ 608,735
Due to other funds	412,431	717,662	24	1,130,117
Due to other governments	-	2,689	-	2,689
Deposits payable	957,528	-	-	957,528
Deferred revenue	7,162	141,532	-	148,694
	<b><u>1,377,121</u></b>	<b><u>1,470,618</u></b>	<b><u>24</u></b>	<b><u>2,847,763</u></b>
<b>Fund balance</b>				
Reserved for:				
Encumbrances	-	3,022,192	-	3,022,192
Debt-financed projects	-	-	25,702	25,702
Advances to other funds	-	7,017	-	7,017
Non-current due from component unit	-	100,000	-	100,000
Unreserved:				
Undesignated	662,611	3,088,509	-	3,751,120
	<b><u>662,611</u></b>	<b><u>6,217,718</u></b>	<b><u>25,702</u></b>	<b><u>6,906,031</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 2,039,732</u></b>	<b><u>\$ 7,688,336</u></b>	<b><u>\$ 25,726</u></b>	<b><u>\$ 9,753,794</u></b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended December 31, 2007**

	<b>Cork Street Landfill Cap Construction</b>	<b>Capital Improvements Projects</b>	<b>Building Authority Justice Facilities</b>	<b>Total</b>
<b>Revenue</b>				
Intergovernmental revenue	\$ -	\$ 763,161	\$ -	\$ 763,161
Interest	46,673	351,164	1,145	398,982
Local contributions	-	1,686,552	-	1,686,552
Other revenue	-	583,998	-	583,998
<b>Total revenue</b>	<b>46,673</b>	<b>3,384,875</b>	<b>1,145</b>	<b>3,432,693</b>
<b>Expenditures</b>				
Capital outlay:				
General services	251,713	4,537,808	36	4,789,557
Public safety	-	35,507	-	35,507
Public works	-	847,601	-	847,601
Parks and recreation	-	8,625	-	8,625
Other	-	11,255	-	11,255
<b>Total expenditures</b>	<b>251,713</b>	<b>5,440,796</b>	<b>36</b>	<b>5,692,545</b>
Excess (deficiency) of revenue over expenditures	(205,040)	(2,055,921)	1,109	(2,259,852)
<b>Other financing sources (uses)</b>				
Transfers in	-	2,874,988	-	2,874,988
Transfers out	-	(3,777,827)	-	(3,777,827)
Issuance of long-term debt	-	855,000	-	855,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(47,839)</b>	<b>-</b>	<b>(47,839)</b>
Net change in fund balances	(205,040)	(2,103,760)	1,109	(2,307,691)
Fund balance, beginning of year	867,651	8,321,478	24,593	9,213,722
<b>Fund balance, end of year</b>	<b>\$ 662,611</b>	<b>\$ 6,217,718</b>	<b>\$ 25,702</b>	<b>\$ 6,906,031</b>

## NONMAJOR PERMANENT FUNDS

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

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

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

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**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**December 31, 2007**

	Cemetery Perpetual Care Fund	Recreation Endowment Funds	Parks Endowment Fund	Total
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 203	\$ -	\$ -	\$ 203
Investments	4,416,370	-	-	4,416,370
Accounts receivable	2,308	-	-	2,308
Investments with agents	-	1,118,722	975,087	2,093,809
	<b>\$ 4,418,881</b>	<b>\$ 1,118,722</b>	<b>\$ 975,087</b>	<b>\$ 6,512,690</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>Liabilities</b>				
Accrued and other liabilities	\$ 4,427	\$ -	\$ -	\$ 4,427
Due to other funds	21,000	-	-	21,000
	25,427	-	-	25,427
<b>Fund balance</b>				
Reserved for:				
Cemetery perpetual care	1,735,160	-	-	1,735,160
Recreational activities	-	1,118,722	975,087	2,093,809
Unreserved, undesignated	2,658,294	-	-	2,658,294
	4,393,454	1,118,722	975,087	6,487,263
	<b>\$ 4,418,881</b>	<b>\$ 1,118,722</b>	<b>\$ 975,087</b>	<b>\$ 6,512,690</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Year Ended December 31, 2007**

	<b>Cemetery Perpetual Care Fund</b>	<b>Recreation Endowment Funds</b>	<b>Parks Endowment Fund</b>	<b>Total</b>
<b>Revenue</b>				
Charges for services	\$ 24,824	\$ -	\$ -	\$ 24,824
Interest and rent	242,624	-	-	242,624
Net investment earnings	(18,129)	20,526	(24,913)	(22,516)
Local contributions	-	11,634	-	11,634
<b>Total revenue</b>	<b>249,319</b>	<b>32,160</b>	<b>(24,913)</b>	<b>256,566</b>
<b>Expenditures</b>				
Current expenditures:				
Recreation	-	21,626	129,038	150,664
Cemeteries	21,572	-	-	21,572
<b>Total expenditures</b>	<b>21,572</b>	<b>21,626</b>	<b>129,038</b>	<b>172,236</b>
Excess (deficiency) of revenues over expenditures	227,747	10,534	(153,951)	84,330
<b>Other financing uses</b>				
Transfers in	-	100,000	1,129,038	1,229,038
Transfers out	(180,113)	-	-	(180,113)
<b>Total other financing sources (uses)</b>	<b>(180,113)</b>	<b>100,000</b>	<b>1,129,038</b>	<b>1,048,925</b>
Net change in fund balance	47,634	110,534	975,087	1,133,255
Fund balance, beginning of year	4,345,820	1,008,188	-	5,354,008
<b>Fund balance, end of year</b>	<b>\$ 4,393,454</b>	<b>\$ 1,118,722</b>	<b>\$ 975,087</b>	<b>\$ 6,487,263</b>

## INTERNAL SERVICE FUNDS

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

**Printing Services Fund** - This fund is used to record the operations of printing and mailing services. Financing is provided by reimbursements from operating funds for materials and services rendered.

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

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

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

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

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

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**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2007**

	Governmental Activities			
	Engineering	Printing Services	City-Wide Maintenance	Management Information Systems
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 530	\$ -	\$ 993	\$ 1,527,432
Other receivables	7,374	-	4,807	1,866
Due from other funds	300,963	-	246,824	439,236
Due from component units	-	-	-	27,019
Inventories	-	-	-	-
Prepaid items and other assets	231	-	-	150
Total current assets	<u>309,098</u>	<u>-</u>	<u>252,624</u>	<u>1,995,703</u>
Noncurrent assets:				
Restricted cash	-	-	-	-
Capital assets	-	-	-	623,565
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,565</u>
Total assets	<u>309,098</u>	<u>-</u>	<u>252,624</u>	<u>2,619,268</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,910	-	18,039	182,577
Accrued and other liabilities	-	-	-	-
Due to other funds	293,848	-	227,758	29,550
Due to component units	-	-	-	166
Due to other governments	-	-	-	-
Advance from other funds	-	-	-	-
Unearned revenue	-	-	-	17,600
Current portion of compensated absences	-	-	-	4,791
Current portion of long-term debt	-	-	-	-
Total current liabilities	<u>295,758</u>	<u>-</u>	<u>245,797</u>	<u>234,684</u>
Noncurrent liabilities:				
Compensated absences payable	-	-	-	33,539
Employee death benefits payable	-	-	-	-
Uninsured claim liability	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,539</u>
Total liabilities	<u>295,758</u>	<u>-</u>	<u>245,797</u>	<u>268,223</u>
<b>Net assets</b>				
Invested in capital assets	-	-	-	623,565
Restricted for asset replacement	-	-	-	1,715,661
Unrestricted (deficit)	13,340	-	6,827	11,819
Total net assets	<u>\$ 13,340</u>	<u>\$ -</u>	<u>\$ 6,827</u>	<u>\$ 2,351,045</u>

			<b>Business-type Activities</b>	
<b>Public Works Equipment</b>	<b>Insurance and Benefits</b>	<b>Subtotal Governmental Activities</b>	<b>Public Utilities Equipment</b>	<b>Total</b>
\$ 1,079	\$ 7,534,662	\$ 9,064,696	\$ 338	\$ 9,065,034
47,230	13,238	74,515	-	74,515
305,130	3,538,991	4,831,144	321,759	5,152,903
4,283	231,341	262,643	-	262,643
176,900	-	176,900	45,771	222,671
-	21,571	21,952	-	21,952
<u>534,622</u>	<u>11,339,803</u>	<u>14,431,850</u>	<u>367,868</u>	<u>14,799,718</u>
-	-	-	824,627	824,627
1,435,771	-	2,059,336	1,442,603	3,501,939
<u>1,435,771</u>	<u>-</u>	<u>2,059,336</u>	<u>2,267,230</u>	<u>4,326,566</u>
<u>1,970,393</u>	<u>11,339,803</u>	<u>16,491,186</u>	<u>2,635,098</u>	<u>19,126,284</u>
10,113	47,877	260,516	61,211	321,727
-	1,996,041	1,996,041	-	1,996,041
1,312,905	22,087	1,886,148	232,471	2,118,619
-	-	166	-	166
-	38,325	38,325	-	38,325
-	340,000	340,000	-	340,000
-	-	17,600	-	17,600
8,249	-	13,040	3,559	16,599
-	1,990,006	1,990,006	-	1,990,006
<u>1,331,267</u>	<u>4,434,336</u>	<u>6,541,842</u>	<u>297,241</u>	<u>6,839,083</u>
57,742	-	91,281	24,914	116,195
-	264,673	264,673	-	264,673
-	1,853,690	1,853,690	-	1,853,690
<u>57,742</u>	<u>2,118,363</u>	<u>2,209,644</u>	<u>24,914</u>	<u>2,234,558</u>
<u>1,389,009</u>	<u>6,552,699</u>	<u>8,751,486</u>	<u>322,155</u>	<u>9,073,641</u>
1,435,771	-	2,059,336	1,442,603	3,501,939
-	-	1,715,661	824,627	2,540,288
(854,387)	4,787,104	3,964,703	45,713	4,010,416
<u>\$ 581,384</u>	<u>\$ 4,787,104</u>	<u>\$ 7,739,700</u>	<u>\$ 2,312,943</u>	<u>\$ 10,052,643</u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2007**

	<b>Governmental Activities</b>			
	<b>Engineering</b>	<b>Printing Services</b>	<b>City-Wide Maintenance</b>	<b>Management Information Systems</b>
<b>Operating revenue</b>				
Charges for services	\$ 1,754,573	\$ -	\$ 1,258,497	\$ 2,426,925
<b>Operating expenses</b>				
Operation and maintenance	1,754,934	-	1,258,495	2,236,309
Risk management	-	-	-	-
Depreciation	-	-	-	194,692
Total operating expenses	1,754,934	-	1,258,495	2,431,001
Operating income (loss)	(361)	-	2	(4,076)
<b>Non-operating revenue</b>				
Interest income	-	-	-	70,834
Gain on disposal of capital assets	-	-	-	1,942
Total non-operating revenue	-	-	-	72,776
Net income (loss)	(361)	-	2	68,700
Net assets, beginning of year	13,701	-	6,825	2,282,345
<b>Net assets, end of year</b>	<b>\$ 13,340</b>	<b>\$ -</b>	<b>\$ 6,827</b>	<b>\$ 2,351,045</b>

<b>Public Works Equipment</b>	<b>Insurance and Benefits</b>	<b>Subtotal Governmental Activities</b>	<b>Business-type Activities Public Utilities Equipment</b>	<b>Total</b>
\$ 1,939,734	\$ 18,424,554	\$ 25,804,283	\$ 1,076,042	\$ 26,880,325
1,857,544	-	7,107,282	896,162	8,003,444
-	17,449,435	17,449,435	-	17,449,435
447,404	-	642,096	436,037	1,078,133
2,304,948	17,449,435	25,198,813	1,332,199	26,531,012
(365,214)	975,119	605,470	(256,157)	349,313
-	323,449	394,283	39,716	433,999
44,529	-	46,471	50,597	97,068
44,529	323,449	440,754	90,313	531,067
(320,685)	1,298,568	1,046,224	(165,844)	880,380
902,069	3,488,536	6,693,476	2,478,787	9,172,263
\$ 581,384	\$ 4,787,104	\$ 7,739,700	\$ 2,312,943	\$ 10,052,643

