



City of Berkley



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Berkley, Michigan
For the Fiscal Year Ended June 30, 2016
as prepared by the Finance Department

City Council

Phil O'Dwyer – Mayor

Steven W. Baker, Mayor Pro-Tempore

John (Jack) Blanchard

Alan H. Kideckel

Colleen Graveline

Eileen Steadman

Dan Terbrack

City Manager

Matthew Baumgarten

Finance Director

Sabrina Lilla

City of Berkley, Michigan

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City of Berkley, Michigan
List of City Officials
June 30, 2016



City Manager

Matthew Baumgarten, City Manager
Darchelle Strickland-Love, Assistant City Manager
Cynthia Chiara, Assistant to the City Manager
Stan Lisica, Information Technology Coordinator
Chelsey Humphrey, Communications Coordinator

City Clerk

Annette Boucher, City Clerk
Lisa Vecchio, Deputy City Clerk

Department of Public Works

Derrick L. Schueller, Director
Shawn Young, Deputy Director
Janice Laity, Executive Assistant

Finance/Treasury Department

Sabrina Lilla, CPA, Finance Director/Treasurer
Bryan Bemis, Deputy Treasurer
Laurie Fielder, Accountant
Susan Reddin, Accountant

Library

Matthew Church, Library Director
Karen Endres, Library Secretary
Carol Stadther, Library Clerk

Parks and Recreation

Theresa McArleton, Director
Dan McMinn, Arena/Events Manager
Scott Jennex, Program Manager

Planning

Amy Vansen, AICP, City Planner
Kimberly Anderson, Department Clerk

Public Safety

Richard M. Eshman, Chief
Michael Crum, Deputy Chief
Selena Frost, Executive Assistant

City of Berkley
3338 Coolidge Highway, Berkley, MI 48072



"We Care"

Department of Finance & Treasury
248-658-3340 - Finance
248-658-3310 - Treasury
248-658-3301 - Fax

LETTER OF TRANSMITTAL

November 22, 2016

The Honorable Mayor Phil O'Dwyer
Members of the City Council
Matthew Baumgarten, City Manager
And Citizens of the City of Berkley

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Berkley for the fiscal year ending June 30, 2016. This is the fifth Comprehensive Annual Financial Report to the Mayor and City Council.

This report is prepared for the purpose of disclosing the City's financial condition to residents, elected officials and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities and condition. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including disclosures belongs to the City exclusively. We believe that the information presented is accurate in all material aspects, that it is presented in a manner designated to fairly set forth the financial position and results of operation of the City, and that all disclosures necessary to enable the reader to gain the best understanding of the City's financial affairs have been included.

Generally Accepted Accounting Principles (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 the detailed 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.

All local units of governments within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, Public Act 2 of 1968 as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. Chapter 9.8 of the Berkley City Charter also references Public Act 2 of 1968 and requires an independent audit of the City's financial records and transactions. The primary purpose of the auditing requirements of this act is to maintain the confidence of all interested parties as to the integrity of the record keeping and financial reporting of local unit of government such as the City of Berkley.

Reporting Changes

During the year-ended June 30, 2016, the City implemented the reporting change required to be instituted in the financial statements of local units of government as established by Governmental Accounting Standards Board (GASB) Statement Number 72, *Fair Value Measurement and Application*.

The requirements of this Statement enhanced the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. The disclosure can be found in the City's footnotes.

Profile of the Local Government

The City of Berkley became a City in May 1932. Berkley is located in Oakland County, Michigan and encompasses an area of approximately 2.6 square miles and has approximately 15,000 residents. The City is a mature community located eleven miles northwest of downtown Detroit and is directly within the historical Woodward corridor.

The City operates under a Council-Manager form of government. The Mayor is elected to a two-year term and six council members are elected for four-year overlapping terms. The City Council appoints the City Manager, and the City Attorney. Both serve at the pleasure of the City Council. All other department heads are appointed by the City Manager. The City Manager directs all city operations, projects and programs.

The City provides a full range of municipal services including police and fire through a public safety department; public services, parks, recreational programming for adults, children and seniors, and cultural services at the City library. Building inspection, code enforcement and planning and development are also provided by the City. In addition to general government services, the activities of the Downtown Development Authority are reported as a discretely presented component unit of the City.

The city of Berkley prepares budgets in accordance with the State of Michigan Uniform Budgeting and Accounting Act, PA 2 of 1968 as amended. Under the direction of the City Manager, the Finance Director/Treasurer prepares an initial projection of revenue for the next fiscal year. Spending priorities are then determined upon the City's financial policies, priorities and mandated requirements of the federal and state governments. Activities of the General Fund/District Court, Special Revenue Funds, Debt and Construction Funds along with the Downtown Development Authority and the Public Safety Pension System are all appropriated annually by the Berkley City Council. The level of budgetary control (that is the level at which expenditures cannot exceed the appropriated amount) is established by classification. It takes a four vote majority to adopt and amend the annual appropriations document.

Factors Affecting Financial Condition

City Operation - Fitch's rating service, which provides credit rating and other financial analysis, confirms the City of Berkley's high quality rating on general obligation bonds as AA with a stable outlook in May 2015. This rating places Berkley in a solid position as compared to other municipalities in Southeastern Michigan and the State.

According to Fitch's rating service, the City has strong financial management evidenced by its conservative budgeting and proactive cost cutting actions enabling the preservation of healthy reserve

levels. This is done despite pressure from a moderate taxable value growth and a flat state shared revenue stream. The City's taxable value is almost back to its 2009 level. The City has moderate debt levels with very rapid amortization. Carrying costs for all long-term liabilities are considered manageable. Revenue flexibility has been achieved as a result of the voter-approved Headlee override which began to generate \$1.4 million in additional revenue commencing in fiscal year 2013/14.

Fitch also states that the City has preserved adequate unrestricted fund balance in order to insure fiscal soundness into the future to offset certain budgetary limitations.

Local Economy - Wealth levels within the City of Berkley remain above state and national averages. The median household income in Berkley is just over \$65,600. The per capita income is just over \$33,800. The median housing value calculated by the Southeast Michigan Council of Governments is \$165,600; the median gross rents are \$1,005/month. The average taxable value in the City as determined by the City Finance Department is \$60,400. Per the 2010 census, there are just over 6,400 single family homes and another 624 multi-unit residences. Within this amount 5,363 was owner occupied and another 1,231 is rented. Approximately 339 units is vacant and the rest of the housing is seasonally occupied.

The Southeast Michigan Council of Governments is also forecasting that the City of Berkley will maintain a level population of 15,000 people through 2035. As of 6/30/2016, the population of the City of Berkley is 14,896. As of 7/1/2016, the unemployment level within the City according to HomeFacts as of the same date is 4.3% which is under the State unemployment rate of 5.4 % and the National average of 4.9%.

The City and area have a very diverse business community that employs residents in the region. Specifically, the City has the SHW Group, a global engineering firm within the City limits, along with the City of Berkley, Westborn Market, the Vinsetta Garage restaurant, Crispelli's restaurant, the Berkley School District and satellite medical services from Beaumont Hospital. Regionally, the main campus of Beaumont Hospital is just outside the City limit.

The City's taxable value has halted its downward moving trend. The City's tax base declined 13.51% from July 1, 2009 through June 30, 2012 with the largest decline incurring in July 2010 at 6.8%. Tax-base constriction continued at a lesser extent, with a 2.38% decline in July 2012. In July 2013 the City saw its tax base rebound with a 2.23% overall tax value increase. In July 2014, the City saw its overall tax base increase another 2.13% and in July 2015 the tax value increased 4.3%.

As stated earlier, to offset the tax base loss and to achieve revenue flexibility, the City was able to pass through a vote of the people a Headless tax override of \$3.00 thousand taxable value on all real and personal property in the City. This vote occurred in August 2012. The tax override went into effect on the 7/1/2013 property tax billing. This additional tax levy added \$1.381 million for City operation net of tax increment capture for FY 2014/5. It is anticipated that State Shared Revenues now and into the future will remain steady and increase at a very slow rate. The City has seen its other post-employment (OPEB) long-term liability funding ratio decrease to 14.2% (from 18.5%) due to new required actuarial projections that determined a higher than expected unfunded accrued liability for other post-

employment benefits. City labor contracts are currently being finalized. Those labor contracts expired on June 30, 2015.

Employee Pensions and Other Post-Employment Benefits - The City has two pension systems. The Public Safety Officers have their pension benefits overseen by a board appointed by the Mayor and approved by City Council along with union membership representation and the City Treasurer. All other employees participate in the Municipal Employee Retirement System (MERS). Internally, the City Finance Department administers the pension benefits of the public safety officers with Board oversight. MERS administers the pension benefits of all other eligible employees. The Finance Department coordinates all pension issues with MERS locally. The City's annual required contribution is determined by an independent actuary engaged by the Board for the public safety officers and MERS for all other eligible employees. The City of Berkeley fully funds the annual required contribution recommended by the actuary for pensions. To reduce future pension liabilities, the City has closed certain non-union and public works employee pension divisions from new hires. New hires receive lower pension multiplier benefits in these new groups. All non-union and 7/1/2005 new hires at Public Works must contribute towards their pension benefit. All public safety, non-union and public works employees hired on or after 7/1/2005 or 7/1/2008 no longer receive a defined benefit health care plan at retirement. The City requires contributions to a third party administrator and matches contributions as defined by contract or policy.

Awards - The Government Finance Officers Association (GFOA) has awarded to the City of Berkeley a certificate of excellence in budgetary reporting for fiscal years 2008/09 through 2014/15. The City also received a certificate of achievement for excellence in financial reporting from GFOA for its first Comprehensive Annual Financial Report that was provided to the leadership and citizens of the City for fiscal year 2011/12 through 2014/15.

This Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of many individuals. We wish to express our sincere appreciation to each of them. Special thanks go to our independent auditors Plante and Moran who provided guidance and assistance in putting this document together. Finally, we would like to also express our appreciation to the Mayor and City Council along with City Manager Matthew Baumgarten, for their guidance and leadership dealing with financial matters of the City this past fiscal year.

Sincerely,

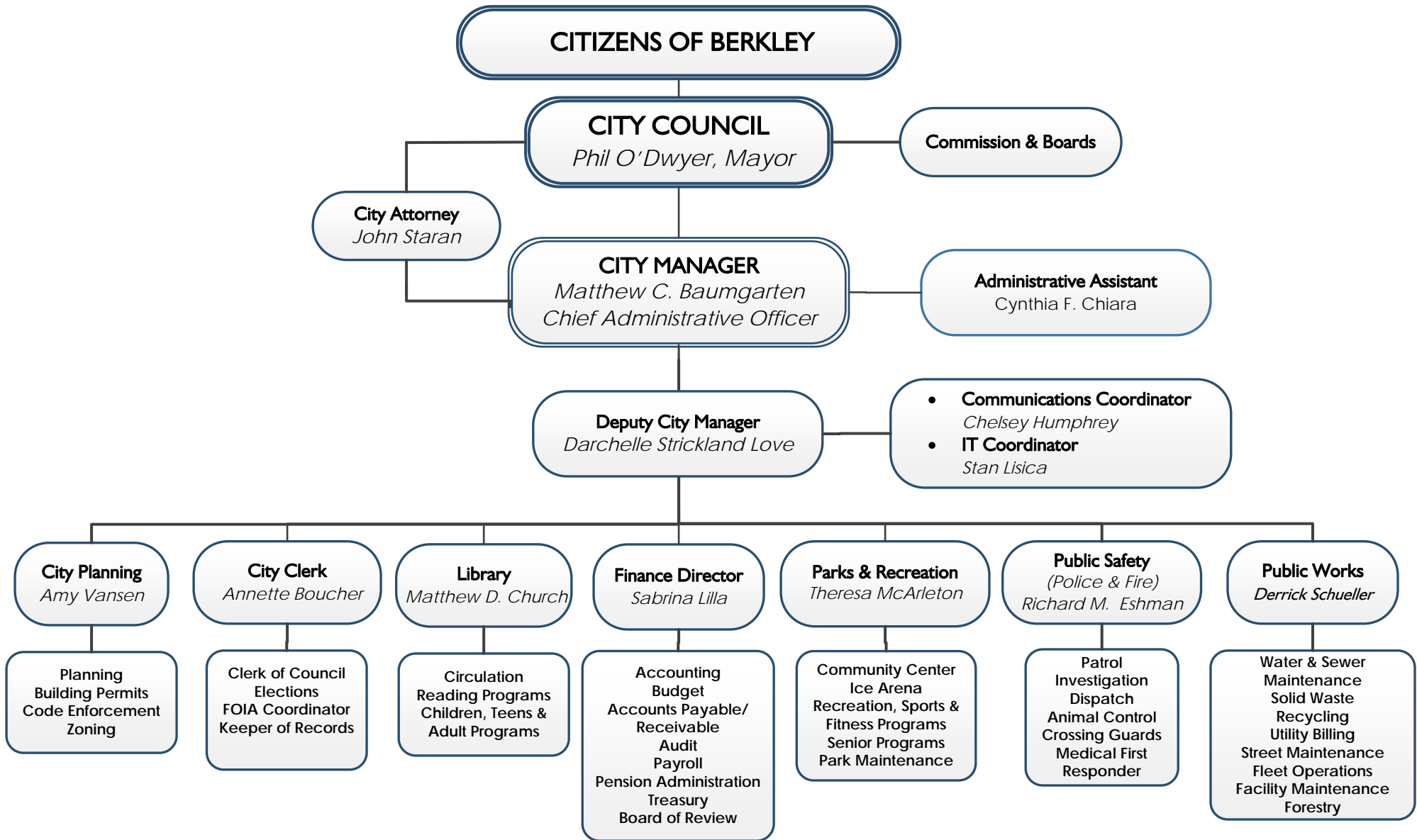


Laurie Fielder
Accountant



Sabrina Lilla, CPA
Finance Director/Treasurer

City of Berkley



City of Berkley, Michigan Fund Organization Chart



GOVERNMENTAL FUNDS

General Fund

Special Revenue Funds

Major Street

Local Street

Solid Waste

Community Development Block Grant (CDGB)

Drug Forfeiture

Recreation Revolving

Seniors Program

Debt Funds

2006 Eleven Mile Road Debt

2006 Twelve Mile Road Debt

Capital Project

Capital Projects Fund

PROPRIETARY FUNDS

Ice Arena

Water and Sewer

Fringe Benefits/Compensated Absences

FIDUCIARY - PENSION TRUST FUND

Public Safety Pension System

FIDUCIARY - AGENCY FUNDS

General Agency - Trust Fund

General Agency - Tax Collection Fund

COMPONENT UNIT

Downtown Development Authority

Downtown Development Authority TIF Capture



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Berkley
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Independent Auditor's Report

To the City Council
City of Berkley, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berkley, Michigan (the "City") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berkley, Michigan as of June 30, 2016 and the respective changes in its net position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Berkley, Michigan

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Berkley, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Plante & Moran, PLLC

November 22, 2016

City of Berkley, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Berkley, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2016:

- Property tax values increased (4.2 percent or \$20.0 million) for the July 1, 2015 tax collection season that funds fiscal year 2015-2016; however, this was offset by a Headlee reduction factor to many of the City's millages. This is the third straight year that the City has experienced an overall increase in its taxable value. Last fiscal year, taxable values increased 2.1 percent or approximately \$9.897 million.

State and national economies are continuing to rebound. Specifically contributing to the taxable value increase is better-than-expected home sales prices in the area. The City is anticipating that the upward trend in sales prices will continue into the future. Also contributing to the tax value increase is the downward trend in unemployment in Berkley and the surrounding region. According to Homefacts, the City of Berkley's unemployment rate at June 30, 2016 was 4.3 percent. This is a 1.1 percent decline in unemployment in Berkley as compared to the last fiscal year.

- The City also saw an increase in building, electrical, and heating permit revenue in fiscal year 2015-2016. This revenue stream increased by 20 percent or approximately \$79,400. This economic indicator also highlights that the housing market and local economy is continuing to turn around and the City will continue to see better property tax values in fiscal year 2016-2017.
- Constitutional and city, village, and township (CVT) revenue sharing payments, the second largest revenue source for the City, decreased slightly (\$1,095) in fiscal year 2015-2016 as compared to fiscal year 2014-2015. The four previous years saw slight increases in this revenue source.
- To offset the loss of tax revenue and to increase infrastructure investments, the City sought in August 2012 a \$3.00 per thousand Headlee tax override. This levy was overwhelmingly passed with almost 70 percent of the voters approving the Headlee property tax override. This levy went into effect on July 1, 2013. This levy was rolled back to \$2.8942 per thousand tax value for the July 2015 tax levy in accordance with the State Headlee amendment. This tax levy generated \$1.428 million net of tax increment finance capture for the City for fiscal year 2015-2016. The funds were utilized in the General Fund, Major and Local Streets Funds, and the Solid Waste Fund to support operations.
- In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68. This accounting standard required that the net pension liability for the two city pension groups be recognized on the government-wide financial statements and the two enterprise funds of the City. The City recorded a one-time \$8.2 million reduction to the government-wide unrestricted net position. The City also recorded a one-time \$1.5 million reduction to the business-type unrestricted net position. In the current year, the government-wide liability increased by \$3.058 million and the business-type liability increased by \$434,000.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

- The City continued to maintain the structural integrity of its water mains and sewer system. The City invested and capitalized approximately \$782,000 in water and sewer improvements in fiscal year 2015-2016. The dollars were split between improving water and sewer lines and updating equipment.
- The City continued to invest in the general infrastructure of the City. Over \$957,000 worth of capital improvements were performed in fiscal year 2015-2016, with \$503,500 spent on general city infrastructure (roads and buildings) and \$454,000 spent on replacing existing general city equipment within various departments.
- For the 17th consecutive year, the City invested in the library collection. The library purchased \$50,800 in new reading and rental materials.
- The Planning Commission and the City Council approved an updated capital improvements program for the time period from fiscal year 2015-2016 through fiscal year 2022-2023. The total amount of the program is approximately \$44.5 million.
- The City Council approved an updated capital equipment program for the time period from fiscal year 2015-2016 through fiscal year 2022-2023. The total amount of the program is approximately \$6,500,000. This is a 20 percent increase in our funding plan.
- The City determined in November 2014 that as of June 30, 2012, its GASB Statement No. 45 other postemployment benefit (OPEB) net unfunded liability is estimated to be \$25,440,490. This is a 53 percent increase in liability from our June 30, 2009 valuation. The increase in liability is due to partially funding the annual liability and also having to reduce our interest assumption rate from 7.0 percent to 5.5 percent due to this partial funding.
- The annual calculated OPEB liability contribution for fiscal year 2015-2016 was \$2,446,124 including interest and adjustments. The City paid \$1,330,246 on a pay-as-you-go basis including an implicit rate subsidy contribution. The City then invested an additional \$241,200 toward the OPEB liability in fiscal year 2015-2016. These additional funds were transferred to the City's third-party trust for investing and safekeeping. The total payment made by the City in fiscal year 2015-2016 toward the yearly OPEB liability totaled \$1,571,446.
- After these payments and adjustments, the City recorded an additional \$874,678 OPEB liability on its statement of net position as of June 30, 2016. The City recorded \$849,743 of the OPEB liability in the government-wide financial statements and \$24,935 of the OPEB liability in the Water and Sewer Fund.
- The total four-year accumulated unfunded accrued OPEB liability recorded by the City as of June 30, 2016 is \$4,928,976. The Water and Sewer Fund has recorded \$187,881 of the cumulative OPEB liability and the government-wide financial statement has \$4,741,095 of the OPEB cumulative liability.
- As of June 30, 2016, the City has \$3,898,687 set aside with MERS for future other postemployment employee benefits for certain retirees. These funds are accounted for on the Municipal Employees Retirement System financial statements. At June 30, 2016, the City has funded 15.3 percent of its June 30, 2012 OPEB liability.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City of Berkley, Michigan as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and determine if taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City of Berkley as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2015 and 2016 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 10.7	\$ 9.1	\$ 5.0	\$ 4.5	\$ 15.7	\$ 13.6
Capital assets	13.9	14.0	15.6	15.3	29.5	29.3
Total assets	24.6	23.1	20.6	19.8	45.2	42.9
Deferred Outflows	3.4	1.2	0.4	0.1	3.8	1.3
Liabilities						
Current liabilities	0.7	2.1	0.5	0.9	1.2	3.0
Long-term liabilities	19.3	15.2	6.1	5.6	25.4	20.8
Total liabilities	20.0	17.3	6.6	6.5	26.6	23.8
Deferred Inflows	0.2	-	0.1	-	0.3	-
Net Position						
Net investment in capital assets	12.6	11.8	11.8	11.1	24.4	22.9
Restricted	3.5	2.6	-	-	3.5	2.6
Unrestricted	(8.3)	(7.4)	2.5	2.3	(5.8)	(5.1)
Total net position	<u>\$ 7.8</u>	<u>\$ 7.0</u>	<u>\$ 14.3</u>	<u>\$ 13.4</u>	<u>\$ 22.1</u>	<u>\$ 20.4</u>

The City's combined total net position increased 8.3 percent from a year ago - increasing from \$20.4 million to \$22.1 million. Unrestricted net position of the governmental activities and the business-type activities (the part of net position used to finance day-to-day operations) decreased 13.7 percent at June 30, 2016, from (\$5.1) million to (\$5.8) million. This reduction is due to the City adopting GASB Statement No. 68 in the prior year which required an additional \$3.5 million liability in the current year.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The governmental activities unrestricted net position declined by approximately \$944,000. Analyzing this further, \$3.058 million of the decline is attributed to the GASB Statement No. 68 net pension liability; however, the majority of the governmental funds experienced revenue exceeding expenses, which attributed to an increase in the unrestricted fund balance.

The unrestricted net position for business-type activities saw a slight increase of approximately \$200,000 and the investment in capital assets also increased by approximately \$700,000.

In reviewing the City's net position of government-type activities, the net position investment in capital assets increased approximately 6.8 percent due to the addition of new governmental assets net of disposals in the current year. A majority of the increase was spent in major and local roads as well as replacing operating equipment.

The following table shows the changes in net position during the years ended June 30, 2015 and 2016 (in millions of dollars):

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 2.4	\$ 3.0	\$ 6.3	\$ 6.1	\$ 8.7	\$ 9.1
Operating grants and contributions	1.9	1.6	0.2	-	2.1	1.6
Capital grants and contributions	0.2	0.2	-	-	0.2	0.2
General revenue:						
Property taxes	8.5	8.5	-	-	8.5	8.5
State-shared revenue	1.3	1.3	-	-	1.3	1.3
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1
Franchise fees	0.4	0.4	-	-	0.4	0.4
Other revenue	0.2	0.2	-	-	0.2	0.2
Total revenue	15.0	15.3	6.5	6.1	21.5	21.4
Program Expenses						
General government	3.0	3.7	-	-	3.0	3.7
Public safety	5.8	5.1	-	-	5.8	5.1
Public works	3.3	3.7	-	-	3.3	3.7
Health and welfare	0.1	0.2	-	-	0.1	0.2
Recreation and culture	1.9	1.8	-	-	1.9	1.8
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1
Water and sewer	-	-	5.2	4.8	5.2	4.8
Arena	-	-	0.4	0.4	0.4	0.4
Total expenses	14.2	14.6	5.6	5.2	19.8	19.8
Income Before Transfers	0.8	0.7	0.9	0.9	1.7	1.6
Transfers	-	(0.1)	-	0.1	-	-
Increase in Net Position	\$ 0.8	\$ 0.6	\$ 0.9	\$ 1.0	\$ 1.7	\$ 1.6

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Overall, the net position for governmental activities increased by \$0.8 million in fiscal year 2015-2016 as compared to an increase of \$0.6 million in fiscal year 2014-2015 due to the local economic effects as described below:

- The City's total governmental revenue decreased \$300,000 primarily driven by a decrease in charges for services. In May 2015 the City approved transferring operations of the district court to the City of Royal Oak. Operating expenses were also reduced.
- Governmental activities program expenses increased decreased \$400,000, or 3 percent, from the prior fiscal year. This is due to the annual pension expense for the fiscal year attributable to the new GASB Statement No. 68 accounting standard being recorded for the first time in the prior year whereas only the current year's expense was recorded in fiscal year 2015-2016.