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2007**

	<b>Governmental Activities</b>			
	<b>Engineering</b>	<b>Printing Services</b>	<b>City-Wide Maintenance</b>	<b>Management Information Systems</b>
<b>Cash flows from operating activities</b>				
Cash received from providing interfund services	\$ 2,580,174	\$ 44,519	\$ 1,455,631	\$ 3,175,562
Cash payments to suppliers for goods and services	(1,636,170)	(45,058)	(964,468)	(1,677,543)
Cash payments to employees for services	(944,035)	-	(490,946)	(501,129)
Net cash provided (used) by operating activities	(31)	(539)	217	996,890
<b>Cash flows from capital and related financing activities</b>				
Purchases of capital assets	-	-	-	(130,189)
Sale of capital assets	-	-	-	1,941
Net cash used by capital and related financing activities	-	-	-	(128,248)
<b>Cash flows from investing activities</b>				
Interest received	-	-	-	70,834
Net increase (decrease) in cash and cash equivalents	(31)	(539)	217	939,476
Cash and cash equivalents, beginning of year	561	539	776	587,956
<b>Cash and cash equivalents, end of year</b>	<b>\$ 530</b>	<b>\$ -</b>	<b>\$ 993</b>	<b>\$ 1,527,432</b>
<b>Statement of net assets classification of cash and cash equivalents</b>				
Cash and cash equivalents	\$ 530	\$ -	\$ 993	\$ 1,527,432
Restricted cash	-	-	-	-
Total cash and cash equivalents	\$ 530	\$ -	\$ 993	\$ 1,527,432

			<b>Business-type Activities</b>	
<b>Public Works Equipment</b>	<b>Insurance and Benefits</b>	<b>Subtotal Governmental Activities</b>	<b>Public Utilities Equipment</b>	<b>Total</b>
\$ 2,416,115	\$ 17,031,213	\$ 26,703,214	\$ 1,173,672	\$ 27,876,886
(1,287,971)	(15,975,401)	(21,586,611)	(718,856)	(22,305,467)
(824,197)	-	(2,760,307)	(189,297)	(2,949,604)
303,947	1,055,812	2,356,296	265,519	2,621,815
(348,697)	-	(478,886)	(415,309)	(894,195)
44,740	-	46,681	109,697	156,378
(303,957)	-	(432,205)	(305,612)	(737,817)
-	323,449	394,283	39,716	433,999
(10)	1,379,261	2,318,374	(377)	2,317,997
1,089	6,155,401	6,746,322	825,342	7,571,664
<u>\$ 1,079</u>	<u>\$ 7,534,662</u>	<u>\$ 9,064,696</u>	<u>\$ 824,965</u>	<u>\$ 9,889,661</u>
\$ 1,079	\$ 7,534,662	\$ 9,064,696	\$ 338	\$ 9,065,034
-	-	-	824,627	824,627
<u>\$ 1,079</u>	<u>\$ 7,534,662</u>	<u>\$ 9,064,696</u>	<u>\$ 824,965</u>	<u>\$ 9,889,661</u>

(Continued...)

**CITY OF KALAMAZOO, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Concluded)**  
**For the Year Ended December 31, 2007**

	<b>Governmental Activities</b>			
	<b>Engineering</b>	<b>Printing Services</b>	<b>City-Wide Maintenance</b>	<b>Management Information Systems</b>
<b>Reconciliation of operating income (loss) to net cash provided</b>				
<b>(used) by operating activities:</b>				
Operating income (loss)	\$ (361)	\$ -	\$ 2	\$ (4,076)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	-	-	-	194,692
Changes in assets and liabilities:				
Receivables	(1,576)	-	(2,200)	846
Due from other funds	827,177	44,519	199,334	751,227
Due from component units	-	-	-	(3,436)
Inventories	-	-	-	-
Prepaid items and other assets	(1)	-	-	(150)
Accounts payable	(99)	(606)	(13,758)	75,895
Accrued and other liabilities	(39,982)	-	(17,713)	(17,969)
Due to other funds	(785,189)	(44,452)	(165,448)	9,913
Due to component units	-	-	-	136
Due to other governments	-	-	-	-
Compensated absences payable	-	-	-	(10,188)
Employee death benefits payable	-	-	-	-
Uninsured claim liability	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>\$ (31)</b>	<b>\$ (539)</b>	<b>\$ 217</b>	<b>\$ 996,890</b>

			<b>Business-type Activities</b>	
<b>Public Works Equipment</b>	<b>Insurance and Benefits</b>	<b>Sub-total Governmental Activities</b>	<b>Public Utilities Equipment</b>	<b>Total</b>
\$ (365,214)	\$ 975,119	\$ 605,470	\$ (256,157)	\$ 349,313
447,404	-	642,096	436,037	1,078,133
8,242	5,339	10,651	-	10,651
469,016	(1,280,150)	1,011,123	97,630	1,108,753
(877)	(118,530)	(122,843)	-	(122,843)
5,810	-	5,810	(7,347)	(1,537)
-	(21,571)	(21,722)	-	(21,722)
(3,659)	37,571	95,344	(49,796)	45,548
(45,480)	1,565,490	1,444,346	(5,045)	1,439,301
(194,878)	(90,001)	(1,270,055)	59,357	(1,210,698)
-	-	136	-	136
-	38,325	38,325	-	38,325
(16,417)	-	(26,605)	(9,160)	(35,765)
-	844	844	-	844
-	(56,624)	(56,624)	-	(56,624)
<u>\$ 303,947</u>	<u>\$ 1,055,812</u>	<u>\$ 2,356,296</u>	<u>\$ 265,519</u>	<u>\$ 2,621,815</u>

## **AGENCY FUND**

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

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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended December 31, 2007**

	<b>Balance December 31, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2007</b>
<b><u>TAX COLLECTOR'S</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 10,678,649	\$ 84,302,414	\$ 83,557,658	\$ 11,423,405
Taxes receivable	43,093,129	64,910,204	72,277,071	35,726,262
Other receivables	2,237	1,234,936	1,237,133	40
	<hr/>			
Total assets	\$ 53,774,015	\$ 150,447,554	\$ 157,071,862	\$ 47,149,707
	<hr/>			
<b>Liabilities</b>				
Accounts payable	\$ 4,819	\$ 39,620,299	\$ 39,624,963	\$ 155
Due to component units	1,870	-	1,870	-
Due to other governments	53,767,326	110,827,255	117,445,029	47,149,552
	<hr/>			
Total liabilities	\$ 53,774,015	\$ 150,447,554	\$ 157,071,862	\$ 47,149,707
	<hr/>			

# COMPONENT UNITS

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**Downtown Development Authority Component Unit**  
**December 31, 2007**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 220,800	\$ -	\$ 220,800
Receivables, net:			
Taxes	2,079,514	405,592	2,485,106
Other	107,461	-	107,461
Due from primary government	16,621	-	16,621
Prepays	21,831	-	21,831
Restricted cash	1,381,672	-	1,381,672
Capital assets, net	-	351,193	351,193
	<u>3,827,899</u>	<u>756,785</u>	<u>4,584,684</u>
Total assets	<u>\$ 3,827,899</u>	<u>756,785</u>	<u>4,584,684</u>
<b>Liabilities</b>			
Accounts payable	\$ 331,632	-	331,632
Accrued liabilities	-	36,934	36,934
Due to primary government	-	5,170,000	5,170,000
Deferred/unearned revenue	103,142	-	103,142
Long-term liabilities:			
Due within one year	-	535,181	535,181
Due in more than one year	-	713,442	713,442
	<u>434,774</u>	<u>6,455,557</u>	<u>6,890,331</u>
Total liabilities	<u>434,774</u>	<u>6,455,557</u>	<u>6,890,331</u>
<b>Fund balance / net assets</b>			
Fund balance:			
Reserved for prepaids	21,831	(21,831)	-
Unreserved, undesignated	3,371,294	(3,371,294)	-
	<u>3,393,125</u>	<u>(3,393,125)</u>	<u>-</u>
Total fund balance	<u>3,393,125</u>	<u>(3,393,125)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 3,827,899</u>		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		351,193	351,193
Unrestricted (deficit)		(2,656,840)	(2,656,840)
		<u>351,193</u>	<u>(2,656,840)</u>
Total net assets (deficit)		<u>\$ (2,305,647)</u>	<u>\$ (2,305,647)</u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Fund Balance of the**  
**Governmental Fund to Net Assets**  
**Downtown Development Authority Component Unit**  
**December 31, 2007**

Fund balance - governmental fund	\$ 3,393,125
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Amounts reported in the statement of net assets are different because:

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

Add: capital assets, net	351,193
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Because the focus of the governmental fund is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental fund, and thus are not included in fund balance.

Add: deferred property taxes	405,592
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental fund.

Subtract: long-term debt payable	(1,248,623)
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Subtract: accrued interest on long-term debt	(36,934)
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Subtract: long-term due to primary government	(5,170,000)
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Net assets (deficit)	<u><u>\$ (2,305,647)</u></u>
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Activities / Governmental Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Downtown Development Authority Component Unit**  
**For the Year Ended December 31, 2007**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures / expenses</b>	\$ 8,025,402	\$ 121,769	\$ 8,147,171
<b>Program revenues</b>			
Charges for services	2,702,726	-	2,702,726
Operating grants, contributions, and restricted interest	1,385,986	-	1,385,986
Capital grants and contributions	243,256	-	243,256
Total program revenues	4,331,968	-	4,331,968
Net program expense	(3,693,434)	(121,769)	(3,815,203)
<b>General revenues</b>			
Property taxes	3,454,955	(166,690)	3,288,265
Change in fund balance / net assets	(238,479)	(288,459)	(526,938)
<b>Fund balances / net assets (deficit):</b>			
Beginning of year	3,631,604	(5,410,313)	(1,778,709)
<b>End of year</b>	\$ 3,393,125	\$ (5,698,772)	\$ (2,305,647)

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Governmental Fund Revenue, Expenditures**  
**and Changes in Fund Balances to Changes in Net Assets**  
**Downtown Development Authority Component Unit**  
**For the Year Ended December 31, 2007**

Net change in fund balance - governmental fund \$ (238,479)

Amounts reported in the statement of activities are different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	138,966
Subtract: depreciation expense	(83,474)

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

Subtract: net change in property tax revenues	(166,690)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	542,855
Subtract: bond proceeds received	(723,442)

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

Add: change in accrued interest	3,326
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Change in net assets	\$ (526,938)
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**Economic Development Corporation Component Unit**  
**December 31, 2007**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 24,737	\$ -	\$ 24,737
Notes receivable	1,629,559	-	1,629,559
Due from other component units	89,903	-	89,903
Due from primary government	2	-	2
	<hr/>		
Total assets	\$ 1,744,201	-	1,744,201
<b>Liabilities</b>			
Accounts payable	\$ 1,213	-	1,213
Due to primary government	3,847	-	3,847
Advance from primary government	1,529,559	-	1,529,559
Deferred revenue	100,000	(100,000)	-
	<hr/>		
Total liabilities	1,634,619	(100,000)	1,534,619
<b>Fund balance / net assets</b>			
Fund balance:			
Unreserved, undesignated	109,582	(109,582)	-
	<hr/>		
Total liabilities and fund balance	\$ 1,744,201	(209,582)	1,534,619
<b>Net assets</b>			
Unrestricted		\$ 209,582	\$ 209,582
		<hr/>	

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Fund Balance of the**  
**Governmental Fund to Net Assets**  
**Economic Development Corporation Component Unit**  
**December 31, 2007**

Fund balance - governmental fund	\$ 109,582
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Amounts reported in the statement of net assets are different because:

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

Add: deferred notes receivable	<u>100,000</u>
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Net assets	<u><u>\$ 209,582</u></u>
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Activities / Governmental Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Economic Development Corporation Component Unit**  
**For the Year Ended December 31, 2007**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures / expenses</b>	\$ 101,086	\$ -	\$ 101,086
<b>Program revenues</b>			
Operating grants, contributions, and restricted interest	133,620	-	133,620
Change in fund balance / net assets	32,534	-	32,534
<b>Fund balances / net assets:</b>			
Beginning of year	77,048	100,000	177,048
<b>End of year</b>	<u>\$ 109,582</u>	<u>\$ 100,000</u>	<u>\$ 209,582</u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**Brownfield Redevelopment Authority Component Unit**  
**December 31, 2007**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,743,068	\$ -	\$ 1,743,068
Receivables, net:			
Notes	604,647	-	604,647
Due from other governments	161,250	-	161,250
Due from primary government	-	3,936	3,936
Taxes	149,535	-	149,535
	<b>\$ 2,658,500</b>	<b>3,936</b>	<b>2,662,436</b>
<b>Liabilities</b>			
Account payable	\$ 19,028	-	19,028
Accrued liabilities	4,200	-	4,200
Due to primary government	379	-	379
Advance from primary government	604,647	-	604,647
Deferred/unearned revenue	50,123	(50,123)	-
	<b>678,377</b>	<b>(50,123)</b>	<b>628,254</b>
<b>Fund balance / net assets</b>			
Fund balance:			
Unreserved, undesignated	1,980,123	(1,980,123)	-
	<b>1,980,123</b>	<b>(1,980,123)</b>	<b>-</b>
Total liabilities and fund balance	<b>\$ 2,658,500</b>		
<b>Net assets</b>			
Unrestricted		<b>\$ 2,034,182</b>	<b>\$ 2,034,182</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Fund Balance of the**  
**Governmental Fund to Net Assets**  
**Brownfield Redevelopment Authority Component Unit**  
**December 31, 2007**

Fund balance - governmental fund	\$ 1,980,123
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Amounts reported in the statement of net assets are different because:

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

Add: deferred notes receivable	50,123
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of certain internal service funds is allocated to the Authority and reported in the statement of activities.

Add: net operating gain from component unit activities accounted for in governmental internal service funds	3,936
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Net assets	<u><u>\$ 2,034,182</u></u>
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Activities / Governmental Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Brownfield Redevelopment Authority Component Unit**  
**For the Year Ended December 31, 2007**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures / expenses</b>	\$ 1,556,771	\$ (2)	\$ 1,556,769
<b>Program revenues</b>			
Operating grants, contributions, and restricted interest	1,078,829	-	1,078,829
Net (expense) revenue	(477,942)	2	(477,940)
<b>General revenues</b>			
Property taxes	615,054	33,143	648,197
Proceeds / gain from the sale of capital assets	2,500	-	2,500
Total general revenues	617,554	33,143	650,697
Change in net assets	139,612	33,145	172,757
<b>Fund balances / net assets:</b>			
Beginning of year	1,840,511	20,914	1,861,425
<b>End of year</b>	<b>\$ 1,980,123</b>	<b>\$ 54,059</b>	<b>\$ 2,034,182</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Governmental Fund Revenue, Expenditures**  
**and Changes in Fund Balance to Changes in Net Assets**  
**Brownfield Redevelopment Authority Component Unit**  
**For the Year Ended December 31, 2007**

Net change in fund balance - governmental fund	\$	139,612
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Amounts reported in the statement of activities are different because:

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

Add: net change in notes receivable		33,143
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of certain internal service funds is allocated to the Authority and reported in the statement of activities.

Add: net operating gain from component unit activities accounted for in governmental internal service funds		2
		2

Change in net assets	\$	172,757
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**Local Development Finance Authority Component Unit**  
**December 31, 2007**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 348,820	\$ -	\$ 348,820
Taxes receivable	149,618	-	149,618
Due from primary government	6	133	139
Total assets	\$ 498,444	133	498,577
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 97,154	\$ -	\$ 97,154
Due to primary government	126,200	-	126,200
Due to other component units	89,903	-	89,903
Advance from primary government	1,734,179	-	1,734,179
Deferred revenue	40,767	(40,767)	-
Total liabilities	2,088,203	(40,767)	2,047,436
<b>Fund balance / net assets</b>			
Fund balance:			
Unreserved, undesignated (deficit)	(1,589,759)	1,589,759	-
Total liabilities and fund balance	\$ 498,444		
<b>Net assets</b>			
Unrestricted (deficit)	\$ (1,548,859)		\$ (1,548,859)

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Fund Balance of the**  
**Governmental Fund to Net Assets**  
**Local Development Finance Authority Component Unit**  
**December 31, 2007**

Fund balance (deficit) - governmental fund \$ (1,589,759)

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

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

Add: deferred notes receivable 40,767

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

Add: net assets allocated to the Authority from governmental activity internal service funds 133

Net assets (deficit) \$ (1,548,859)

**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Activities / Governmental Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Local Development Finance Authority Component Unit**  
**For the Year Ended December 31, 2007**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures / expenses</b>	\$ 240,702	\$ -	\$ 240,702
<b>General revenues</b>			
Property taxes	384,661	37	384,698
Change in net assets	143,959	37	143,996
<b>Fund balances / net assets:</b>			
Beginning of year	(1,733,718)	40,863	(1,692,855)
<b>End of year</b>	<u>\$ (1,589,759)</u>	<u>\$ 40,900</u>	<u>\$ (1,548,859)</u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Governmental Fund Revenue, Expenditures**  
**and Changes in Fund Balance to Changes in Net Assets**  
**Local Development Finance Authority Component Unit**  
**For the Year Ended December 31, 2007**

Net change in fund balance - governmental fund	\$	143,959
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Amounts reported in the statement of activities are different because:

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

Add: net change in deferred property taxes		<u>37</u>
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Change in net assets	\$	<u><u>143,996</u></u>
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Net Assets**  
**Metro Transit System Component Unit**  
**December 31, 2007**

	<b>Enterprise Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,632,572	\$ -	\$ 4,632,572
Receivables, net	1,093,500	-	1,093,500
Due from primary government	-	654,398	654,398
Other assets	316,931	-	316,931
Total current assets	<u>6,043,003</u>	<u>654,398</u>	<u>6,697,401</u>
Non-current assets:			
Restricted investments	1,132,909	-	1,132,909
Capital assets, net	18,949,107	-	18,949,107
Total non-current assets	<u>20,082,016</u>	<u>-</u>	<u>20,082,016</u>
Total assets	<u>26,125,019</u>	<u>654,398</u>	<u>26,779,417</u>
<b>Liabilities</b>			
Current liabilities:			
Account payable and accrued liabilities	502,176	-	502,176
Due to primary government	308,471	1,522	309,993
Deferred revenue	1,017,521	-	1,017,521
Current portion of long-term debt	22,415	-	22,415
Total current liabilities	<u>1,850,583</u>	<u>1,522</u>	<u>1,852,105</u>
Long-term liabilities:			
Due in more than one year	<u>156,907</u>	<u>-</u>	<u>156,907</u>
Total liabilities	<u>2,007,490</u>	<u>1,522</u>	<u>2,009,012</u>
<b>Net assets</b>			
Invested in capital assets	18,949,107	-	18,949,107
Unrestricted	<u>5,168,422</u>	<u>652,876</u>	<u>5,821,298</u>
Total net assets	<u>\$ 24,117,529</u>	<u>\$ 652,876</u>	<u>\$ 24,770,405</u>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Fund Net Assets of the**  
**Enterprise Fund to Net Assets**  
**Metro Transit System Component Unit**  
**December 31, 2007**

Fund net assets	\$ 24,117,529
-----------------	---------------

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

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

Add: net operating gain from component unit activities accounted for in governmental internal service funds	<u>652,876</u>
---	----------------

Net assets	<u><u>\$ 24,770,405</u></u>
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**CITY OF KALAMAZOO, MICHIGAN**  
**Statement of Activities and Enterprise Fund Revenue,**  
**Expenses, and Changes in Fund Net Assets**  
**Metro Transit System Component Unit**  
**For the Year Ended December 31, 2007**

	Enterprise Fund	Adjustments	Statement of Activities
<b>Expenses</b>	\$ 13,313,304	\$ (118,017)	\$ 13,195,287
<b>Program revenues</b>			
Charges for services	2,435,555	-	2,435,555
Operating grants, contributions, and restricted interest	9,556,333	-	9,556,333
Capital grants and contributions	898,336	-	898,336
Total program revenues	12,890,224	-	12,890,224
Net revenue	(423,080)	118,017	(305,063)
<b>General revenues</b>			
Property taxes	1,630,136	-	1,630,136
Gain on sale of capital assets	39	-	39
Total general revenues	1,630,175	-	1,630,175
Change in net assets	1,207,095	118,017	1,325,112
Net assets, beginning of year	22,910,434	534,859	23,445,293
<b>Net assets, end of year</b>	<b>\$ 24,117,529</b>	<b>\$ 652,876</b>	<b>\$ 24,770,405</b>

**CITY OF KALAMAZOO, MICHIGAN**  
**Reconciliation of Enterprise Fund Revenue, Expenses**  
**and Changes in Fund Net Assets to the Statement of Activities**  
**Metro Transit System Component Unit**  
**For the Year Ended December 31, 2007**

Change in net assets - enterprise fund	\$ 1,207,095
--	--------------

Amounts reported in the statement of activities are different because:

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

Add: net operating gain from component unit activities accounted for in governmental internal service funds	118,017
---	---------

Change in net assets	<u>\$ 1,325,112</u>
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# STATISTICAL SECTION

# CITY OF KALAMAZOO, MICHIGAN

## STATISTICAL SECTION INDEX

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The statistical section 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 City's overall financial health.

### **TABLE NO.    TABLE DESCRIPTION**

#### **Financial Trends**

*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

- 1        Net Assets by Component
- 2        Changes in Net Assets
- 3        Fund Balances of Governmental Funds
- 4        Changes in Fund Balances of Governmental Funds

#### **Revenue Capacity**

*These schedules contain information to help the reader understand the City's financial most significant local revenue source, property tax.*

- 5        Assessed Value and Estimated Actual Value of Taxable Property
- 6        Property Tax Rates - Direct and Overlapping Governments
- 7        Principal Property Taxpayers
- 8        Property Tax Levies and Collections

#### **Debt Capacity**

*These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*

- 9        Ratios of Outstanding Debt by Type
- 10       Ratios of General Bonded Debt Outstanding
- 11       Direct and Overlapping Governmental Activities Debt
- 12a     Legal Debt Margin Information - Computation of Legal Debt Margin
- 12b     Legal Debt Margin Information - Historical
- 13       Pledged-Revenue Coverage

#### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.*

- 14       Demographic and Economic Statistics
- 15       Principal Employers

#### **Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information the government's financial report relates to the services the government provides and the activities it performs.*

- 16       Full-time Equivalent City Government Employees by Function
- 17       Operating Indicators by Function
- 18       Capital Asset Statistics by Function

## **Supplementary Schedules**

*These schedules contain additional supplementary information.*

- 19 Schedule of Revenues and Expenditures for Activities Related to the State of Michigan Construction Code Act
- 20 Pension Plan - Revenues by Source and Expense by Type

## **Security and Exchange Commission (SEC) Additional Disclosures**

*These schedules provide additional disclosures to comply with the SEC rule 15c2-12 for continuing disclosures. The information in these schedules provides additional data not included elsewhere in the comprehensive annual financial report or statistical data.*

- 21 *Taxable Value:*
  - Total Taxable Value
  - Taxable Value by Use and Class
  - Percent of Taxable Value by Use and Class
- 22 *State Equalized Value (SEV):*
  - Total SEV
  - SEV by Use and Class
  - Percent of Total SEV by Use and Class
- 23 Maximum and Actual Tax Rates
- 24 Revenue Sharing from the State of Michigan
- 25 Receipts from Michigan Transportation Fund
- 26 Labor Contracts
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Approximate Number of Water Customers by Location and Size of Meter or Fire Protection Line/Hydrant
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- 36 Average and Peak Daily Water Supply Volume
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- 43 Wastewater Treatment Charges by Customer Classification
- 44 Wastewater Treatment Volume as Billed by Customer and User Classification
- 45 Wastewater Volume as Treated and Billed
- 46 Average and Peak Daily Wastewater Treatment Volume
- 47 Ten Largest Wastewater Customers by Wastewater System Revenue and Volume as Billed
- 48 Wastewater Treatment Revenue as Billed by Meter Location and Classification
- 49 History of Wastewater System Rate Increases

Note: Unless otherwise noted, the information on these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	2003	2004	2005	2006	2007
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 107,634,804	\$ 107,099,832	\$ 105,799,049	\$ 109,408,557	\$ 113,110,907
Restricted	13,611,731	11,360,665	30,173,266	28,757,898	30,356,826
Unrestricted	19,450,183	22,618,398	13,089,868	18,356,265	17,332,616
Total governmental activities net assets	<u>\$ 140,696,718</u>	<u>\$ 141,078,895</u>	<u>\$ 149,062,183</u>	<u>\$ 156,522,720</u>	<u>\$ 160,800,349</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 147,019,802	\$ 145,705,440	\$ 148,221,106	\$ 152,082,594	\$ 154,751,334
Restricted	12,521,283	15,616,902	14,823,500	11,618,293	10,915,639
Unrestricted	11,151,951	12,307,683	12,425,961	13,279,738	9,564,968
Total business-type activities	<u>\$ 170,693,036</u>	<u>\$ 173,630,025</u>	<u>\$ 175,470,567</u>	<u>\$ 176,980,625</u>	<u>\$ 175,231,941</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 254,654,606	\$ 252,805,272	\$ 254,020,155	\$ 261,491,151	\$ 267,862,241
Restricted	26,133,014	26,977,567	44,996,766	40,376,191	41,272,465
Unrestricted	30,602,134	34,926,081	25,515,829	31,636,003	26,897,584
Total primary government net assets	<u>\$ 311,389,754</u>	<u>\$ 314,708,920</u>	<u>\$ 324,532,750</u>	<u>\$ 333,503,345</u>	<u>\$ 336,032,290</u>

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

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Fund Balances of Governmental Funds**  
**Last Five Years**  
**(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	<u>4,091,213</u>	<u>2,053,381</u>	<u>2,772,957</u>	<u>5,554,688</u>	<u>4,617,629</u>
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	<u>1,693,125</u>	<u>2,189,177</u>	<u>2,249,232</u>	<u>2,610,660</u>	<u>2,658,294</u>
Total all other governmental funds	<u>\$ 17,509,594</u>	<u>\$ 26,072,976</u>	<u>\$ 23,182,134</u>	<u>\$ 23,941,299</u>	<u>\$ 23,696,819</u>

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

	2003	2004	2005	2006	2007
<b>Revenues</b>					
Property taxes and special assessments	\$ 30,187,060	\$ 31,059,692	\$ 32,472,148	\$ 34,508,937	\$ 35,199,103
Licenses and permits	1,797,321	1,972,128	2,187,748	1,937,580	2,077,407
Intergovernmental revenue	21,477,998	22,951,771	22,062,498	20,120,520	21,082,782
Charges for services	1,009,499	1,520,621	1,362,100	1,599,259	1,417,088
Fines and forfeits	220,918	313,457	412,643	241,075	288,650
Interest and dividends	707,975	919,177	1,545,668	2,132,582	2,224,888
Net investment earnings	1,188,778	662,985	293,975	660,122	(22,516)
Rental of facilities	2,473,297	2,440,467	2,407,576	2,803,567	3,085,849
Contributions	-	-	-	-	116,384
Other revenue	7,110,905	6,358,129	7,076,876	7,580,521	7,533,864
Total revenues	<u>66,173,751</u>	<u>68,198,427</u>	<u>69,821,232</u>	<u>71,584,163</u>	<u>73,003,499</u>
<b>Expenditures</b>					
Current Expenditures:					
General government	9,454,312	9,290,156	8,588,226	8,988,625	9,556,594
Public safety	30,164,964	31,422,767	30,677,808	30,547,482	33,513,942
Economic development	1,315,177	1,183,684	1,039,477	565,017	555,013
Community development and planning	5,614,165	7,735,233	6,362,662	5,127,485	5,188,258
Parks and recreation	2,503,219	2,824,267	2,540,006	2,587,159	2,971,644
Public works	1,368,157	1,357,049	1,292,281	1,143,920	1,280,681
Cemeteries	393,555	413,008	571,613	555,138	435,500
Solid waste	2,018,457	2,296,871	2,109,015	2,239,957	2,379,594
Streets	3,167,739	3,432,117	3,647,201	9,580,546	9,753,458
Other			92,747	169,271	50,000
Debt service:					
Principal	5,149,510	5,060,999	13,754,076	5,067,709	5,206,300
Interest and fiscal charges	2,537,353	2,503,431	3,315,456	2,912,669	2,930,686
Capital outlay	9,531,293	7,790,172	18,582,210	5,125,701	5,692,545
Total expenditures	<u>73,217,901</u>	<u>75,309,754</u>	<u>92,572,778</u>	<u>74,610,679</u>	<u>79,514,215</u>
Excess (deficiency) of revenues over expenditures	<u>(7,044,150)</u>	<u>(7,111,327)</u>	<u>(22,751,546)</u>	<u>(3,026,516)</u>	<u>(6,510,716)</u>
<b>Other financing sources (uses)</b>					
Transfers in	8,190,472	9,119,874	10,466,647	10,001,607	11,474,277
Transfers out	(8,102,193)	(8,275,022)	(9,634,221)	(10,758,458)	(11,041,790)
Proceeds from the sale of capital assets	29,566	21,293	1,896,539	36,705	274,136
Issuance of long-term debt	1,940,000	12,735,000	18,145,000	7,110,000	4,715,000
Bond premium (discount)	147	173,669	173,669	23,732	(20,235)
Total other financing sources (uses)	<u>2,057,992</u>	<u>13,601,145</u>	<u>21,047,634</u>	<u>6,413,586</u>	<u>5,401,388</u>
Net change in fund balances	<u>\$ (4,986,158)</u>	<u>\$ 6,489,818</u>	<u>\$ (1,703,912)</u>	<u>\$ 3,387,070</u>	<u>\$ (1,109,328)</u>
Debt service as a percentage of noncapital expenditures	13.7%	12.6%	30.0%	13.0%	11.8%

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

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
1998	\$ 975,989,650	\$ 227,662,700	\$ 46,185,125	\$ 1,249,837,475	21.1440	\$ 2,585,878,800	48.3%
1999	1,016,391,380	237,632,548	43,084,950	1,297,108,878	21.5667	2,673,281,256	48.5%
2000	1,034,261,518	229,137,050	32,650,000	1,296,048,568	21.5667	2,964,880,756	43.7%
2001	1,090,113,040	238,143,600	32,089,500	1,360,346,140	21.5667	3,076,324,910	44.2%
2002	1,175,434,380	238,009,950	15,096,550	1,428,540,880	21.9205	3,219,520,360	44.4%
2003	1,213,441,494	244,276,534	35,442,050	1,493,160,078	21.9205	3,404,210,728	43.9%
2004	1,274,216,408	219,353,550	36,821,197	1,530,391,155	22.1405	3,546,183,600	43.2%
2005	1,330,662,249	213,784,700	33,929,243	1,578,376,192	22.1405	3,657,698,240	43.2%
2006	1,393,452,901	225,841,898	23,178,428	1,642,473,227	21.9049	3,841,553,300	42.8%
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205	3,952,364,600	43.4%

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

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

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

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

Year ended December 31	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Trans- portation	Total City Millage (A)	Kalamazoo Public Schools (B)	County	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
1998	19.3440	1.3000	0.5000	21.1440	21.2000	6.1400	6.0000	3.0500	2.8231	4.0000	64.3571	46.3571
1999	19.2705	1.3000	0.9962	21.5667	21.0500	6.1400	6.0000	3.0416	2.8152	3.9583	64.5718	46.5718
2000	19.2705	1.3000	0.9962	21.5667	21.0500	6.1400	6.0000	3.0416	2.8151	3.9583	64.5717	46.5717
2001	19.2705	1.3000	0.9962	21.5667	22.0800	6.1400	6.0000	3.0416	2.8151	3.9853	65.6287	47.6017
2002	19.2705	1.6500	1.0000	21.9205	22.2000	6.1362	6.0000	3.0416	2.8139	3.9583	66.0705	48.0705
2003	19.2705	1.6500	1.0000	21.9205	22.2000	6.1362	5.0000	3.0416	2.8139	3.9583	65.0705	47.0705
2004	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	3.0416	2.8135	3.9583	66.2901	48.2901
2005	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	4.5416	2.8135	3.9583	67.7901	49.7901
2006	19.1606	1.7500	0.9943	21.9049	23.3500	6.5862	6.0000	4.5416	2.8135	3.9583	69.1545	51.1545
2007	19.2705	1.5500	1.0000	21.8205	23.3500	6.7162	6.0000	4.5416	2.8135	3.9583	69.2001	51.2001

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

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

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

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

Taxpayer	Industry	2007					1998 (C)			
		Taxable Value of Property			Rank	(B) Percent of Total	Taxable Assessed Value	Rank	Percent of Total	
		Ad Valorem	Abated (A)	Total						
Pfizer Corporation / Pharmacia & Upjohn	Pharmaceuticals	\$ 120,634,942	\$ 470,700	\$ 121,105,642	1	7.04%	\$ 140,096,550	1	11.20%	
Graphic Packaging	Paper Products	27,881,192	309,300	28,190,492	2	1.64%	41,906,250	2	3.35%	
Consumer's Energy / Consumer's Power Company	Utility	26,301,016		26,301,016	3	1.53%	29,442,000	3	2.35%	
Catalyst Development	Real Estate	26,141,073		26,141,073	4	1.52%				
James S. Smith Trust	Rental Properties	13,016,511		13,016,511	5	0.76%	9,040,700	5	0.72%	
American Greetings	Paper Products	11,416,613		11,416,613	6	0.66%				
Bronson Hospital	Health Care	11,012,328		11,012,328	7	0.64%				
Lifecare (Friendship Village)	Retirement Community	10,163,771		10,163,771	8	0.59%	6,058,600	9	0.48%	
TVO Candlewyck Apartments	Residential Development	9,444,693		9,444,693	9	0.55%	6,933,500	8	0.55%	
Cytec Industries	Chemical Manufacturing	7,425,989	1,247,000	8,672,989	10	0.50%	8,382,750	6	0.67%	
Parker - Hannifin Co.	Industrial Manufacturing						9,503,900	4	0.76%	
National City Bank	Banking						7,254,450	7	0.58%	
Durametallic	Valve Seals						5,840,175	10	0.47%	
		<u>\$ 263,438,128</u>	<u>\$ 2,027,000</u>	<u>\$ 265,465,128</u>		<u>15.43%</u>	<u>\$ 264,458,875</u>		<u>21.14%</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 \$1,719,917,227 for the year ending December 31, 2007 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 1998 Assessment Roll and the 1998 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,251,172,925.