Business-type Activities

The City's business-type activities include water and sewer and ice arena operations. The City provides water and sewer services to residents through contracts or consortiums with the Great Lakes Water Authority and the Southeast Oakland County Water Authority. The City also operates an ice arena for approximately eight months of the fiscal year. Total net position for all business-type activities increased \$962,000 in fiscal year 2015-2016. Activity remained relatively consistent with the prior year.

The City of Berkley, Michigan's Funds

The City of Berkley, Michigan's major funds financial statements are on pages 14 through 24, following the statement of net position and statement of activities financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole.

The City's major funds for the year ended June 30, 2016 include the General Fund and the Major and Local Streets Funds.

The General Fund pays for most of the City's governmental services. The General Fund recorded \$9.69 million in expenses to provide City service and purchase capital equipment in fiscal year 2015-2016. The most significant of these costs is public safety (police and fire), which incurred expenses of approximately \$4,669,000 within the General Fund. Public safety expenses are 48 percent of the total General Fund expense.

Public safety services are partially supported by two special public safety millages, which are recorded in the General Fund. The first millage is for operations and the second millage is for retirement contribution and legacy costs (PA 345 levy). During the 2015-2016 fiscal year, expenditures recorded in the General Fund directly related to the public safety millages amounted to approximately \$2,115,000. The remaining cost of the police and fire protection is funded by other general revenue sources of the General Fund.

In addition to gas tax revenue, the street funds received \$542,000 of additional street funding and reimbursement from the State of Michigan.

In the City's Solid Waste Service Fund, the City spent \$1.2 million to collect and dispose of the City's solid waste, recyclables, and leaves in fiscal year 2015-2016. In addition to property taxes and a charge for service, the fund received an operating transfer from the General Fund of \$50,000 in voter-approved Headlee tax override dollars.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The Recreation Revolving Fund recorded approximately \$418,500 in operating and capital expenses and supported the Arena through operating transfers out in the amount of another \$27,000. Recreational program revenue received amounted to approximately \$538,000. This program revenue supported each individual recreation program offered throughout the fiscal year and supported the cost of one-half of a full-time city employee in addition to supporting the Ice Arena. In turn, the fund balance of the Recreation Revolving Fund increased by approximately \$122,000 for the fiscal year. These dollars will be utilized in the future to fund capital projects for the Recreation Department.

Budgetary Highlights - All Operating Funds

Over the course of the year, the City amended various operating budgets to address unexpected operating events throughout the year. The total amount of revenue appropriation adjustments reflected a net increase of \$176,800 across all city operating funds. The General Fund accounted for \$84,600 of the overall revenue increase when comparing original revenue appropriation and the final amended revenue appropriation. When comparing the City's General Fund amended revenue appropriation to actual revenue received, the actual revenue received is 103.23 percent of the amended revenue appropriation, or \$10.54 million.

The total amount of expenditure appropriation adjustments amounted to a \$585,799 increase across all operating funds. The General Fund accounted for \$220,394 of the overall expenditure increase when comparing the City's General Fund original expenditure appropriation and the final amended expenditure appropriation. When comparing the City's General Fund amended expenditure appropriation to actual expenditures, the City spent 93 percent of the total appropriation, or \$9.69 million. All General Fund expenditures came within or under appropriation except for the Legal and Public Works Garage Departments. The combined overage was \$12,035.

Capital Asset and Debt Administration

At the end of fiscal year 2015, the City had a net book value of approximately \$29,508,700 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City invested significantly in its major and local road system.

Additions to capital assets include the construction in progress on various major and local streets throughout the City, new water meters, sidewalks, patrol cars, various public works equipment, and reinvestment in various city facilities. Additional information regarding the City's capital assets and long-term debt can be found in Note 4 and Note 6 within the financial statements.

In May 2015, Fitch rating services affirmed the City's bond rating as AA stable for the general obligation road bonds, Series 2006.

Economic Factors and Next Year's Budgets and Rates

The Oakland County Assessor's Office anticipates a 3.0 percent increase in property taxable value within the City of Berkley for the July 2016 tax year (fiscal year 2016-2017).

It is anticipated that the State of Michigan will not significantly increase state-shared revenue payments to local governments. Finance Department financial forecasts in this area project a 3.39 percent state-shared revenue increase in fiscal year 2016-2017 from 2015-2016 funding levels.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

As stated earlier in this discussion, the City sought and was able to pass, through a vote of the people, a Headlee tax override of \$3.00/thousand taxable value on all real and personal property in the City. It is anticipated that the City will continue to levy this voter-approved tax increase in fiscal year 2016-2017 and into the future to allow the City to balance all operating budgets and to invest in various infrastructure projects around the City.

On the expenditure side of operations, the City continues to carefully manage resources that are available for operations and improvements. The City evaluates all current operating programs in order to determine if the program provides a quality level of service at a fair cost. The City continues to evaluate revenue to ensure that revenue charged rate payers meets program expenses.

Through the use of long-term planning, the City will continue to evaluate and monitor its budgets. Other adjustments will be made to address changes in economic conditions and other events as they present themselves.

Contacting the City of Berkley's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City of Berkley, Michigan's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Manager or the City Finance Director/Treasurer.

City of Berkley, Michigan

Statement of Net Position June 30, 2016

	Primary Government			Component Unit
	Governmental	Business-type	Total	
	Activities	Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 7,748,868	\$ 1,666,053	\$ 9,414,921	\$ 238,906
Investments (Note 3)	1,600,000	775,000	2,375,000	-
Receivables:				
Taxes	36,530	-	36,530	8,221
Customers	236,897	2,550,542	2,787,439	-
Other governmental units	703,771	-	703,771	-
Inventories	71,084	-	71,084	-
Prepaid costs	276,314	15,017	291,331	-
Capital assets (Note 4):				
Assets not subject to depreciation	875,821	13,795	889,616	-
Assets subject to depreciation	13,004,687	15,614,429	28,619,116	-
Total assets	24,553,972	20,634,836	45,188,808	247,127
Deferred Outflows of Resources -				
Deferred outflows related to pensions (Notes 8 and 12)	3,403,011	431,738	3,834,749	-
Liabilities				
Accounts payable	394,994	424,895	819,889	4,040
Due to other governmental units	4,158	-	4,158	-
Accrued liabilities and other	261,078	35,375	296,453	-
Unearned revenue	23,020	-	23,020	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	198,619	80,928	279,547	-
Current portion of long-term debt (Note 6)	225,000	441,682	666,682	-
Due in more than one year:				
Compensated absences (Note 6)	281,627	-	281,627	-
Net OPEB obligation (Note 13)	4,741,095	187,881	4,928,976	-
Net pension liability (Notes 8 and 12)	12,796,358	2,119,551	14,915,909	-
Long-term debt (Note 6)	1,050,000	3,356,754	4,406,754	-
Total liabilities	19,975,949	6,647,066	26,623,015	4,040
Deferred Inflows of Resources -				
Deferred Inflows Related to Pensions (Notes 8 and 12)	223,155	65,010	288,165	-
Net Position				
Net investment in capital assets	12,605,508	11,829,788	24,435,296	-
Restricted for:				
Streets	2,589,784	-	2,589,784	-
Public safety	48,099	-	48,099	-
Community development and promotion	91,410	-	91,410	-
Sanitation	676,360	-	676,360	-
Library	33,390	-	33,390	-
Debt service	42,405	-	42,405	-
Unrestricted	(8,329,077)	2,524,710	(5,804,367)	243,087
Total net position	<u>\$ 7,757,879</u>	<u>\$ 14,354,498</u>	<u>\$ 22,112,377</u>	<u>\$ 243,087</u>

City of Berkley, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,960,882	\$ 1,288,121	\$ 188,353	\$ 206,996
Public safety	5,827,300	252,294	16,497	-
Public works	3,263,194	191,422	1,552,826	2,875
Health and welfare	119,477	-	5,739	-
Recreation and culture	1,887,724	635,434	87,215	30,806
Interest on long-term debt	68,928	-	-	-
Total governmental activities	14,127,505	2,367,271	1,850,630	240,677
Business-type activities:				
Water and sewer	5,214,208	5,959,939	237,581	-
Arena	387,124	325,483	-	-
Total business-type activities	5,601,332	6,285,422	237,581	-
Total primary government	<u>\$ 19,728,837</u>	<u>\$ 8,652,693</u>	<u>\$ 2,088,211</u>	<u>\$ 240,677</u>
Component unit - Downtown Development Authority	<u>\$ 306,356</u>	<u>\$ -</u>	<u>\$ 46,161</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenue				
Transfers (Note 5)				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,277,412)	\$ -	\$ (1,277,412)	\$ -
(5,558,509)	-	(5,558,509)	-
(1,516,071)	-	(1,516,071)	-
(113,738)	-	(113,738)	-
(1,134,269)	-	(1,134,269)	-
(68,928)	-	(68,928)	-
(9,668,927)	-	(9,668,927)	-
-	983,312	983,312	-
-	(61,641)	(61,641)	-
-	921,671	921,671	-
(9,668,927)	921,671	(8,747,256)	-
-	-	-	(260,195)
8,544,699	-	8,544,699	242,068
1,314,979	-	1,314,979	-
60,242	13,670	73,912	1,709
372,222	-	372,222	-
208,649	-	208,649	1,200
10,500,791	13,670	10,514,461	244,977
(27,000)	27,000	-	-
804,864	962,341	1,767,205	(15,218)
6,953,015	13,392,157	20,345,172	258,305
\$ 7,757,879	\$ 14,354,498	\$ 22,112,377	\$ 243,087

City of Berkley, Michigan

	General Fund	Major Streets Fund	Local Streets Fund
Assets			
Cash and cash equivalents (Note 3)	\$ 2,646,259	\$ 1,387,757	\$ 980,913
Investments (Note 3)	1,350,000	-	-
Receivables:			
Taxes	14,652	-	-
Customers	152,378	-	-
Other governmental units	451,290	197,620	52,001
Inventories	70,572	-	-
Prepaid costs	257,119	5,668	5,668
	<u>\$ 4,942,270</u>	<u>\$ 1,591,045</u>	<u>\$ 1,038,582</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 308,011	\$ 12,729	\$ 24,516
Due to other governmental units	3,998	-	-
Accrued and other liabilities	237,194	2,598	-
Unearned revenue	-	-	-
	<u>549,203</u>	<u>15,327</u>	<u>24,516</u>
Deferred Inflows of Resources - Unavailable revenue	14,283	-	-
Fund Balances			
Nonspendable - Inventory and prepaid items	327,691	5,668	5,668
Restricted:			
Debt service	-	-	-
Streets	-	1,570,050	1,008,398
Solid waste service	-	-	-
Public safety	45,028	-	-
Library	33,390	-	-
Community promotion and development	63,594	-	-
Committed:			
Recreation	-	-	-
Seniors' program	-	-	-
Assigned - Capital improvement	-	-	-
Unassigned	3,909,081	-	-
	<u>4,378,784</u>	<u>1,575,718</u>	<u>1,014,066</u>
Total fund balances	<u>4,378,784</u>	<u>1,575,718</u>	<u>1,014,066</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,942,270</u>	<u>\$ 1,591,045</u>	<u>\$ 1,038,582</u>

**Governmental Funds
Balance Sheet
June 30, 2016**

<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,503,693	\$ 7,518,622
-	1,350,000
21,878	36,530
84,519	236,897
2,860	703,771
512	71,084
7,859	276,314
\$ 2,621,321	\$ 10,193,218

\$ 49,738	\$ 394,994
160	4,158
9,675	249,467
23,020	23,020
82,593	671,639
26,181	40,464
8,371	347,398
50,007	50,007
-	2,578,448
647,832	647,832
3,071	48,099
-	33,390
25,801	89,395
715,074	715,074
261,799	261,799
800,592	800,592
-	3,909,081
2,512,547	9,481,115
\$ 2,621,321	\$ 10,193,218