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

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B) Collection Subsequent to the Year of Tax Levy	Total Collections	Percent of Total Collections to Tax Levy
1998	\$ 24,017,299	\$ 20,944,734	87.21%	\$ 3,096,966	\$ 24,041,700	100.10%
1999	24,914,469	22,061,411	88.55%	3,067,483	25,128,894	100.86%
2000	25,377,040	22,249,362	87.68%	2,842,318	25,091,680	98.88%
2001	25,991,265	22,719,024	87.41%	3,124,936	25,843,960	99.43%
2002	27,445,059	24,051,078	87.63%	3,203,525	27,254,603	99.31%
2003	28,564,486	24,665,670	86.35%	3,136,928	27,802,598	97.33%
2004	29,254,361	25,195,702	86.13%	3,454,686	28,650,388	97.94%
2005	30,161,957	25,828,635	85.63%	3,904,067	29,732,702	98.58%
2006	31,072,288	26,574,222	85.52%	3,745,501	30,319,723	97.58%
2007	32,696,370	27,691,394	84.69%	-	27,691,394	84.69%

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, 2007

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

Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (B)
	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts			
1998	\$ 27,935,000	\$ 10,990,000	\$ 3,558,453	\$ -	\$ 1,200,000	\$ 26,440,000	\$ 538,000	\$ 70,661,453	3.30%	\$ 880
1999	35,935,000	9,720,000	3,179,772	670,000	1,000,000	24,335,000	463,000	75,302,772	3.47%	938
2000	35,810,000	11,640,000	3,290,378	625,000	750,000	22,060,000	382,000	74,557,378	3.48%	966
2001	37,520,000	10,505,000	2,899,955	575,000	500,000	21,055,000	296,000	73,350,955	3.32%	951
2002	36,320,000	11,575,000	2,425,594	525,000	-	20,850,000	204,000	71,899,594	3.15%	932
2003	35,065,000	10,120,000	1,831,084	475,000	-	30,010,000	105,000	77,606,084	3.29%	1,006
2004	40,740,000	12,925,000	970,085	425,000	-	23,885,000	-	78,945,085	3.26%	1,023
2005	46,940,000	11,395,000	736,009	380,000	-	22,690,000	-	82,141,009	3.32%	1,065
2006	50,920,000	9,805,000	433,300	335,000	-	23,735,000	-	85,228,300	3.29%	1,105
2007	48,070,000	12,480,000	167,000	285,000	-	24,215,000	-	85,217,000	3.29%	1,105

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

(A) Special assessment bonds were issued in 1999.

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

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

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
1998	\$ 29,135,000	\$ 19,516	\$ 29,115,484	1.13%	\$ 362.69
1999	36,935,000	2,835	36,932,165	1.38%	460.06
2000	36,560,000	3,524	36,556,476	1.23%	473.87
2001	31,560,000	181	31,559,819	1.03%	409.10
2002	36,320,000	1,000	36,319,000	1.13%	470.79
2003	35,065,000	795	35,064,205	1.03%	454.52
2004	40,740,000	258	40,739,742	1.15%	528.09
2005	46,940,000	245,300	46,694,700	1.28%	605.28
2006	50,920,000	89,319	50,830,681	1.32%	658.90
2007	48,070,000	46,450	48,023,550	1.22%	622.51

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

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2007**

**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 7,256,000	16.49%	\$ 1,196,514
Kalamazoo School District	133,242,000	61.39%	81,797,264
Parchment School District	34,245,000	1.02%	349,299
Portage School District	30,575,000	1.61%	492,258
Kalamazoo County	9,194,500	21.44%	1,971,301
Kalamazoo Library District	7,835,000	58.41%	4,576,424
<b>Total overlapping debt</b>	<b><u>\$ 222,347,500</u></b>		<b><u>\$ 90,383,060</u></b>

**Direct:**

	<u>Gross Debt</u>	<u>Self- Supporting (A)</u>	<u>Net Direct Debt</u>
General obligation bonds:			
Building Authority	\$ 35,685,000	\$ 26,209,399	\$ 9,475,601
Downtown Development	5,070,000	5,070,000	-
Capital improvement	7,315,000	-	7,315,000
Revenue bonds:			
Michigan Transportation Fund	12,480,000	12,480,000	-
Special assessment bonds	285,000	285,000	-
Installment purchase contracts	167,000	32,000	135,000
<b>Total direct debt</b>	<b><u>\$ 61,002,000</u></b>	<b><u>\$ 44,076,399</u></b>	<b><u>\$ 16,925,601</u></b>

**Total net direct and overlapping debt of governmental activities****\$ 107,308,661**

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

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

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Legal Debt Margin Information**  
**Computation of Legal Debt Margin**  
**December 31, 2007**

State Equalized Value (A)	
Ad valorem property	\$ 1,943,943,350
Tax abated property	15,842,150
	<u>15,842,150</u>
<b>Total State Equalized Value (SEV)</b>	<b>\$ 1,959,785,500</b>
	<u>1,959,785,500</u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	10.0%
	<u>10.0%</u>
<b>Legal Limitation</b>	<b>\$ 195,978,550</b>
	<u>195,978,550</u>
Debt Obligations of the Primary Government (B)	\$ 85,217,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	(24,215,000)
Michigan Transportation Fund Bonds	(12,480,000)
Special Assessment Bonds	(285,000)
	<u>(36,980,000)</u>
<b>Total Debt of the City Subject to Limitation</b>	<b>48,237,000</b>
	<u>48,237,000</u>
<b>LEGAL DEBT MARGIN</b>	<b>\$ 147,741,550</b>
	<u>147,741,550</u>

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

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

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

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

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

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
1998	\$ 134,769,835	\$ 32,391,000	\$ 102,378,835	24.0%
1999	147,357,950	39,577,772	107,780,178	26.9%
2000	150,699,450	39,482,378	111,217,072	26.2%
2001	154,204,477	40,715,956	113,488,521	26.4%
2002	160,757,278	38,699,595	122,057,683	24.1%
2003	170,336,373	36,321,084	134,015,289	21.3%
2004	176,969,170	41,415,085	135,554,085	23.4%
2005	182,904,652	47,676,009	135,228,643	26.1%
2006	191,839,442	51,535,300	140,304,142	26.9%
2007	195,978,550	48,237,000	147,741,550	24.6%

Source:

City of Kalamazoo, Management Services Department, Accounting Division

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

**Governmental Activities:**

<b>Michigan Transportation Revenue Bonds (A)</b>						
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage	
		Principal	Interest	Total		
1998	\$ 5,022,638	\$ 766,827	\$ 571,124	\$ 1,337,951	3.75	
1999	5,107,161	910,453	573,719	1,484,172	3.44	
2000	4,378,739	940,000	584,653	1,524,653	2.87	
2001	5,283,656	1,135,000	610,791	1,745,791	3.03	
2002	5,079,877	1,230,000	554,849	1,784,849	2.85	
2003	5,313,674	1,455,000	502,143	1,957,143	2.72	
2004	5,568,127	1,515,000	512,153	2,027,153	2.75	
2005	5,316,925	1,530,000	529,523	2,059,523	2.58	
2006	5,278,013	1,590,000	466,840	2,056,840	2.57	
2007	5,245,597	1,185,000	400,901	1,585,901	3.31	

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

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

(B) Special assessment bonds were issued in 1999.

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

**Business-type Activities**

<b>Wastewater System Revenue Bonds</b>							
Year	Revenues (C)	Direct Operating Expense (B)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
1998	\$ 19,374,346	\$ 15,859,622	\$ 3,514,724	\$ 1,465,000	\$ 520,848	\$ 1,985,848	1.77
1999	19,468,532	14,776,483	4,692,049	1,535,000	448,330	1,983,330	2.37
2000	20,051,449	15,193,703	4,857,746	1,675,000	370,045	2,045,045	2.38
2001	19,095,217	15,546,031	3,549,186	270,000	108,568	378,568	9.38
2002	18,047,797	16,018,129	2,029,668	170,000	209,035	379,035	5.35
2003	19,689,923	15,480,424	4,209,499	175,000	203,680	378,680	11.12
2004	19,165,678	16,537,269	2,628,409	180,000	197,993	377,993	6.95
2005	19,604,929	15,825,509	3,779,420	185,000	191,783	376,783	10.03
2006	18,644,955	15,751,408	2,893,547	195,000	185,123	380,123	7.61
2007	16,468,896	15,206,082	1,262,814	200,000	177,810	377,810	3.34

<b>Water System Revenue Bonds</b>							
Year	Revenues (C)	Direct Operating Expense (B)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
1998	\$ 10,113,204	\$ 5,843,320	\$ 4,269,884	\$ 545,000	\$ 1,082,584	\$ 1,627,584	2.62
1999	9,810,609	6,808,040	3,002,569	570,000	1,054,259	1,624,259	1.85
2000	9,804,250	6,945,196	2,859,054	600,000	1,024,231	1,624,231	1.76
2001	9,937,764	7,334,374	2,603,390	630,000	992,193	1,622,193	1.60
2002	10,664,599	7,547,334	3,117,265	665,000	796,662	1,461,662	2.13
2003	9,716,990	7,435,078	2,281,912	785,000	554,405	1,339,405	1.70
2004	9,926,656	7,281,642	2,645,013	940,000	800,314	1,740,314	1.52
2005	11,248,538	7,376,725	3,871,813	1,010,000	890,428	1,900,428	2.04
2006	11,304,497	7,909,955	3,394,542	1,050,000	845,568	1,895,568	1.79
2007	11,988,244	9,002,540	2,985,704	1,000,000	809,620	1,809,620	1.65

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

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

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

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

Fiscal Year	(A) Population	(B) Per Capita Income	Personal Income	(A) Median Age	(D) School Enrollment	(E) Unemployment Rate
1998	80,277	\$ 26,692	\$ 2,142,753,684	26.8	11,600	3.8%
1999	80,277	27,024	2,169,405,648	26.8	11,305	4.0%
2000	77,145	27,809	2,145,325,305	26.1	11,212	4.2%
2001	77,145	28,626	2,208,352,770	26.1	16,124	5.7%
2002	77,145	29,590	2,282,720,550	26.1	16,195	7.6%
2003	77,145	30,534	2,355,545,430	26.1	15,859	7.6%
2004	77,145	31,411	2,423,201,595	26.1	15,019	7.9%
2005	77,145	32,089	2,475,505,905	26.1	15,285	7.2%
2006	77,145	33,568	2,589,603,360	26.1	15,800	7.2%
2007	77,145	33,568	2,589,603,360	26.1	15,150	7.6%

## Data Sources:

- (A) Bureau of the Census 1990 Population Report for the 1998 to 1999 population data. Bureau of the Census 2000 Population Report for the 2000 to 2007 population data.
- (B) Bureau of Economic Analysis for 1998 to 2006 data, as updated April, 2008. Updated 2006 data is not yet available.
- (D) City of Kalamazoo, Management Services Department. Data summarized from contacting individual public and private school systems in the City. Kalamazoo Public Schools represents the largest school district in the City, with a total enrollment of 11,446 in 2006.
- (E) Michigan Department of Labor and Economic Growth - Office of Labor Market Information, as updated May, 2007. See the Schedule of Employment Statistics at Table 27 for employment data.

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

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

Company	Principal Product or Service	2007			1998		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Pfizer Corporation / Pharmacia and Upjohn, Inc.	Pharmaceuticals	4,300	1	3.2%	6,713	1	5.3%
Bronson Healthcare Group / Bronson Methodist Hospital	Health Care	3,400	2	2.5%	3,570	2	2.8%
Borgess Health Alliance / Borgess Medical Center	Health Care	2,685	3	2.0%	2,440	5	1.9%
Western Michigan University	Education	2,657	4	2.0%	3,246	3	2.6%
Kalamazoo Public Schools	Education	2,200	5	1.6%	2,050	6	1.6%
Stryker Corporation	Medical Equipment	1,750	6	1.3%	775	13	0.6%
National City Bank / First of America Bank	Banking Services	1,500	7	1.1%	2,674	4	2.1%
Meijer, Inc.	Retail	1,500	8	1.1%	2,000	7	1.6%
MPI Research	Toxicology Contract Research	1,400	9	1.0%			
Portage Public Schools	Education	1,261	10	0.9%			
Summit Polymers	Auto Supply-Interior Trim	1,200	11	0.9%	352	25	0.3%
US Postal Service	Government	1,049	12	0.8%			
Total		<u>24,902</u>		<u>18.5%</u>	<u>23,820</u>		<u>18.8%</u>

## Sources:

City of Kalamazoo, Community Planning and Economic Development  
Michigan Department of Labor and Economic Growth - Office of Labor Market Information

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

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

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

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

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.

**CITY OF KALAMAZOO**  
**Operating Indicators by Function**  
**Last Three Years**

	<b>Year</b>		
	<b>2005</b>	<b>2006 (B)</b>	<b>2007 (A)</b>
<b>General Government:</b>			
Assessors:			
Number of real property parcels	24,331	24,404	24,408
Cost to assess real property - per parcel	\$16.84	\$16.21	\$17.29
Revenue gained per real property parcel for new development	\$11.65	\$11.37	\$26.04
Number of personal property accounts	3,244	3,030	2,855
Cost to assess personal property - per parcel	\$31.67	\$38.38	\$38.18
New personal property accounts	235	270	150
Treasury:			
Percent of City operation tax collected at year end	86%	85%	86%
Average rate of return on investments	3.19%	4.85%	4.97%
<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	990
Number of arrests (includes warrants)	1,151	923	675
Operations:			
Number of calls for service	86,477	88,259	93,554
Number of persons arrested	9,145	10,580	9,866
Traffic citations issued	33,537	34,262	36,708
Traffic accidents / OUIL Arrests	3,473 / 293	3,479 / 240	3096 / 349
<b>Economic development:</b>			
Number of tax exempt acres redeveloped	21.22	6.35	19.08
Private investment leveraged / jobs created	\$9,683,000	\$34,218 / 101	\$200,000 / 20
New taxable value added to the City	\$836,247	\$13,623,641	\$37,900
<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	2,339
<b>Parks and recreation:</b>			
Number of park reservations and public events	135	190	196
Number of family programs	14	14	14
Number of people served through family programs	9,700	10,425	8,300
Number of youth development programs	37	43	41
Number of people served through youth development programs	9,000	9,230	10,100
Number of youth served through grant programs	6,900	13,265	-

**CITY OF KALAMAZOO**  
**Operating Indicators by Function, Concluded**  
**Last Three Years**

	Year		
	2005	2006 (B)	2007 (A)
Public works:			
Number of sidewalk repairs	127	127	85
Volume of leaves collected (cubic yards)	67,879	67,879	70,000
Volume of material recycled (tons)	2,831	2,224	2,375
Number of housing units participating in recycling activities	20,000	50,000	50,000
Volume of solid waste collected (cubic yards)	9,972	9,972	10,000
Streets:			
Number of repairs on major streets	185	185	190
Value of Repairs per staff hour on major streets	\$298	\$298	\$280
Number of repairs on local streets	482	482	480
Value of Repairs per staff hour on local streets	\$252	\$252	\$248
Water:			
Cubic meters of water billed (millions)	22.7	22.8	24.5
Average operating cost to produce one cubic meter of water	\$0.451	\$0.438	\$0.433
Number of utility bills mailed	238,689	225,961	229,842
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.0	33.0
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442	\$0.456
Number of sanitary main line stoppages	14	14	26

Source: City of Kalamazoo, 2007 Proposed Budget

(A) 2007 data is projected in conjunction with the City of Kalamazoo 2007 proposed budget procedures. Actual data is not currently available.

(B) 2006 data has been updated from estimated to actual numbers

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

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

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

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

Sources: Various city departments.

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

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

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Schedule of Revenues and Expenditures**  
**For Activities Related to the State Construction Code Act**  
**Michigan Public Act 245**  
**For the Year Ending December 31, 2007**

<b>REVENUES:</b>		
Building Permits	\$	440,302
Electrical Permits		132,285
Mechanical Permits		87,947
Plumbing Permits		45,850
Other Permits & License Fees		61,406
<b>TOTAL REVENUES</b>		<b>\$ 767,790</b>
 <b>EXPENDITURES:</b>		
Wages, Salaries and Benefits		468,921
Supplies		5,221
Services		57,472
Administrative Overhead*		87,131
<b>TOTAL EXPENDITURES</b>		<b>618,745</b>
 <b>EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES</b>		 <b>\$ 149,045</b>

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

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

<b>Revenue by Source</b>					
Year Ended December 31	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
1998	\$ 1,912,918	\$ -	-	\$ 40,484,951	\$ 42,397,869
1999	1,632,579	-	-	48,075,425	49,708,004
2000	1,464,329	-	-	9,692,656	11,156,985
2001	1,421,887	-	-	5,455,410	6,877,297
2002	1,472,060	-	-	(33,506,436)	(32,034,376)
2003	1,477,702	-	-	91,757,266	93,234,968
2004	1,517,175	-	-	56,524,988	58,042,163
2005	1,458,491	-	-	32,199,000	33,657,492
2006	1,518,785	-	-	66,454,372	67,973,157
2007	1,599,967	-	-	10,662,101	12,262,068

<b>Expenses by Type</b>					
Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total	
1998	\$ 8,728,177	\$ 326,725	\$ 2,187,714	(B)	\$ 11,242,616
1999	9,651,489	347,015	342,280		10,340,784
2000	9,787,860	388,328	281,804		10,457,992
2001	11,125,036	350,335	321,125		11,796,496
2002	10,941,864	370,572	216,108		11,528,544
2003	12,206,053	373,945	184,431		12,764,429
2004	13,400,871	381,913	154,161		13,936,945
2005	13,421,166	474,191	305,481		14,200,838
2006	14,256,358	435,034	109,250		14,800,642
2007	15,800,304	479,032	125,963		16,405,299

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

(B) Includes transfer to Kalamazoo County of \$1,800,000 during 1998 for District Court Employees.

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

**TOTAL TAXABLE VALUE**

Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
2002	2003	2003	\$ 1,460,450,750	\$ 35,442,050	\$ 1,495,892,800	4.88%
2003	2004	2004	1,491,444,525	37,257,246	1,528,701,771	2.19%
2004	2005	2005	1,544,579,241	33,836,143	1,578,415,384	3.25%
2005	2006	2006	1,614,675,385	23,178,428	1,637,853,813	3.77%
2006	2007	2007	1,685,212,099	15,504,261	1,700,716,360	3.84%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2007 (3) .....						\$ 22,045.71

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

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

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

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

**TOTAL TAXABLE VALUE BY USE AND CLASS**

	Years Ended December 31				
	2003	2004	2005	2006	2007
<b>Use</b>					
Commercial	\$ 483,660,050	\$ 507,767,772	\$ 534,014,385	\$ 567,815,005	\$ 591,866,114
Industrial	336,919,950	309,894,785	300,634,764	284,054,454	281,518,175
Residential	675,312,800	711,039,214	743,766,235	785,984,354	827,332,071
	<u>\$ 1,495,892,800</u>	<u>\$ 1,528,701,771</u>	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>
<b>Class</b>					
Real	\$ 1,237,383,700	\$ 1,296,480,721	\$ 1,351,560,784	\$ 1,406,290,065	\$ 1,470,085,410
Personal	258,509,100	232,221,050	226,854,600	231,563,748	230,630,950
	<u>\$ 1,495,892,800</u>	<u>\$ 1,528,701,771</u>	<u>\$ 1,578,415,384</u>	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>

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

	Years Ended December 31				
	2003	2004	2005	2006	2007
<b>Use</b>					
Commercial	32.33%	33.22%	33.83%	34.67%	34.80%
Industrial	22.52%	20.27%	19.05%	17.34%	16.55%
Residential	45.14%	46.51%	47.12%	47.99%	48.65%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Class</b>					
Real	82.72%	84.81%	85.63%	85.86%	86.44%
Personal	17.28%	15.19%	14.37%	14.14%	13.56%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**State Equalized Valuation**  
**Last Five Years**

<b>Total State Equalized Value (SEV)</b>						
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
2002	2003	2003	\$ 1,667,513,680	\$ 35,850,050	\$ 1,703,363,730	5.90%
2003	2004	2004	1,732,394,900	37,296,800	1,769,691,700	3.89%
2004	2005	2005	1,795,070,620	33,975,900	1,829,046,520	3.35%
2005	2006	2006	1,895,004,224	23,390,200	1,918,394,424	4.88%
2006	2007	2007	1,943,943,350	15,842,150	1,959,785,500	2.16%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2007 (3) .....						\$ 25,403.92

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

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

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

**Total SEV by Use and Class**

	Years Ended December 31				
	2003	2004	2005	2006	2007
<b>Use</b>					
Commercial	\$528,423,500	\$576,772,600	\$593,461,785	\$648,762,947	\$656,955,700
Industrial	346,110,900	316,876,700	271,393,700	291,139,765	288,315,850
Residential	828,829,330	876,042,400	930,215,135	983,096,900	1,014,513,950
	<u>\$1,703,363,730</u>	<u>\$1,769,691,700</u>	<u>\$1,795,070,620</u>	<u>\$1,922,999,612</u>	<u>\$1,959,785,500</u>
<b>Class</b>					
Real	\$1,444,661,180	\$1,538,229,150	\$1,578,198,420	\$1,690,650,764	\$1,729,154,550
Personal	258,702,550	231,462,550	216,872,200	232,348,848	230,630,950
	<u>\$1,703,363,730</u>	<u>\$1,769,691,700</u>	<u>\$1,795,070,620</u>	<u>\$1,922,999,612</u>	<u>\$1,959,785,500</u>

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

	Years Ended December 31				
	2003	2004	2005	2006	2007
<b>Use</b>					
Commercial	31.02%	32.59%	33.06%	33.74%	33.52%
Industrial	20.32%	17.91%	15.12%	15.14%	14.71%
Residential	48.66%	49.50%	51.82%	51.12%	51.77%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Class</b>					
Real	84.81%	86.92%	87.92%	87.92%	88.23%
Personal	15.19%	13.08%	12.08%	12.08%	11.77%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Maximum and Actual Tax Rates**  
**December 31, 2007**

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

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

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Constitutional	\$ 5,066,411	\$ 5,067,393	\$ 5,250,646	\$ 5,270,861	\$ 5,205,102
Statutory	6,214,348	5,245,601	5,082,985	4,920,760	4,719,644
Total payments received	<u>11,280,759</u>	<u>10,312,994</u>	<u>10,333,631</u>	<u>10,191,621</u>	<u>9,924,746</u>
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>
Net revenue sharing	<u>\$ 11,037,576</u>	<u>\$ 10,069,811</u>	<u>\$ 10,090,448</u>	<u>\$ 9,948,438</u>	<u>\$ 9,681,563</u>
% of General Fund revenue (2)	23.3%	21.3%	20.4%	18.8%	18.3%

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

- (1) The City receives revenue sharing payments on behalf of the Kalamazoo Library, Parchment Library, Metro Transit, and Downtown Development Authority.
- (2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues.

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

		Years Ended December 31				
		2003	2004	2005	2006	2007
<b><u>Cash Basis</u></b>						
Major Streets	\$	4,107,782	4,363,410	4,163,652	4,145,499	4,100,045
Local Streets		1,146,596	1,219,380	1,164,396	1,159,416	1,146,604
	\$	<u>5,254,378</u>	<u>5,582,790</u>	<u>5,328,048</u>	<u>5,304,915</u>	<u>5,246,649</u>
		Years Ended December 31				
		2003	2004	2005	2006	2007
<b><u>Accrual Basis</u></b>						
Major Streets	\$	4,154,486	4,351,527	4,154,921	4,124,532	4,099,179
Local Streets		1,159,188	1,216,600	1,162,004	1,153,481	1,146,418
	\$	<u>5,313,674</u>	<u>5,568,127</u>	<u>5,316,925</u>	<u>5,278,013</u>	<u>5,245,597</u>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**Labor Contracts**  
**December 31, 2007**

<u>Bargaining Unit</u>	<u>Membership</u>	<u>Contract Expiration Date</u>
American Federation of State, County and Municipal Employees	156	October 2, 2008
Kalamazoo Municipal Employees Association	129	December 31, 2008
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	50	December 31, 2009
Kalamazoo Police Officers Association (Officers and Detectives)	215	December 31, 2008
Amalgamated Transit Union (Bus Drivers and Mechanics)	96	Febraury 13, 2007*
<u>Non-Union</u>	<u>173</u>	<u>Not Applicable</u>
<b>Total Employees</b>	<b><u><u>819</u></u></b>	