City of Berkley, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 9,481,115
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	13,880,508
Revenue related to receivables is recorded in the statement of net position at the time it is earned without regard to timeliness of collection	40,464
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,275,000)
Accrued interest payable is not recorded in the funds	(11,611)
The cost of other postemployment benefits is not due and payable in the current period and is not reported in the funds	(4,741,095)
Net pension liability and related deferred inflows of resources and deferred outflows of resources are not due and payable in the current period and are not reported in the funds	<u>(9,616,502)</u>
Net Position of Governmental Activities	<u>\$ 7,757,879</u>

City of Berkley, Michigan

	General Fund	Major Streets Fund	Local Streets Fund
Revenue			
Property taxes	\$ 6,872,348	\$ -	\$ -
Licenses and permits	595,932	-	-
Federal grants	13,870	-	-
State-shared revenue and grants	1,395,427	1,185,913	296,399
Charges for services	415,415	16,265	-
Fines and forfeitures	495,666	-	-
Investment earnings	34,335	6,771	4,595
Franchise fees	372,222	-	-
Other miscellaneous income	346,978	38,445	5,146
Total revenue	10,542,193	1,247,394	306,140
Expenditures			
Current:			
General government	2,254,700	-	-
Public safety	4,668,617	-	-
Public works	915,756	546,314	426,494
Health and welfare	73,512	-	-
Recreation and culture	1,131,497	-	-
Capital outlay	294,281	-	-
Debt service	-	-	-
Total expenditures	9,338,363	546,314	426,494
Excess of Revenue Over (Under) Expenditures	1,203,830	701,080	(120,354)
Other Financing Sources (Uses)			
Transfers in (Note 5)	-	100,000	355,463
Transfers out (Note 5)	(350,000)	(155,463)	-
Total other financing (uses) sources	(350,000)	(55,463)	355,463
Net Change in Fund Balances	853,830	645,617	235,109
Fund Balances - Beginning of year	3,524,954	930,101	778,957
Fund Balances - End of year	\$ 4,378,784	\$ 1,575,718	\$ 1,014,066

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,672,351	\$ 8,544,699
-	595,932
106,731	120,601
41,047	2,918,786
884,702	1,316,382
21,532	517,198
13,268	58,969
-	372,222
238,228	628,797
<u>2,977,859</u>	<u>15,073,586</u>
-	2,254,700
-	4,668,617
1,235,172	3,123,736
79,933	153,445
385,088	1,516,585
33,423	327,704
1,001,174	1,001,174
<u>2,734,790</u>	<u>13,045,961</u>
243,069	2,027,625
68,030	523,493
(45,030)	(550,493)
<u>23,000</u>	<u>(27,000)</u>
266,069	2,000,625
2,246,478	7,480,490
<u>\$ 2,512,547</u>	<u>\$ 9,481,115</u>

City of Berkley, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 2,000,625
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, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,014,667
Depreciation expense	(1,059,549)
Loss on disposal of assets	(39,965)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(115,489)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	925,000
Accrued interest is recorded on debt when incurred in the statement of activities	7,245
The annual required contribution for other postemployment benefits is recorded when incurred in the statement of activities	(849,743)
Change in net pension liability and related deferred inflows of resources and deferred outflows of resources reported in the statement of activities does not require the use of current resources and therefore is not reported in the funds	<u>(1,077,927)</u>
Change in Net Position of Governmental Activities	<u>\$ 804,864</u>

City of Berkley, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Funds			Governmental Activities
	Major Fund - Water and Sewer Fund	Nonmajor Enterprise - Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,523,015	\$ 143,038	\$ 1,666,053	\$ 230,246
Investments (Note 3)	775,000	-	775,000	250,000
Receivables - Customer	2,542,492	8,050	2,550,542	-
Prepaid costs	13,501	1,516	15,017	-
Total current assets	4,854,008	152,604	5,006,612	480,246
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	13,795	-	13,795	-
Assets subject to depreciation	15,510,732	103,697	15,614,429	-
Total assets	20,378,535	256,301	20,634,836	480,246
Deferred Outflows of Resources -				
Deferred outflows related to pension system (Note 8)	362,344	69,394	431,738	-
Liabilities				
Current liabilities:				
Accounts payable	420,870	4,025	424,895	-
Accrued liabilities and other	34,438	937	35,375	-
Current portion of compensated absences (Note 6)	80,928	-	80,928	198,619
Current portion of long-term debt (Note 6)	441,682	-	441,682	-
Total current liabilities	977,918	4,962	982,880	198,619
Noncurrent liabilities:				
Compensated absences (Note 6)	-	-	-	281,627
Net OPEB obligation (Note 13)	187,881	-	187,881	-
Net pension liability (Note 8)	1,778,869	340,682	2,119,551	-
Long-term debt - Net of current portion (Note 6)	3,356,754	-	3,356,754	-
Total noncurrent liabilities	5,323,504	340,682	5,664,186	281,627
Total liabilities	6,301,422	345,644	6,647,066	480,246
Deferred Inflows of Resources -				
Deferred inflows related to pensions (Note 8)	54,561	10,449	65,010	-
Net Position				
Net investment in capital assets	11,726,091	103,697	11,829,788	-
Unrestricted	2,658,805	(134,095)	2,524,710	-
Total net position	\$ 14,384,896	\$ (30,398)	\$ 14,354,498	\$ -

City of Berkley, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Funds			Governmental Activities
	Major Fund - Water and Sewer Fund	Nonmajor Enterprise - Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
Operating Revenue				
Water and sewer charges	\$ 5,763,832	\$ -	\$ 5,763,832	\$ -
Ice rental and related charges	-	325,483	325,483	-
Property and equipment rental	37,069	-	37,069	-
Miscellaneous	159,038	-	159,038	-
Operating grants	237,581	-	237,581	-
Total operating revenue	6,197,520	325,483	6,523,003	-
Operating Expenses				
Water and sewer operations	4,566,151	-	4,566,151	-
Arena operations	-	360,723	360,723	-
Compensated absences	113,188	-	113,188	1,273
Depreciation	420,015	26,401	446,416	-
Total operating expenses	5,099,354	387,124	5,486,478	1,273
Operating Income (Loss)	1,098,166	(61,641)	1,036,525	(1,273)
Nonoperating Revenue (Expenses)				
Investment income	13,063	607	13,670	1,273
Interest expense	(114,854)	-	(114,854)	-
Total nonoperating (expenses) revenue	(101,791)	607	(101,184)	1,273
Income (Loss) - Before transfers	996,375	(61,034)	935,341	-
Transfers In (Note 5)	-	27,000	27,000	-
Change in Net Position	996,375	(34,034)	962,341	-
Net Position - Beginning of year	13,388,521	3,636	13,392,157	-
Net Position - End of year	\$ 14,384,896	\$ (30,398)	\$ 14,354,498	\$ -

City of Berkley, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Funds			Governmental Activities
	Major Fund - Water and Sewer Fund	Nonmajor Enterprise - Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,092,625	\$ 323,685	\$ 6,416,310	\$ -
Payments to suppliers	(3,895,358)	(250,173)	(4,145,531)	-
Payments to employees	(550,228)	(73,530)	(623,758)	(106,722)
Net cash provided by (used in) operating activities	1,647,039	(18)	1,647,021	(106,722)
Cash Flows from Noncapital Financing Activities -				
Cash received from other funds	-	27,000	27,000	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(781,970)	-	(781,970)	-
Principal and interest paid on capital debt	(531,020)	-	(531,020)	-
Net cash used in capital and related financing activities	(1,312,990)	-	(1,312,990)	-
Cash Flows from Investing Activities				
Interest received on investments	13,063	607	13,670	1,273
Purchase of investments	(21,196)	-	(21,196)	(250,000)
Net cash (used in) provided by investing activities	(8,133)	607	(7,526)	(248,727)
Net Increase (Decrease) in Cash and Cash Equivalents	325,916	27,589	353,505	(355,449)
Cash and Cash Equivalents - Beginning of year	1,197,099	115,449	1,312,548	585,695
Cash and Cash Equivalents - End of year	<u>\$ 1,523,015</u>	<u>\$ 143,038</u>	<u>\$ 1,666,053</u>	<u>\$ 230,246</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,098,166	\$ (61,641)	\$ 1,036,525	\$ (1,273)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	420,015	26,401	446,416	-
Changes in assets and liabilities:				
Receivables	(104,895)	(1,798)	(106,693)	-
Prepaid and other assets	(279,995)	(55,019)	(335,014)	-
Accounts payable	113,702	(6,637)	107,065	-
Accrued and other liabilities	400,046	98,676	498,722	(105,449)
Net cash provided by (used in) operating activities	<u>\$ 1,647,039</u>	<u>\$ (18)</u>	<u>\$ 1,647,021</u>	<u>\$ (106,722)</u>

City of Berkley, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Public Safety Pension	Agency Fund
Assets		
Cash and cash equivalents (Note 3)	\$ 523,305	\$ 308,058
Investments (Note 3):		
Municipal bonds	30,413	-
U.S. Treasury bonds	322,117	-
U.S. government agency securities	1,480,812	-
Common and preferred stock	10,576,588	-
Corporate bonds	3,159,673	-
Mortgage-backed securities	155,501	-
Mutual funds - Fixed-income securities	1,314,166	-
Accrued interest	59,891	-
Total assets	17,622,466	\$ 308,058
Liabilities		
Accounts payable and other	21,596	\$ 52
Due to other governmental units	-	9,966
Cash bonds and deposits	-	298,040
Total liabilities	21,596	\$ 308,058
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 17,600,870</u>	

City of Berkley, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Public Safety Pension Year Ended June 30, 2016

Additions

Investment income (loss):	
Interest and dividends	\$ 589,628
Net decrease in fair value of investments	(564,707)
Investment-related expenses	<u>(122,624)</u>
Net investment loss	(97,703)
Contributions	<u>703,468</u>
Total additions	605,765

Deductions

Benefit payments	1,704,339
Administrative expenses	<u>44,354</u>
Total deductions	<u>1,748,693</u>

Net Decrease in Net Position Restricted for Pensions	(1,142,928)
Net Position Restricted for Pensions - Beginning of year	<u>18,743,798</u>
Net Position Restricted for Pensions - End of year	<u><u>\$ 17,600,870</u></u>

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Berkley, Michigan (the "City").

Reporting Entity

The City of Berkley, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Unit - The City of Berkley, Michigan's Building Authority is governed by a three-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to acquire, furnish, equip, own, improve, enlarge, operate, and maintain the ice arena and horseshoe pit for the use or benefit of the City. The building authority was inactive during the year ended June 30, 2016.

Discretely Presented Component Unit - The Downtown Development Authority (DDA or the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. Financial information can be obtained from the City of Berkley at 3338 Coolidge, Berkley, Michigan 48072.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective, and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after year end that it is available to pay for obligations outstanding at year end. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, for certain amounts due from businesses and residents collected after the period of availability, receivables have been recorded, along with a "deferred inflow."

Proprietary funds and the Public Safety Pension fiduciary fund use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The agency funds have no measurement focus.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund
- The Major Streets Fund, which accounts for the resources of state gas and weight tax revenue that are restricted for use on the City's major streets
- The Local Streets Fund, which accounts for resources of state gas and weight tax revenue that are restricted for use on the City's local streets

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds include enterprise funds, (which provide goods or services to users in exchange for charges or fees) and internal service funds (which account for the financing of the City's liability for employee compensated absences). The City reports the following fund as a "major" enterprise fund:

- The Water and Sewer Fund accounts for the distribution of water to customers and the disposal of sanitary sewage in exchange for user charges.

The City's internal service fund is used to allocate the City's liability for employee compensated absences on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year during which the costs are incurred.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Public Safety Pension Trust Fund, which accumulates resources for pension benefit payments to qualified public safety employees
- The Agency Fund, which accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Note I - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is generally allocated to each fund using a weighted average.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Roads and bridges	15 to 20 years
Water and sewer lines	60 to 85 years
Land improvements	20 years
Buildings	15 to 50 years
Building improvements	7 to 20 years
Equipment and books	3 to 15 years
Vehicles	5 to 10 years

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category: the deferred outflows of resources related to pensions, which are created by differences between projected and actual investment earnings, differences between projected and actual plan experience, employer contributions made subsequent to the measurement date, and changes in assumptions related to economic and demographic factors.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category: the deferred inflows of resources related to receivables collected beyond the City's period of availability, which are reported only in the governmental funds balance sheet, and the difference between projected and actual experience in the pension plans. The governmental funds report unavailable revenue related to delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes, the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes, the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can commit fund balance. Commitments are made and can be rescinded only via resolution of the Honorable Mayor and City Council.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance through the budgetary process of the City, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied and become a lien on each July 1 based on the taxable valuation of property as of the preceding December 31. Summer taxes are due on the first business day of September. Penalties and interest are assessed on late summer tax payments from approximately September 1 through the end of February. Winter taxes are due on the third Monday of February. Penalties and interest are assessed on late winter tax payments from approximately mid-February to the end of February. Delinquent real and personal property taxes are turned over to the County on March 1.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2015 tax is levied and collectible on July 1, 2015. All real property and collected personal property is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations. Uncollected (delinquent) personal property tax is recognized as a deferred inflow and is considered unavailable until collected. Delinquent personal property tax is recognized as revenue in the fiscal year of collection.