Source: City of Kalamazoo, Human Resources

\*In process of negotiation at December 31, 2007

**CITY OF KALAMAZOO, MICHIGAN**  
**Employment Statistics**  
**Last Ten Years**

	<b>City of Kalamazoo</b>				<b>State of Michigan</b>			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
1998	40,278	1,593	41,871	3.8%	4,810,000	198,000	5,008,000	4.0%
1999	40,930	1,688	42,618	4.0%	4,897,000	192,000	5,089,000	3.8%
2000	37,838	1,648	39,486	4.2%	4,953,000	190,000	5,143,000	3.7%
2001	37,207	2,257	39,464	5.7%	4,876,000	268,000	5,144,000	5.2%
2002	36,289	2,964	39,253	7.6%	4,725,000	315,000	5,040,000	6.3%
2003	36,167	2,964	39,131	7.6%	4,681,000	358,000	5,039,000	7.1%
2004	36,395	3,126	39,521	7.9%	4,695,000	356,000	5,051,000	7.0%
2005	37,135	2,869	40,004	7.2%	4,726,000	346,000	5,072,000	6.8%
2006	37,464	2,902	40,366	7.2%	4,730,000	351,000	5,081,000	6.9%
2007	37,412	3,082	40,494	7.6%	4,668,000	378,000	5,046,000	7.5%

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

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

**CITY OF KALAMAZOO, MICHIGAN**

**WATER SUPPLY SYSTEM  
Water Supply Franchises**

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

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

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

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

**CITY OF KALAMAZOO, MICHIGAN**

**WATER SUPPLY SYSTEM**

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

<u>Customer Location and Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City:					
Residential	18,148	18,102	18,101	18,094	18,295
Commercial / Industrial	4,939	4,907	4,973	5,040	5,257
Total City	<u>23,087</u>	<u>23,009</u>	<u>23,074</u>	<u>23,134</u>	<u>23,552</u>
Out City:					
Residential	14,487	14,970	15,393	15,889	16,863
Commercial / Industrial	4,013	4,198	4,226	4,510	4,738
Total Out City	<u>18,500</u>	<u>19,168</u>	<u>19,619</u>	<u>20,399</u>	<u>21,601</u>
Total System:					
Residential	32,635	33,072	33,494	33,983	35,158
Commercial / Industrial	8,952	9,105	9,199	9,550	9,995
Total System	<u><u>41,587</u></u>	<u><u>42,177</u></u>	<u><u>42,693</u></u>	<u><u>43,533</u></u>	<u><u>45,153</u></u>

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

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

## CITY OF KALAMAZOO, MICHIGAN

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

<u>Meter Location and Size</u>	<u>2006</u>	<u>2007</u>
City:		
5/8" - 3/4"	16,579	16,627
1"	2,254	2,354
1 1/2"	245	261
2"	1,063	1,052
3"	187	187
4"	92	268
6"	12	18
8"	1	6
Total City	<u>20,433</u>	<u>20,773</u>
Out City:		
5/8" - 3/4"	8,446	8,836
1"	7,505	8,097
1 1/2"	324	341
2"	851	905
3"	117	120
4"	54	117
6"	10	29
8"	0	11
Total Out City	<u>17,307</u>	<u>18,456</u>
Total Meters	<u>37,740</u>	<u>39,229</u>
<b><u>Location and Size of Fire Protection Line/Hydrant</u></b>		
City:		
4"	168	172
6"	139	145
8"	78	81
10"	1	1
Hydrants	2,315	2,380
Total City	<u>2,701</u>	<u>2,779</u>
Out City:		
4"	155	161
6"	86	89
8"	66	65
10"	4	4
Hydrants	2,781	2,826
Total Out City	<u>3,092</u>	<u>3,145</u>
Total Fire Protection	<u>5,793</u>	<u>5,924</u>
Total Service Connections	<u>43,533</u>	<u>45,153</u>

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

## CITY OF KALAMAZOO, MICHIGAN

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

<u>Meter Location and Size</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 12.03	\$ 11.93	\$ 14.92	\$ 16.35	\$ 17.93
1" Meter	15.35	14.86	18.84	20.87	23.11
1-1/2" Meter	18.67	17.78	22.75	25.40	28.29
2" Meter	27.81	25.83	33.51	37.85	42.54
City (Monthly Billed Accounts):					
5/8" Meter	6.49	7.06	8.40	8.80	9.30
1" Meter	7.60	8.03	9.71	10.31	11.02
1-1/2" Meter	8.70	9.01	11.01	11.82	12.75
2" Meter	11.75	11.69	14.60	15.97	17.50
3" Meter	34.18	31.43	41.01	46.53	52.47
4" Meter	42.49	38.75	50.79	57.85	65.43
6" Meter	61.87	55.81	73.62	84.25	95.65
8" Meter	84.03	75.31	99.70	114.43	130.19
City (Monthly Fire Protection Charge):					
4" Detector Check	17.27	15.94	15.57	15.27	16.34
6" Detector Check	21.52	19.82	19.45	19.02	21.02
8" Detector Check	29.77	27.28	27.29	26.56	30.28
10" Detector Check	59.81	54.00	59.87	57.14	66.31
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	13.84	14.62	18.61	24.18	27.40
1" Meter	17.89	18.62	23.99	31.84	36.36
1-1/2" Meter	21.94	22.62	29.38	39.50	45.33
2" Meter	33.07	33.63	44.20	60.57	69.99
Out City (Monthly Billed Accounts):					
5/8" Meter	7.09	7.95	9.63	11.41	12.45
1" Meter	8.44	9.29	11.42	13.97	15.44
1-1/2" Meter	9.79	10.62	13.22	16.52	18.43
2" Meter	13.50	14.29	18.16	23.54	26.65
3" Meter	40.83	41.30	54.52	75.26	87.18
4" Meter	50.95	51.30	67.99	94.41	109.60
6" Meter	74.56	74.64	99.41	139.10	161.90
8" Meter	101.55	101.31	135.33	190.17	221.68
Out City (Monthly Fire Protection Charge):					
4" Detector Check	25.18	25.30	26.92	26.98	28.33
6" Detector Check	30.45	31.09	33.30	32.92	35.63
8" Detector Check	40.65	42.12	45.82	44.50	49.89
10" Detector Check	77.40	79.80	93.28	87.38	102.99
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

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

**CITY OF KALAMAZOO, MICHIGAN**

**WATER SUPPLY SYSTEM**

**Water Supply Commodity Charges by Meter**

**Location and Classification (1)**

**Last Five Years**

<u>Meter Location and Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City:					
Residential	\$0.262	\$0.261	\$0.212	\$0.195	\$0.197
Multifamily	0.186	0.174	0.144	0.138	0.139
Commercial/Industrial	0.219	0.206	0.169	0.166	0.168
Fire Protection - First 15 M3	0.219	0.206	0.169	0.166	0.168
Fire Protection - Over 15 M3	0.657	0.618	0.507	0.498	0.504
Seasonal Uses	0.467	0.442	0.345	0.327	0.329
Out City:					
Residential	\$0.402	\$0.457	\$0.479	\$0.460	\$0.444
Multifamily	0.288	0.300	0.317	0.310	0.300
Commercial/Industrial	0.333	0.354	0.373	0.368	0.356
Fire Protection - First 15 M3	0.333	0.354	0.373	0.368	0.356
Fire Protection - Over 15 M3	0.999	1.062	1.119	1.104	1.068
Seasonal Uses	0.743	0.854	0.892	0.894	0.867

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

(1) per cubic meter

**CITY OF KALAMAZOO, MICHIGAN**

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

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

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

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Pumped	26,627,560	25,794,132	27,341,264	25,118,117	28,089,780
Billed	<u>22,717,891</u>	<u>22,715,384</u>	<u>24,137,318</u>	<u>22,879,533</u>	<u>23,937,831</u>
Unaccounted (2)	<u><u>3,909,669</u></u>	<u><u>3,078,748</u></u>	<u><u>3,203,946</u></u>	<u><u>2,238,584</u></u>	<u><u>4,151,949</u></u>
Unaccounted as a Percent of Pumped (3)	<u>14.68%</u>	<u>11.94%</u>	<u>11.72%</u>	<u>8.91%</u>	<u>14.78%</u>

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

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

## CITY OF KALAMAZOO, MICHIGAN

**WATER SUPPLY SYSTEM**  
**Water Volume as Billed by Meter (1)**  
**Location and Classification**  
**Last Five Years**

<u>Meter Location and Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City:					
Residential	4,678,603	4,702,932	4,776,832	4,482,863	4,634,794
Multifamily	2,026,972	2,057,123	2,013,828	1,936,672	1,902,117
Commercial/Industrial	6,515,605	6,375,474	6,434,460	6,296,658	5,970,700
Fire Protection	17,526	13,226	2,020	5,849	1,786
Seasonal Uses (2)	533,360	427,194	564,031	482,159	618,513
Total City	<u>13,772,066</u>	<u>13,575,949</u>	<u>13,791,171</u>	<u>13,204,201</u>	<u>13,127,910</u>
Out City:					
Residential	4,863,779	4,999,192	5,799,993	5,398,303	6,234,057
Multifamily	1,490,873	1,542,022	1,621,964	1,546,052	1,580,616
Commercial/Industrial	2,163,269	2,206,978	2,355,603	2,279,672	2,418,745
Fire Protection	4,417	6,734	7,296	13,799	2,903
Seasonal Uses (2)	423,487	384,509	561,291	437,506	573,600
Total Out City	<u>8,945,825</u>	<u>9,139,435</u>	<u>10,346,147</u>	<u>9,675,332</u>	<u>10,809,921</u>
Total System:					
Residential	9,542,382	9,702,124	10,576,825	9,881,166	10,868,851
Multifamily	3,517,845	3,599,145	3,635,792	3,482,724	3,482,733
Commercial/Industrial	8,678,874	8,582,452	8,790,063	8,576,330	8,389,445
Fire Protection	21,943	19,960	9,316	19,648	4,689
Seasonal Uses (2)	956,847	811,703	1,125,322	919,665	1,192,113
Total System	<u>22,717,891</u>	<u>22,715,384</u>	<u>24,137,318</u>	<u>22,879,533</u>	<u>23,937,831</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.

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

	2003	2004	2005	2006	2007
Average Daily Water Supply	19.274	18.620	19.791	18.181	20.330
Peak Daily Water Supply	40.401	32.868	35.964	30.461	41.075
Peak as a Percent of Average	209.61%	176.52%	181.72%	167.54%	202.04%

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

(1) Measured in millions of gallons per day.

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

<u>Meter Location and Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City:					
Residential	\$ 2,053,156	\$ 2,105,124	\$ 2,077,008	\$ 2,032,474	\$ 2,097,359
Multifamily	494,134	480,151	440,957	428,355	432,173
Commercial/Industrial	1,685,351	1,585,398	1,428,144	1,377,491	1,361,340
Fire Protection	124,095	114,634	108,050	110,313	117,994
Seasonal Uses	286,379	227,223	240,876	207,027	258,873
Total City	<u>4,643,115</u>	<u>4,512,530</u>	<u>4,295,035</u>	<u>4,155,660</u>	<u>4,267,739</u>
Out City:					
Residential	\$ 2,780,762	\$ 3,166,987	\$ 3,970,922	\$ 4,107,645	\$ 4,660,011
Multifamily	536,870	576,265	668,041	689,119	711,823
Commercial/Industrial	884,258	941,205	1,094,782	1,128,341	1,210,311
Fire Protection	111,297	121,082	149,582	158,730	147,035
Seasonal Uses	344,883	358,216	509,619	457,896	558,552
Total Out City	<u>4,658,070</u>	<u>5,163,755</u>	<u>6,392,946</u>	<u>6,541,731</u>	<u>7,287,732</u>
Total System:					
Residential	\$ 4,833,918	\$ 5,272,111	\$ 6,047,930	\$ 6,140,119	\$ 6,757,370
Multifamily	1,031,004	1,056,416	1,108,998	1,117,474	1,143,996
Commercial/Industrial	2,569,609	2,526,603	2,522,926	2,505,832	2,571,651
Fire Protection	235,392	235,716	257,632	269,043	265,029
Seasonal Uses	631,262	585,439	750,495	664,923	817,425
Total System	<u>\$ 9,301,185</u>	<u>\$ 9,676,285</u>	<u>\$ 10,687,981</u>	<u>\$ 10,697,391</u>	<u>\$ 11,555,471</u>

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

**CITY OF KALAMAZOO, MICHIGAN**  
**WATER SUPPLY SYSTEM**  
**Ten Largest Water Customers by Volume and Revenue**  
**Year Ended December 31, 2007**

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Water Volume (cubic meters)</u>	<u>Percent of Total (1)</u>	<u>Water Revenue</u>	<u>Percent of Total (2)</u>
Western Michigan University	Higher Education	750,394	3.1%	\$ 217,383	1.9%
Graphic Packaging	Paper Products	1,074,057	4.5%	183,484	1.6%
Pfizer Corporation	Pharmaceuticals	565,997	2.4%	166,315	1.4%
Borgess Medical Center	Hospital	522,560	2.2%	94,918	0.8%
Occidental Development	Real Estate Development	145,219	0.6%	91,880	0.8%
Concord Place Apartments	Apartment Complex	162,842	0.7%	71,709	0.6%
Kalsec Inc.	Food Grade Flavoring	175,105	0.7%	70,950	0.6%
Kalamazoo Public Schools	Education	119,318	0.5%	60,115	0.5%
Bronson Methodist Hospital	Hospital	249,079	1.0%	56,824	0.5%
Pavilion Estates	Mobile Home Park	111,960	0.5%	52,730	0.5%
		<u>3,876,531</u>	<u>16.2%</u>	<u>\$ 1,066,308</u>	<u>9.2%</u>

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

(1) Based on water volume of 23,937,831 cubic meters.