The 2015 taxable valuation of the City totaled \$493.1 million (a portion of which is abated and a portion of which is captured by the DDA TIF), on which taxes levied consisted of 11.0048 mills for operation and public safety purposes, 1.8592 mills for sanitation services, 0.1012 mills for community promotion, 2.4290 mills for public safety retirement benefits, and 1.5849 mills for debt service. This resulted in approximately \$5.3 million for operations and public safety, \$904,000 for sanitation services, \$49,000 for community promotion, \$1.2 million for public safety retirement benefits, and \$768,000 for debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

The DDA levied 1.9217 mills (a portion of which is captured by the DDA TIF), which resulted in approximately \$40,000 of tax revenue. The total tax increment finance capture from all eligible taxing units for the DDA amounted to \$199,000, which is net of delinquent personal property taxes. These amounts are recorded as part of the DDA component unit.

Pension - The City offers defined benefit pension benefits to its employees. The City records a net pension liability for the difference between the total pension liabilities calculated by the actuaries and the pension plans' fiduciary net position. For the purpose of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note I - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs - Currently, all city retirees and certain active employees of the City (depending on date of hire) have defined other postemployment benefits from the City. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. Active employees who do not have defined other postemployment benefits from the City are included in a defined contribution retirement health benefit program.

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and annual leave pay benefits. All annual leave and sick pay related to governmental activities and the ice arena is accrued when incurred in the internal service fund. Annual leave and sick pay related to the Water and Sewer Fund is accrued when incurred in the Water and Sewer Fund.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Water and Sewer Fund, Ice Arena Fund, and the Internal Service Fund are charged to customers or funds for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability and Construction Code Fees

Budgetary Information

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). The annual budget is prepared by the City Manager and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2016 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that interfund reimbursements are budgeted as transfers. The budgetary comparison schedules (General Fund and major special revenue funds) are presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis (i.e., City Council, City Manager, etc.); expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results as adopted by the City Council is included in the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amount budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - General government - Legal	\$ 152,100	\$ 160,887
General Fund - Public works - Garage	193,814	197,062

Note 2 - Stewardship, Compliance, and Accountability and Construction Code Fees (Continued)

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2015		\$ (1,115,241)
Current year permit revenue		279,373
Related expenses:		
Direct costs	\$ (308,613)	
Estimated indirect costs	<u>(30,861)</u>	<u>(339,474)</u>
Current year shortfall		<u>(60,101)</u>
Cumulative shortfall - June 30, 2016		<u>\$ (1,175,342)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the State of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

The City has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in accordance with Public Act 20 of 1943, as amended. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City and the Downtown Development Authority had \$12,132,858 and \$238,906, respectively, of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (years)
Corporate bonds	\$ 3,159,673	13.60
Mutual fund fixed income	1,314,166	4.38
Mortgage-backed securities	155,501	21.72
U.S. Treasury bonds	322,117	22.07
Municipal bonds	30,413	26.53
U.S. government agency securities	1,480,812	27.59
Total	<u>\$ 6,462,682</u>	

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 284,492	A1	Moody's
Corporate bonds	694,176	A2	Moody's
Corporate bonds	780,676	A3	Moody's
Municipal bonds	30,413	A3	Moody's
Corporate bonds	134,705	AA2	Moody's
Corporate bonds	149,407	AA3	Moody's
Corporate bonds	124,764	AAA	Moody's
Corporate bonds	30,630	BA2	Moody's
Corporate bonds	622,739	BAA1	Moody's
Corporate bonds	255,519	BAA2	Moody's
Corporate bonds	82,565	BAA3	Moody's
Mortgage-backed securities	155,501	AAA	Moody's
U.S. Treasury notes	322,117	AAA	Moody's
Mutual funds	1,314,166	Various	Various
U.S. government agency securities	<u>1,480,812</u>	AAA	Moody's
Total	<u>\$ 6,462,682</u>		

Fair Value Measurements - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Agency bonds	\$ 1,480,812	\$ -	\$ 1,480,812	\$ -
Corporate bonds	3,159,673	-	3,084,646	75,027
ETF - Alternative investments	2,883	2,883	-	-
ETF - Equity	1,579,946	1,579,946	-	-
Mortgage-backed securities	155,501	-	155,501	-
Municipal bonds	30,413	-	30,413	-
Mutual funds - Alternative investments	494,112	494,112	-	-
Mutual funds - Equity	720,096	720,096	-	-
Mutual funds - Fixed income	1,314,166	1,314,166	-	-
Mutual funds - Money market	450,262	450,262	-	-
Net pending trades	(25,116)	-	-	(25,116)
Stocks	7,804,666	7,795,581	-	9,085
Treasury notes	322,117	322,117	-	-
Total investments by fair value level	<u>\$ 17,489,531</u>	<u>\$ 12,679,163</u>	<u>\$ 4,751,372</u>	<u>\$ 58,996</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of certain assets at June 30, 2016 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of other certain assets at June 30, 2016 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments with the assistance of investment custodians who use pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2015	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2016
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 573,611	\$ -	\$ -	\$ -	\$ 573,611
Construction in progress	295,469	(295,469)	302,210	-	302,210
Subtotal	869,080	(295,469)	302,210	-	875,821
Capital assets being depreciated:					
Roads and bridges	54,007,418	295,469	138,083	-	54,440,970
Buildings	6,734,652	-	69,970	-	6,804,622
Equipment and books	2,735,309	-	200,196	(216,822)	2,718,683
Vehicles	2,178,443	-	304,208	(65,844)	2,416,807
Subtotal	65,655,822	295,469	712,457	(282,666)	66,381,082
Accumulated depreciation:					
Roads and bridges	44,344,535	-	573,811	-	44,918,346
Buildings	4,786,390	-	155,946	-	4,942,336
Equipment and books	1,974,332	-	214,213	(211,975)	1,976,570
Vehicles	1,454,290	-	115,579	(30,726)	1,539,143
Subtotal	52,559,547	-	1,059,549	(242,701)	53,376,395
Net capital assets being depreciated	13,096,275	295,469	(347,092)	(39,965)	13,004,687
Net capital assets	\$ 13,965,355	\$ -	\$ (44,882)	\$ (39,965)	\$ 13,880,508
Business-type Activities					
Capital assets not being depreciated -					
Land	\$ 13,795	\$ -	\$ -	\$ -	\$ 13,795
Capital assets being depreciated:					
Water and sewer transmission lines	17,010,831	-	384,940	-	17,395,771
Buildings	1,022,730	-	-	-	1,022,730
Land and building improvements	313,315	-	4,357	-	317,672
Equipment	2,489,121	-	392,673	-	2,881,794
Subtotal	20,835,997	-	781,970	-	21,617,967
Accumulated depreciation:					
Water and sewer transmission lines	2,681,568	-	234,707	-	2,916,275
Buildings	968,888	-	4,950	-	973,838
Land and building improvements	268,370	-	13,231	-	281,601
Equipment	1,638,296	-	193,528	-	1,831,824
Subtotal	5,557,122	-	446,416	-	6,003,538
Net capital assets being depreciated	15,278,875	-	335,554	-	15,614,429
Net capital assets	\$ 15,292,670	\$ -	\$ 335,554	\$ -	\$ 15,628,224

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 193,332
Public safety		140,275
Public works		649,445
Recreation and culture		76,497
Total governmental activities		<u>\$ 1,059,549</u>
Business-type activities:		
Water and sewer		\$ 420,015
Ice arena		26,401
Total business-type activities		<u>\$ 446,416</u>

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Major Streets	\$ 100,000
	Local Streets	200,000
	Nonmajor Governmental Funds	50,000
	Total General Fund	350,000
Major Streets Fund	Local Streets Fund	155,463
Nonmajor Governmental Funds	Nonmajor Enterprise Fund	27,000
	Nonmajor Governmental Funds	18,030
	Total Nonmajor Governmental Funds	<u>45,030</u>
	Total	<u>\$ 550,493</u>

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The transfer from the General Fund to the Major Streets, Local Streets, and Nonmajor Governmental Funds was to disburse operating tax revenue. The transfer from the Major Streets Fund to the Local Streets Fund was Act 51 money first recorded in the Major Streets Fund and transferred to the Local Streets Fund in accordance with MCL 247.663(13)(6). The transfers from the Major and Local Streets Project Debt Service fund and the Twelve Mile Road Project Debt Service fund (nonmajor governmental funds) to the Eleven Mile Road Project Debt Service fund (nonmajor governmental fund) was to clear the remaining fund balance in the debt service funds that were closed during the year. The transfer from the Recreation Revolving fund (nonmajor governmental fund) to the Arena fund (nonmajor enterprise fund) was to fund operations at the City's ice arena.

Note 6 - Long-term Debt

The City of Berkley, Michigan issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the City.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
2006 General Obligation 12 Mile Road							
Bonds:							
Amount of issue: \$850,000	3.90% -	\$50,000-					
Maturing through 2016	4.25%	\$150,000	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
2006 General Obligation 11 Mile Road							
Bonds:							
Amount of issue: \$2,500,000	3.90% -	\$100,000 -					
Maturing through 2021	4.25%	\$300,000	1,475,000	-	200,000	1,275,000	225,000
2006 General Obligation Other Road							
Bonds:							
Amount of issue: \$2,625,000	3.90% -	\$200,000 -					
Maturing through 2016	4.25%	\$375,000	375,000	-	375,000	-	-
Contractual obligations with Oakland County - 2002 Installment Purchase Agreement:							
Amount of issue: \$1,260,000	5.20%	\$50,000 -					
Maturing through 2016		\$200,000	200,000	-	200,000	-	-
Total bond obligations			2,200,000	-	925,000	1,275,000	225,000
Other long-term obligations:							
Compensated absences			585,695	256,283	361,732	480,246	198,619
Other postemployment benefits			3,891,352	2,323,818	1,474,075	4,741,095	-
Total governmental activities			\$ 6,677,047	\$ 2,580,101	\$ 2,760,807	\$ 6,496,341	\$ 423,619

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General Obligation Bond - Contractual obligations with Oakland County - George W. Kuhn Bonds:							
2000-A:							
Amount of issue: \$1,126,053	2.50%	\$47,549 -					
Maturing through 2022		\$70,354	\$ 458,796	\$ -	\$ 60,775	\$ 398,021	\$ 62,349
2001-C:							
Amount of issue: \$5,176,822	2.50%	\$207,829 -					
Maturing through 2024		\$324,025	2,646,983	-	266,085	2,380,898	272,696
2001-D:							
Amount of issue: \$199,641	2.50%	\$7,872 -					
Maturing through 2024		\$13,225	70,073	-	7,242	62,831	7,243
2000-B & 2001-E Refinanced 2007 & 2016:							
Amount of issue: \$621,597	4.10% -	\$22,987 -					
Maturing through 2024	5.25%	\$71,480	535,944	-	535,944	-	-
Maturing through 2024	2.50%	\$70,221	-	486,508	-	486,508	66,127
2005-F:							
Amount of issue: \$103,572	1.625%	\$4,478 -					
Maturing through 2026		\$5,703	56,567	-	4,798	51,769	4,798
2006-G:							
Amount of issue: \$112,919	1.625%	\$4,798 -					
Maturing through 2028		\$6,398	77,413	-	5,438	71,975	5,438
2008-H:							
Amount of issue: \$491,662	2.50%	\$19,193 -					
Maturing through 2029		\$30,709	368,826	-	22,392	346,434	23,031
Total bond obligations			4,214,602	486,508	902,674	3,798,436	441,682
Other long-term obligations:							
Compensated absences			72,848	56,473	48,393	80,928	80,928
Other postemployment benefits			162,946	122,306	97,371	187,881	-
Total business-type activities			\$ 4,450,396	\$ 665,287	\$ 1,048,438	\$ 4,067,245	\$ 522,610

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 225,000	\$ 46,444	\$ 271,444	\$ 441,682	\$ 93,710	\$ 535,392
2018	225,000	37,500	262,500	452,394	81,374	533,768
2019	250,000	28,000	278,000	461,857	70,495	532,352
2020	275,000	17,500	292,500	472,572	59,381	531,953
2021	300,000	6,000	306,000	483,293	48,005	531,298
2022-2026	-	-	-	1,383,634	82,616	1,466,250
2027-2029	-	-	-	103,004	4,854	107,858
Total	\$ 1,275,000	\$ 135,444	\$ 1,410,444	\$ 3,798,436	\$ 440,435	\$ 4,238,871

Note 6 - Long-term Debt (Continued)

Compensated absences attributable to the governmental activities will be liquidated primarily by the City's Fringe Benefits Internal Service Fund. That fund will finance the payment of those liabilities by charging the other funds based on management's calculation of the compensated absence liability attributed to employees of the individual funds. The net OPEB obligation will be liquidated from the funds from which the individual employee's salaries are paid, generally the General and Water and Sewer Funds.

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. Proceeds from the County bonds provided financing for the construction of the George W. Kuhn Drain. The remaining principal and interest to be paid on the bonds total \$4,238,871. During the current year, net revenue of the system was \$1,518,181 compared to annual debt requirements of \$539,838. During the year, the series 2007 Refinancing debt was refunded through the series 2016 bonds.

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health and workers' compensation claims and participates in the Michigan Municipal Liability and Property Pool for claims related to property liability and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - General Employees' Defined Benefit Pension Plan Description

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS of Michigan) that covers substantially all employees of the City's merit system and all employees of the Department of Public Works. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Note 8 - General Employees' Defined Benefit Pension Plan Description
(Continued)**

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. A member must meet minimum employment and age requirements to vest and obtain a pension benefit. An employee from any group who leaves service may withdraw his or her contributions plus any accumulated interest and forfeit his or her pension benefit. The City is a Public Act 88 of 1961 city.

Service or Deferred Retirement - Union Members Hired In Public Works Prior to July 1, 2004:

Retirement benefits for members are calculated as 2.5 percent of the member's best three consecutive years of compensation while employed with the City. This sum is then multiplied by the number of years of service to obtain a pension benefit. The maximum benefit allowed is 80 percent of final average compensation. The member must be age 55 with 15 years of service, age 60 with 10 years of service, or have a total of 25 years of service to obtain a pension benefit. This closed group does not contribute towards their pension benefit. There is a 10-year vesting requirement for this group. Compensation is defined as all wages except overtime, uniform allowance, education pay, and license pay. Severance at retirement may or may not be included in compensation. If severance is included, sick leave payment will not be part of compensation.

Service or Deferred Retirement - Union Members Hired in Public Works on or After July 1, 2004:

Retirement benefits for members are calculated as 2.5 percent of the member's best three consecutive years of compensation while employed with the City. This sum is then multiplied by the number of years of service to obtain a pension benefit. The maximum benefit allowed is 80 percent of final average compensation. The member must be age 55 with 15 years of service, age 60 with 10 years of service, or have a total of 25 years of service to obtain a pension benefit. This open group pays 4 percent towards their pension benefit. There is a 10-year vesting requirement for this group. Compensation is defined as all wages except overtime, uniform allowance, education pay, and license pay. Severance at retirement may or may not be included in compensation. If severance is included, sick leave payment will not be part of compensation.

Note 8 - General Employees' Defined Benefit Pension Plan Description (Continued)

Service or Deferred Retirement - Nonunion Members Hired Prior to July 1, 2008:

Retirement benefits for members are calculated as 2.5 percent of the member's best three consecutive years of compensation while employed with the City. This sum is then multiplied by the number of years of service to obtain a pension benefit. The maximum benefit allowed is 80 percent of final average compensation. The member must be age 55 with 15 years of service, age 60 with six years of service, or have a total of 25 years of service to obtain a pension benefit. This closed group pays 4 percent towards their pension benefit. There is a six-year vesting requirement for this group. Compensation is defined as all wages including earned overtime. Severance at retirement may or may not be included in compensation. If severance is included, sick leave payment will not be part of compensation.

Service or Deferred Retirement - Nonunion Members Hired on or After July 1, 2008:

Retirement benefits for members are calculated as 2.25 percent of the member's best three years of compensation while employed with the City. This sum is then multiplied by the number of years of service to obtain a pension benefit. The maximum benefit allowed is 80 percent of compensation. The member must be age 55 with 25 years of service or age 60 with 10 years of service to obtain a pension benefit. This closed group pays 4 percent toward their pension benefit. There is a 10-year vesting requirement for this group. Compensation is defined as all wages including overtime. Severance at retirement may or may not be included in compensation. If severance is included, sick leave payment will not be part of compensation.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	74
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	41
	<hr/>
Total employees covered by MERS	128
	<hr/> <hr/>

Note 8 - General Employees' Defined Benefit Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2016, the average active employee contribution rate was 0.0 percent of annual pay for a union public works member hired prior to July 1, 2004, 4.0 percent of annual pay for a union public works member hired on or after July 1, 2004, and 4.0 percent for all nonunion eligible employees. The City's average contribution rate for a union public works employee was 44.42 percent of annual payroll, and for a nonunion eligible employee, it was 36.07 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 20,162,401	\$ 12,614,943	\$ 7,547,458
Service cost	231,896	-	231,896
Interest	1,602,510	-	1,602,510
Differences between expected and actual experience	(432,248)	-	(432,248)
Changes in assumptions	868,163	-	868,163
Contributions - Employer	-	546,145	(546,145)
Contributions - Employee	-	80,039	(80,039)
Net investment income	-	(176,950)	176,950
Benefit payments, including refunds	(1,707,986)	(1,707,986)	-
Administrative expenses	-	(26,595)	26,595
Net changes	562,335	(1,285,347)	1,847,682
Balance at December 31, 2015	\$ 20,724,736	\$ 11,329,596	\$ 9,395,140

Note 8 - General Employees' Defined Benefit Pension Plan Description (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$1,210,920. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 288,165
Changes in assumptions	578,775	-
Net difference between projected and actual earnings on pension plan investments	1,073,385	-
Employer contributions to the plan subsequent to the measurement date	<u>261,568</u>	<u>-</u>
Total	<u>\$ 1,913,728</u>	<u>\$ 288,165</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$261,568), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 424,969
2018	424,969
2019	279,664
2020	234,393

Note 8 - General Employees' Defined Benefit Pension Plan Description (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	In the long term plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases
Investment rate of return	8.0%	Gross of pension plan investment expense, including inflation

Mortality rates were based on 50 percent male 50 percent female blend of the RP 2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP 2014 Employee Mortality Tables, and RP 2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male 50 percent RP 2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent for 2015. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - General Employees' Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation, as disclosed in the investment footnote, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58 %	5.00 %
Global fixed income	20 %	2.20 %
Real assets	12 %	4.20 %
Diversifying strategies	10 %	6.60 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	<u>1 Percent Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1 Percent Increase (9.0%)</u>
Net pension liability of the City	\$ 11,363,932	\$ 9,395,140	\$ 7,712,045

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 9 - Public Safety Pension Plan Description

Plan Description - The City of Berkley administers the City of Berkley Public Safety Pension System. This is a single-employer defined benefit pension system that covers all public safety officers of the City, including the chief. This pension system is provided by State of Michigan, PA 345 of 1937, as amended. The voters of the City approved this type of pension system in April 1965.

The system is governed by a five-member board. The composition of this board is made up of one public safety command officer and one public safety officer. Each is voted onto the board by the members of their respective bargaining units. The law also requires that the city treasurer have a seat on the board. The mayor appoints the final two members of the board with City Council approval.

Benefit terms have been established by contractual agreements and PA 345 of 1937, as amended. The financial statements of the plan are included in these financial statements as a pension fiduciary trust fund.

Employees Covered by Benefit Terms - At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	49
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>25</u>
Total employees covered by the plan	<u><u>77</u></u>

Benefits Provided - The pension plan provides retirement, disability, duty, and nonduty death benefits. A member must have 25 or more years of service or age 60 regardless of service. Military or prior employment and other public employment or generic credited service may be purchased by a member. A deferred retirement may be obtained after 10 years of service. Straight-life benefits only are paid under a deferred retirement at the date retirement would have occurred had the member remained employed.

Service or Deferred Retirement - Members Hired Prior to July 1, 2013:

Retirement benefits for members are calculated as 2.8 percent of the member's best three consecutive years of the last 10 years of a member's average final compensation for the first 25 years of service, plus 1 percent of average final compensation times years of service in excess of 25 years. The maximum benefit allowed is 85 percent of "base" wages. Base wages are defined as the final rate of pay at retirement, multiplied by 2,080 hours, multiplied by 85 percent.

Note 9 - Public Safety Pension Plan Description (Continued)

Service or Deferred Retirement - Members Hired on or After July 1, 2013*:

Retirement benefits for members are calculated as 2.5 percent of the member's best three consecutive years of the last 10 years of a member's average final compensation for the first 25 years of service, plus 1 percent of average final compensation times years of service in excess of 25 years. The maximum benefit allowed is 85 percent of "base" wages. Base wages are defined as the final rate of pay at retirement, multiplied by 2,080 hours, multiplied by 85 percent.

* The first officer hired on or after July 1, 2013 will be considered hired prior to July 1, 2013 for multiplier purposes only.

Death After Retirement - Survivor Pension:

The benefit is payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight-life pension which was effective July 1, 1975 or later. The spouse's pension equals 60 percent of the straight-life pension the deceased retiree was receiving. Deferred retirees are ineligible for this benefit.

Nonduty Death-in-service Survivor's Pension:

The benefit is payable to a surviving spouse upon the death of a member with 20 or more years of service. Accrued straight-life pension is actuarially reduced in accordance with the Option I election.

Duty Death-in-service Survivor's Pension:

The benefit is payable upon the expiration of workers' compensation to the survivors of a member who died in the line of duty. The benefit is the same amount that was paid by workers' compensation.

Nonduty Disability:

The benefit is payable upon the total and permanent disability of a member with five or more years of service. To age 55, it is equal to 1.5 percent of average final compensation times years of service. At age 55, it is equal to the same benefit as a service retirement pension.

Duty Disability:

The benefit is payable upon the total and permanent disability of a member in the line of duty. To age 55, the benefit is payable at 50 percent of average final compensation. At age 55, it is payable at the same benefit as a service retirement pension.

Annuity Withdrawals:

Accumulated member contributions may be withdrawn at retirement with an actuarial reduction in the pension that would otherwise be payable.

Note 9 - Public Safety Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board in accordance with the city charter, union contracts, and plan provisions. For the year ended June 30, 2016, the average active member contribution rate was 0 percent of annual pay and the City's average contribution rate was 37.31 percent of annual payroll.

Note 10 - Public Safety Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board's adopted asset allocation policy as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Large cap equity	32.00 %
Small/mid cap equity	10.00 %
International equity	18.00 %
Domestic fixed income	29.50 %
Treasury inflation-protected securities	5.00 %
International fixed income	2.50 %
Commodities	2.50 %
Cash or cash equivalents	0.50 %

Concentrations - The pension system does not have a concentration of an investment greater than or equal to 5 percent of total assets.

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.35) percent.

Note 11 - Public Safety Pension Plan Reserves

In accordance with Public Act 345, as amended, and the actions of the City Council and Public Safety Retirement Board, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year, if any. The system maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves and receives all investment income (or loss) earned within the fiscal year.