(2) Based on Water System billed revenue of \$11,555,471.

**CITY OF KALAMAZOO, MICHIGAN**

**WASTEWATER SYSTEM  
Wastewater Service Agreements**

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

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

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

**CITY OF KALAMAZOO, MICHIGAN**

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

<u>Customer Location and Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Retail Customers</u></b>					
<i>In-City Retail Customers</i>					
Residential	16,719	16,724	16,693	16,699	16,622
Commercial	2,839	2,815	2,932	2,908	2,814
Industrial	155	153	152	165	179
Sub-Total	<u>19,713</u>	<u>19,692</u>	<u>19,777</u>	<u>19,772</u>	<u>19,615</u>
<i>Out-City Retail Customers</i>					
Residential	7,946	8,259	8,486	8,876	9,235
Commercial	1,251	1,265	1,378	1,411	1,431
Industrial	49	49	46	47	52
Sub-Total	<u>9,246</u>	<u>9,573</u>	<u>9,910</u>	<u>10,334</u>	<u>10,718</u>
Total Retail Customers	<u>28,959</u>	<u>29,265</u>	<u>29,687</u>	<u>30,106</u>	<u>30,333</u>
<b><u>Wholesale Customers</u></b>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	10	7	6	8	8
Septage Haulers	9	20	21	8	8
Sub-Total	<u>29</u>	<u>37</u>	<u>37</u>	<u>26</u>	<u>26</u>
<b><u>Flat Rate Customers</u></b>	<u>1,380</u>	<u>1,412</u>	<u>1,442</u>	<u>1,434</u>	<u>1,505</u>
Total Sewer Customers	<u>30,368</u>	<u>30,714</u>	<u>31,166</u>	<u>31,566</u>	<u>31,864</u>

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

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

Meter Size	2003	2004	2005	2006	2007
5/8" - 3/4"	22,644	22,561	22,475	22,410	22,489
1"	4,106	4,449	4,746	5,208	5,395
1-1/2"	384	385	421	443	450
2"	1,427	1,466	1,598	1,596	1,558
3"	256	260	288	293	278
4"	130	132	146	139	139
6"	12	12	13	17	24
	28,959	29,265	29,687	30,106	30,333

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

## CITY OF KALAMAZOO, MICHIGAN

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

<u>Meter Location and Size</u>	<u>2001- 2003 (1)</u>		<u>2003- 2006 (2)</u>		<u>2007 (3)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>
City:						
5/8"	\$ 6.51	\$ 7.77	\$ 6.87	\$ 8.00	\$ 7.08	\$ 7.87
3/4"	6.57	7.96	6.93	8.17	7.11	7.99
1"	6.77	8.53	7.10	8.68	7.23	8.35
1-1/2"	7.02	9.28	7.33	9.36	7.40	8.83
2"	7.71	11.36	7.94	11.23	7.84	10.16
3"	12.80	26.65	12.53	24.96	11.07	19.86
4"	14.69	32.31	14.22	30.05	12.27	23.46
6"	19.09	45.52	18.18	41.93	15.07	31.85
Out City:						
5/8"	\$ 6.91	\$ 10.25	\$ 7.50	\$ 11.30	\$ 7.57	\$ 10.63
3/4"	7.08	10.76	7.69	11.88	7.72	11.09
1"	7.59	12.27	8.26	13.59	8.18	12.47
1-1/2"	8.25	14.27	9.02	15.87	8.79	14.31
2"	10.09	19.80	11.11	22.14	10.48	19.37
3"	23.64	60.44	26.51	68.34	22.89	56.51
4"	28.66	75.49	32.21	85.45	27.48	70.36
6"	40.36	110.61	45.53	125.37	38.20	102.52

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

(1) Rate change effective July 1, 2001.

(2) Rate change effective April 30, 2004.

(3) Rate change effective July 1, 2007.

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

Fiscal Years Ended December 31	In-City Retail Customers	Out-City Retail Customers	Wholesale Municipal Customers	City of Galesburg (2)	Septage Haulers	In-City Dewatering Customers	Out-City Dewatering Customers
2000-2003 (3)	0.282	0.488	0.259	0.291	17.802	0.258	0.501
2003-2006 (4)	0.288	0.561	0.312	0.351	27.978	0.261	0.574
2007 (5)	0.308	0.637	0.378	0.406	33.514	0.283	0.648

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, 2001.
- (4) Rate change effective April 30, 2004.
- (5) Rate change effective July 1, 2007.

**CITY OF KALAMAZOO, MICHIGAN**

**WASTEWATER SYSTEM**

**Wastewater Treatment Volume as Billed by**

**Customer and User Classification (1)**

**Last Five Years**

	2003	2004	2005	2006	2007
<b>Retail Customers</b>					
Residential	6,353,479	6,075,815	5,940,966	5,539,562	5,600,859
Commercial	8,112,063	8,158,941	8,393,078	8,265,253	8,370,324
Industrial	1,898,414	1,734,399	1,896,469	1,674,535	1,548,037
Sub-Total	16,363,956	15,969,155	16,230,513	15,479,350	15,519,220
<b>Wholesale Customers</b>					
Industries	6,937,039	6,238,942	6,052,304	5,047,683	4,589,025
Wholesale Municipal	7,984,969	8,126,901	8,096,596	8,047,185	8,309,205
Dewatering Accounts	187,542	124,769	176,306	224,917	200,886
Septage Haulers	23,847	12,559	10,173	14,109	11,457
Sub-Total	15,133,397	14,503,171	14,335,379	13,333,894	13,110,573
Total Wastewater Billed	31,497,353	30,472,326	30,565,892	28,813,244	28,629,793

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

(1) Measured in Cubic Meters.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Metered Wastewater Volume	36,869,796	36,075,759	36,859,197	33,119,030	32,744,521
Wastewater Consumption as Billed	<u>31,497,353</u>	<u>30,472,326</u>	<u>30,565,892</u>	<u>28,813,244</u>	<u>28,629,792</u>
Difference (2)	<u>5,372,443</u>	<u>5,603,433</u>	<u>6,293,305</u>	<u>4,305,786</u>	<u>4,114,729</u>
Difference as a % of Metered Wastewater Volume	14.6%	15.5%	17.1%	13.0%	12.6%

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

(1) Measured in Cubic Meters.

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

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

	2003	2004	2005	2006	2007
Average Daily Sewage Disposal Volume	26.7	26.0	26.7	24.0	23.7
Peak Daily Sewage Disposal Volume	32.7	33.6	42.7	39.5	29.3
Peak as a Percent of Average	122.47%	129.23%	159.93%	164.72%	123.63%

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

(1) Measured in millions of gallons per day.

**CITY OF KALAMAZOO, MICHIGAN**  
**WASTEWATER SYSTEM**  
**Ten Largest Customers**  
**by Wastewater System Revenue and Volume as Billed**  
**Year Ended December 31, 2007**

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	3,541,451	12.4%	\$ 542,248	\$ 2,304,698	\$ 2,846,946	17.9%
City of Portage	Municipality	5,866,079	20.5%	2,024,533	-	2,024,533	12.8%
Graphic Packaging	Paper Products	1,047,574	3.7%	67,659	805,672	873,331	5.5%
Kalsec	Food Grade Flavorings	102,648	0.4%	40,220	386,064	426,284	2.7%
Gull Lake Sewer Authority District	Municipality	1,039,778	3.6%	357,866	-	357,866	2.3%
Cytec	Chemicals	259,087	0.9%	28,045	182,988	211,033	1.3%
Hazelton	Research	52,435	0.2%	20,500	169,908	190,408	1.2%
Mattawan	Municipality	492,865	1.7%	171,224	-	171,224	1.1%
Western Michigan University	Higher Education	511,391	1.8%	162,946	-	162,946	1.0%
JR7 (Graphic Packaging)	Paper Products	54,490	0.2%	5,867	112,744	118,611	0.7%
		<u>12,967,798</u>	<u>45.3%</u>	<u>\$ 3,421,108</u>	<u>\$ 3,962,074</u>	<u>\$ 7,383,182</u>	<u>46.5%</u>

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

(1) Based on wastewater treatment volume of 30,565,892 cubic meters.

(2) Based on Wastewater System billed revenue of \$19,030,333

## CITY OF KALAMAZOO, MICHIGAN

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

<u>Meter Location and Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City:					
Residential	\$ 1,659,454	\$ 1,674,809	\$ 1,654,702	\$ 1,602,182	\$ 1,643,988
Commercial	1,758,104	1,836,798	1,829,068	1,739,142	1,776,627
Industrial	186,282	163,914	175,900	179,884	158,754
Industrial Monitored	633,268	820,588	868,508	549,187	408,036
Contract	915,469	919,462	907,089	901,480	873,332
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	21,725	12,224	38,524	32,942	32,718
Total City	<u>5,174,302</u>	<u>5,427,795</u>	<u>5,473,791</u>	<u>5,004,817</u>	<u>4,893,455</u>
Out City:					
Residential	\$ 1,708,603	\$ 1,887,708	\$ 1,923,100	\$ 1,818,635	\$ 1,915,832
Commercial	1,317,917	1,488,569	1,728,051	1,845,624	2,062,267
Industrial	123,721	105,912	112,742	87,990	116,366
Industrial Monitored	742,607	902,925	993,519	1,054,791	806,888
Contract	6,401,938	4,653,742	5,975,185	3,472,315	2,847,662
Municipalities	2,076,481	2,365,379	2,533,583	2,512,287	2,871,259
Septage Haulers	507,895	305,516	284,542	395,402	341,267
Dewatering	42,791	35,088	5,821	16,791	10,306
Total Out City	<u>12,921,953</u>	<u>11,744,839</u>	<u>13,556,543</u>	<u>11,203,835</u>	<u>10,971,847</u>
Total System:					
Residential	\$ 3,368,057	\$ 3,562,517	\$ 3,577,802	\$ 3,420,817	\$ 3,559,820
Commercial	3,076,021	3,325,367	3,557,119	3,584,766	3,838,894
Industrial	310,003	269,826	288,642	267,874	275,120
Industrial Monitored	1,375,875	1,723,513	1,862,027	1,603,978	1,214,924
Contract	7,317,407	5,573,204	6,882,274	4,373,795	3,720,994
Municipalities	2,076,481	2,365,379	2,533,583	2,512,287	2,871,259
Septage Haulers	507,895	305,516	284,542	395,402	341,267
Dewatering	64,516	47,312	44,345	49,733	43,024
Total System	<u>\$ 18,096,255</u>	<u>\$ 17,172,634</u>	<u>\$ 19,030,334</u>	<u>\$ 16,208,652</u>	<u>\$ 15,865,302</u>

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

**CITY OF KALAMAZOO, MICHIGAN**

**WASTEWATER SYSTEM  
History of System Rate Increases**

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

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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.