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 15,793,275	\$ 15,793,275
Employee reserve	157,155	157,155
Employer reserve	-	1,650,440

Note 12 - Public Safety Pension Net Pension Liability

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 23,121,639
Plan fiduciary net position	<u>17,600,870</u>
City's net pension liability	<u>\$ 5,520,769</u>

Plan fiduciary net position as a percentage of the total pension liability 76.1 %

The City has chosen to use June 30, 2016 as its measurement date for the net pension liability. The June 30, 2016 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2016. The June 30, 2016 total pension liability was determined by an actuarial valuation performed as of June 30, 2015, which used updated procedures to roll forward the estimated liability to June 30, 2016.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 12 - Public Safety Pension Net Pension Liability (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2015	\$ 22,619,982	\$ 18,743,798	\$ 3,876,184
Service cost	369,308	-	369,308
Interest	1,646,655	-	1,646,655
Differences between expected and actual experience	189,536	-	189,536
Contributions - Employer	-	660,531	(660,531)
Net investment income	-	(55,465)	55,465
Benefit payments, including refunds	(1,703,842)	(1,703,842)	-
Administrative expenses	-	(44,152)	44,152
Net changes	501,657	(1,142,928)	1,644,585
Balance at June 30, 2016	\$ 23,121,639	\$ 17,600,870	\$ 5,520,769

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$1,242,931. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 149,622
Net difference between projected and actual earnings on pension plan investments	1,771,399
Total	<u>\$ 1,921,021</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	\$ 547,812
2018	547,812
2019	545,145
2020	280,252

Note 12 - Public Safety Pension Net Pension Liability (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %	
Salary increases	4.0 - 8.0 %	Average, including inflation
Investment rate of return	7.50 %	Net of pension plan investment expense, including inflation

Mortality rates are an experience-based table of rates that are specific to the type of eligibility condition. The mortality table used was RP-2000 Combined Healthy Life Mortality Table with improvements to 2020 using projection scale BB for both males and females.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The single discount rate was based on an expected rate of return on pension plan investments of 7.50 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the member rates.

Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2116. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2116.

Note 12 - Public Safety Pension Net Pension Liability (Continued)

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap equity	7.30 %
Small/mid cap equity	7.60 %
International equity	7.30 %
Domestic fixed income	3.00 %
Treasury inflation-protected securities	3.00 %
International fixed income	1.40 %
Commodities	2.80 %
Cash or cash equivalents	2.30 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<u>1 Percent Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1 Percent Increase (8.5%)</u>
Net pension liability of the City	\$ 8,112,902	\$ 5,520,769	\$ 3,343,384

Note 12 - Public Safety Pension Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources or resources related to pension, and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 13 - Other Postemployment Benefits

Plan Description - The City has elected to provide postemployment health benefits and life insurance benefits to certain retirees and their beneficiaries in accordance with current employment labor contracts for union members and the City Council adopted Merit System of Personnel Management for nonunion and court retirees. As of June 30, 2016, a total of 91 retirees and 65 beneficiaries are eligible for postemployment health and life benefits. This includes pre-Medicare retirees as well as Medicare-eligible retirees.

This is a single-employer defined benefit plan administered by the City. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - Currently, the City pays the full pay-as-you-go monthly cost of health and life benefit coverage for the retiree and his or her beneficiary only. Retirees can purchase at their option health benefit coverage for their dependents or for their spouse, if eligible, at the City's current monthly group rate. A retiree can only purchase health-care coverage for a dependent through the dependent's 27th year of birth. Eligible retirees can also elect and purchase master medical health coverage for themselves and their beneficiary at the City's current monthly group rate.

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, at June 30, 2016, the City has assets totaling \$3,898,687 invested with the Municipal Employees Retirement System of Michigan. These funds are intended to be used in the future toward the other postemployment liability costs for these eligible retiree health and life benefits.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2016

Note 13 - Other Postemployment Benefits (Continued)

For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,531,410
Interest on the prior year's net OPEB obligation	222,986
Less adjustment to the annual required contribution	<u>(308,272)</u>
Annual OPEB cost	2,446,124
Amounts contributed:	
Payments of current premiums	(1,330,246)
Employer contributions	<u>(241,200)</u>
Increase in net OPEB obligation	874,678
OPEB obligation - Beginning of year	<u>4,054,298</u>
OPEB obligation - End of year	<u>\$ 4,928,976</u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/14	6/30/09	\$ 1,761,510	81.9 %	\$ 3,152,643
6/30/15	6/30/12	2,506,285	64.0	4,054,298
6/30/16	6/30/12	2,446,124	64.2	4,928,976

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/06	\$ 100,000	\$ 21,807,213	\$ 21,707,213	0.5 %	\$ 3,651,406	594.5 %
6/30/09	1,035,664	17,655,852	16,620,188	5.9	3,344,839	496.9
6/30/12	2,223,325	27,663,815	25,440,490	8.0	2,635,197	965.4

Note 13 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2012 actuarial valuation, the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 5.5 percent investment rate of return net of administrative expenses including wage inflation. A level dollar amortization method is used along with a closed 24-year amortization period. Market value of assets is the asset valuation method utilized by the actuary. Salaries are projected to increase between 4.8 percent and 12.9 percent including wage inflation. Rate of inflation for medical benefits utilized is 9.0 percent grading down to 4.5 percent 10 years after the valuation. The rate of inflation for dental and vision benefits is 4.5 percent for all years.

Note 14 - Joint Ventures

Southeastern Oakland County Water Authority

The City is a member of the Southeastern Oakland County Water Authority (the "Water Authority"), which provides a water supply system serving 11 member and two nonmember municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2016, the City expensed \$845,056 of payments made to the Water Authority. The City has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Water Authority's operations are financially independent of the City. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements of the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

Southeastern Oakland County Resource Recovery Authority

The City is a member of the Southeastern Oakland County Resource Recovery Authority (the "Resource Recovery Authority"), which collects, processes, and disposes of the municipal solid waste, yard waste, and recyclables accumulated within the City. The Resource Recovery Authority provides services to 12 member municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2016, the City expensed \$916,296 of payments made to the Resource Recovery Authority. The City has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Resource Recovery Authority's operations are financially independent of the City. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements of the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 W. Webster Road, Royal Oak, Michigan 48073.

Note 15 - Contingent Liabilities

The City is involved in certain legal matters that have not progressed to a point where any ultimate liability can be determined. Settlement payments on certain cases, but potentially not all cases, would be covered by the insurance pool noted in Note 7. No liability has been reflected in these financial statements.

Note 16 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Municipal Employees Retirement System of Michigan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

Required Supplemental Information

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,880,674	\$ 6,880,674	\$ 6,872,348	\$ (8,326)
Licenses and permits	473,550	554,075	595,932	41,857
Federal grants	11,300	11,300	13,870	2,570
State-shared revenue and grants	1,392,947	1,395,532	1,395,427	(105)
Charges for services	479,862	479,862	415,415	(64,447)
Fines and forfeitures	298,000	298,000	495,666	197,666
Investment earnings	32,731	32,731	34,335	1,604
Franchise fees	346,265	346,265	372,222	25,957
Other revenue:				
Local donations	3,500	3,500	10,069	6,569
Other	208,728	210,228	336,909	126,681
Total revenue	10,127,557	10,212,167	10,542,193	330,026
Expenditures				
Current:				
General government:				
City Council	18,935	18,935	16,511	2,424
Manager	203,714	194,115	174,320	19,795
Elections	162,001	156,124	141,622	14,502
Finance	302,477	300,682	286,415	14,267
Legal	90,500	152,100	160,887	(8,787)
Clerk/Treasurer	98,882	98,882	98,847	35
City hall	258,920	271,001	205,597	65,404
Planning	67,837	71,537	67,790	3,747
Inspection	297,444	324,579	308,494	16,085
Insurance	727,018	727,018	703,137	23,881
Community promotion	63,235	63,235	43,278	19,957
Total general government	2,290,963	2,378,208	2,206,898	171,310
Public safety:				
Administration	172,934	172,934	170,969	1,965
Service aides	330,288	330,288	312,796	17,492
Operations	3,593,347	3,591,810	3,449,916	141,894
Insurance	98,096	98,096	98,096	-
Pension administration	587,248	579,248	568,533	10,715
Building inspections and related	628	628	546	82
Animal control	73,696	73,696	67,761	5,935
Total public safety	4,856,237	4,846,700	4,668,617	178,083

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Current (Continued):				
Public works:				
Operations	\$ 525,038	\$ 527,638	\$ 475,055	\$ 52,583
Garage	143,885	193,814	197,062	(3,248)
Street programs	280,000	280,000	243,639	36,361
Total public works	948,923	1,001,452	915,756	85,696
Health and welfare - Community development	75,927	75,927	73,512	2,415
Recreation and culture:				
Recreation	457,420	421,921	370,724	51,197
Library	638,083	642,908	623,640	19,268
WBRK	69,967	69,467	61,632	7,835
Communications coordinator	77,573	79,029	75,501	3,528
Total recreation and culture	1,243,043	1,213,325	1,131,497	81,828
Capital outlay	403,605	523,480	294,281	229,199
Total expenditures	9,818,698	10,039,092	9,290,561	748,531
Excess of Revenue Over Expenditures	308,859	173,075	1,251,632	1,078,557
Other Financing Sources (Uses)				
Transfers in	31,459	31,459	-	(31,459)
Transfers out	(375,661)	(375,811)	(397,802)	21,991
Total other financing uses	(344,202)	(344,352)	(397,802)	(9,468)
Net Change in Fund Balance	(35,343)	(171,277)	853,830	1,069,089
Fund Balance - Beginning of year	3,524,954	3,524,954	3,524,954	-
Fund Balance - End of year	<u>\$ 3,489,611</u>	<u>\$ 3,353,677</u>	<u>\$ 4,378,784</u>	<u>\$ 1,025,107</u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 1,136,546	\$ 1,136,546	\$ 1,185,913	\$ 49,367
Charges for services	9,836	9,836	16,265	6,429
Investment income	3,863	3,863	6,771	2,908
Other revenue	25,225	25,225	38,445	13,220
Total revenue	1,175,470	1,175,470	1,247,394	71,924
Expenditures				
Current - Public works:				
Administrative	24,651	24,651	19,991	4,660
Field operations	601,871	672,621	526,323	146,298
Total expenditures	626,522	697,272	546,314	150,958
Excess of Revenue Over Expenditures	548,948	478,198	701,080	222,882
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(156,417)	(156,417)	(155,463)	954
Net Change in Fund Balance	492,531	421,781	645,617	223,836
Fund Balance - Beginning of year	930,101	930,101	930,101	-
Fund Balance - End of year	<u>\$ 1,422,632</u>	<u>\$ 1,351,882</u>	<u>\$ 1,575,718</u>	<u>\$ 223,836</u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 243,584	\$ 243,584	\$ 296,399	\$ 52,815
Investment income	2,978	2,978	4,595	1,617
Other revenue	27,725	27,725	5,146	(22,579)
Total revenue	274,287	274,287	306,140	31,853
Expenditures				
Current - Public works:				
Administrative	17,067	17,067	11,900	5,167
Field operations	586,182	586,182	414,594	171,588
Total expenditures	603,249	603,249	426,494	176,755
Excess of Expenditures Over Revenue	(328,962)	(328,962)	(120,354)	208,608
Other Financing Sources (Uses)				
Transfers in	355,463	355,463	355,463	-
Transfers out	(767)	(767)	-	767
Net Change in Fund Balance	25,734	25,734	235,109	209,375
Fund Balance - Beginning of year	778,957	778,957	778,957	-
Fund Balance - End of year	\$ 804,691	\$ 804,691	\$ 1,014,066	\$ 209,375

City of Berkley, Michigan

Required Supplemental Information Public Safety Pension Trust Schedule of Investment Returns Last Six Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual money-weighted rate of return - Net of investment expense	(0.4)%	1.8 %	16.2 %	10.8 %	(0.3)%	20.2 %

City of Berkley, Michigan

Required Supplemental Information Public Safety Pension Trust Schedule of Changes in the City Net Pension Liability and Related Ratio Last Three Fiscal Years

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 369,308	\$ 348,830	\$ 376,217
Interest	1,646,655	1,623,409	1,600,549
Differences between expected and actual experience	189,536	15,829	-
Benefit payments, including refunds	(1,703,842)	(1,678,258)	(1,638,281)
Net Change in Total Pension Liability	501,657	309,810	338,485
Total Pension Liability - Beginning of year	22,619,982	22,310,172	21,971,687
Total Pension Liability - End of year	<u>\$ 23,121,639</u>	<u>\$ 22,619,982</u>	<u>\$ 22,310,172</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 660,531	\$ 726,568	\$ 780,105
Contributions - Member	-	-	90,169
Net investment income	(55,465)	357,995	2,752,802
Administrative expenses	(44,152)	(46,951)	(51,306)
Benefit payments, including refunds	(1,703,842)	(1,678,258)	(1,638,281)
Other	-	183	-
Net Change in Plan Fiduciary Net Position	(1,142,928)	(640,463)	1,933,489
Plan Fiduciary Net Position - Beginning of year	18,743,798	19,384,261	17,450,772
Plan Fiduciary Net Position - End of year	<u>\$ 17,600,870</u>	<u>\$ 18,743,798</u>	<u>\$ 19,384,261</u>
City's Net Pension Liability - Ending	<u>\$ 5,520,769</u>	<u>\$ 3,876,184</u>	<u>\$ 2,925,911</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.12 %	82.86 %	86.89 %
Covered Employee Payroll	\$ 1,770,387	\$ 1,923,665	\$ 1,965,494
City's Net Pension Liability as a Percentage of Covered Employee Payroll	311.84 %	201.5 %	148.9 %

City of Berkley, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Municipal Employees Retirement System of Michigan Last Two Fiscal Years

	2016	2015
Total Pension Liability		
Service cost	\$ 231,896	\$ 313,028
Interest	1,602,510	1,588,656
Changes in benefit terms	-	-
Differences between expected and actual experience	(432,248)	-
Changes in assumptions	868,163	-
Benefit payments, including refunds	(1,707,986)	(1,678,420)
Net Change in Total Pension Liability	562,335	223,264
Total Pension Liability - Beginning of year	20,162,401	19,939,137
Total Pension Liability - End of year	\$ 20,724,736	\$ 20,162,401
Plan Fiduciary Net Position		
Contributions - Employer	\$ 546,145	\$ 574,412
Contributions - Member	80,039	90,641
Net investment income	(176,950)	792,022
Administrative expenses	(26,595)	(28,852)
Benefit payments, including refunds	(1,707,986)	(1,678,420)
Other	-	-
Net Change in Plan Fiduciary Net Position	(1,285,347)	(250,197)
Plan Fiduciary Net Position - Beginning of year	12,614,943	12,865,140
Plan Fiduciary Net Position - End of year	\$ 11,329,596	\$ 12,614,943
City's Net Pension Liability - Ending	\$ 9,395,140	\$ 7,547,458
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	54.67 %	62.57 %
Covered Employee Payroll	\$ 1,822,943	\$ 1,679,482
City's Net Pension Liability as a Percentage of Covered Employee Payroll	515.4 %	449.4 %

City of Berkley, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/06	\$ 100,000	\$ 21,807,213	\$ 21,707,213	0.5 %	\$ 3,651,406	594.5 %
6/30/09	1,035,664	17,655,852	16,620,188	5.9	3,344,839	496.9
6/30/12	2,223,325	27,663,815	25,440,490	8.0	2,635,197	965.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/14	6/30/09	\$ 1,761,510	81.9 %
6/30/15	6/30/12	2,603,419	61.6
6/30/16	6/30/12	2,531,400	62.1

* The required contribution is expressed to the City as a percentage of payroll.

Other Supplemental Information

City of Berkley, Michigan

	Special Revenue Funds				
	Community Development Block Grant	Drug Forfeiture Fund	Seniors' Program Fund	Recreation Revolving	Solid Waste Service
Assets					
Cash and cash equivalents	\$ 26,826	\$ 3,071	\$ 262,946	\$ 746,467	\$ 614,200
Receivables:					
Taxes	-	-	-	-	18,298
Receivables from sales to customers on account	-	-	-	-	84,519
Other governmental units	2,015	-	-	-	-
Inventory	-	-	-	-	512
Prepaid costs	-	-	-	-	7,859
Total assets	<u>\$ 28,841</u>	<u>\$ 3,071</u>	<u>\$ 262,946</u>	<u>\$ 746,467</u>	<u>\$ 725,388</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 1,025	\$ -	\$ 482	\$ 2,439	\$ 45,792
Due to other governmental units	-	-	-	160	-
Accrued and other liabilities	-	-	665	5,774	3,236
Unearned revenue	-	-	-	23,020	-
Total liabilities	1,025	-	1,147	31,393	49,028
Deferred Inflows of Resources - Unavailable revenue	2,015	-	-	-	20,157
Fund Balances					
Nonspendable - Inventory and prepaid items -					
Inventory	-	-	-	-	8,371
Restricted:					
Debt service	-	-	-	-	-
Solid waste services	-	-	-	-	647,832
Public safety	-	3,071	-	-	-
Community development	25,801	-	-	-	-
Committed:					
Recreation	-	-	-	715,074	-
Seniors' program	-	-	261,799	-	-
Assigned - Capital improvement	-	-	-	-	-
Total fund balances	<u>25,801</u>	<u>3,071</u>	<u>261,799</u>	<u>715,074</u>	<u>656,203</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,841</u>	<u>\$ 3,071</u>	<u>\$ 262,946</u>	<u>\$ 746,467</u>	<u>\$ 725,388</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
2002 Installment Loan	Major and Local Street Projects	Eleven Mile Road Project	Twelve Mile Road Project Debt Service	Capital Projects Fund	
\$ -	\$ -	\$ 50,436	\$ -	\$ 799,747	\$ 2,503,693
-	-	3,580	-	-	21,878
-	-	-	-	-	84,519
-	-	-	-	845	2,860
-	-	-	-	-	512
-	-	-	-	-	7,859
\$ -	\$ -	\$ 54,016	\$ -	\$ 800,592	\$ 2,621,321
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,738
-	-	-	-	-	160
-	-	-	-	-	9,675
-	-	-	-	-	23,020
-	-	-	-	-	82,593
-	-	4,009	-	-	26,181
-	-	-	-	-	8,371
-	-	50,007	-	-	50,007
-	-	-	-	-	647,832
-	-	-	-	-	3,071
-	-	-	-	-	25,801
-	-	-	-	-	715,074
-	-	-	-	-	261,799
-	-	-	-	800,592	800,592
-	-	50,007	-	800,592	2,512,547
\$ -	\$ -	\$ 54,016	\$ -	\$ 800,592	\$ 2,621,321

City of Berkley, Michigan

	Special Revenue Funds				
	Community	Drug Forfeiture	Seniors' Program	Recreation	Solid Waste
	Development Block Grant	Fund	Fund	Revolving	Service
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 904,001
Federal grants	3,724	-	-	-	103,007
State-shared revenue and grants	-	-	33,566	-	-
Charges for services	-	-	57,963	537,601	289,138
Fines and forfeitures	-	-	-	-	-
Investment earnings	-	16	1,340	3,331	4,056
Other	-	-	487	26,360	4,385
Total revenue	3,724	16	93,356	567,292	1,304,587
Expenditures - Current					
Public works	-	-	-	-	1,235,172
Health and welfare	5,400	-	74,533	-	-
Recreation and culture	-	-	-	385,088	-
Capital outlay	-	-	-	33,423	-
Debt service	-	-	-	-	-
Total expenditures	5,400	-	74,533	418,511	1,235,172
Excess of Revenue (Under) Over Expenditures	(1,676)	16	18,823	148,781	69,415
Other Financing (Uses) Sources					
Transfers out	-	-	-	(27,000)	-
Transfers in	-	-	-	-	50,000
Total other financing (uses) sources	-	-	-	(27,000)	50,000
Net Change in Fund Balances	(1,676)	16	18,823	121,781	119,415
Fund Balances - Beginning of year	27,477	3,055	242,976	593,293	536,788
Fund Balances - End of year	\$ 25,801	\$ 3,071	\$ 261,799	\$ 715,074	\$ 656,203

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016**

Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
2002 Installment Loan	Major and Local Streets Projects	Eleven Mile Road Project	Twelve Mile Road Project	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 371,948	\$ 257,088	\$ 139,314	\$ -	\$ 1,672,351
-	-	-	-	-	106,731
-	3,621	2,503	1,357	-	41,047
-	-	-	-	-	884,702
-	-	-	-	21,532	21,532
-	66	243	57	4,159	13,268
206,996	-	-	-	-	238,228
206,996	375,635	259,834	140,728	25,691	2,977,859
-	-	-	-	-	1,235,172
-	-	-	-	-	79,933
-	-	-	-	-	385,088
-	-	-	-	-	33,423
210,400	383,062	254,787	152,925	-	1,001,174
210,400	383,062	254,787	152,925	-	2,734,790
(3,404)	(7,427)	5,047	(12,197)	25,691	243,069
-	(7,523)	-	(10,507)	-	(45,030)
-	-	18,030	-	-	68,030
-	(7,523)	18,030	(10,507)	-	23,000
(3,404)	(14,950)	23,077	(22,704)	25,691	266,069
3,404	14,950	26,930	22,704	774,901	2,246,478
\$ -	\$ -	\$ 50,007	\$ -	\$ 800,592	\$ 2,512,547

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund Community Development Block Grant Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 73,135	\$ 63,889	\$ 3,724	\$ (60,165)
Expenditures - Health and welfare	73,134	63,888	5,400	58,488
Net Change in Fund Balance	1	1	(1,676)	(1,677)
Fund Balance - Beginning of year	27,477	27,477	27,477	-
Fund Balance - End of year	<u>\$ 27,478</u>	<u>\$ 27,478</u>	<u>\$ 25,801</u>	<u>\$ (1,677)</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Forfeiture Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment earnings	\$ 45	\$ 45	\$ 16	\$ (29)
Net Change in Fund Balance	45	45	16	(29)
Fund Balance - Beginning of year	3,055	3,055	3,055	-
Fund Balance - End of year	<u>\$ 3,100</u>	<u>\$ 3,100</u>	<u>\$ 3,071</u>	<u>\$ (29)</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Seniors' Program Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 22,880	\$ 22,880	\$ 33,566	\$ 10,686
Charges for services	73,206	73,206	57,963	(15,243)
Investment earnings	898	898	1,340	442
Other	-	-	487	487
Total revenue	96,984	96,984	93,356	(3,628)
Expenditures - Health and welfare	86,567	89,567	74,533	15,034
Net Change in Fund Balance	10,417	7,417	18,823	11,406
Fund Balance - Beginning of year	242,976	242,976	242,976	-
Fund Balance - End of year	\$ 253,393	\$ 250,393	\$ 261,799	\$ 11,406

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2002 Installment Loan Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 210,400	\$ 210,400	\$ 206,996	\$ (3,404)
Expenditures - Debt service	210,400	210,400	210,400	-
Other Financing Uses -				
Transfers out	-	(3,404)	-	3,404
Net Change in Fund Balance	-	(3,404)	(3,404)	-
Fund Balance - Beginning of year	3,404	3,404	3,404	-
Fund Balance - End of year	\$ 3,404	\$ -	\$ -	\$ -

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major and Local Streets Projects Debt Service Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 372,603	\$ 372,603	\$ 371,948	\$ (655)
State-shared revenue and grants	-	-	3,621	3,621
Investment earnings	35	35	66	31
Total revenue	372,638	372,638	375,635	2,997
Expenditures - Debt service	383,063	383,063	383,062	1
Other Financing Uses -				
Transfers out	-	(6,331)	(7,523)	(1,192)
Net Change in Fund Balance	(10,425)	(16,756)	(14,950)	1,806
Fund Balance - Beginning of year	14,950	14,950	14,950	-
Fund Balance - End of year	<u>\$ 4,525</u>	<u>\$ (1,806)</u>	<u>\$ -</u>	<u>\$ 1,806</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Eleven Mile Road Project Debt Service Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 257,578	\$ 257,578	\$ 257,088	\$ (490)
State-shared revenue and grants	-	-	2,503	2,503
Investment earnings	90	90	243	153
Total revenue	257,668	257,668	259,834	2,166
Expenditures - Debt service -				
Principal	254,788	254,788	254,787	1
Excess of Revenue Over Expenditures	2,880	2,880	5,047	2,167
Other Financing Sources -				
Transfers in	-	-	18,030	18,030
Net Change in Fund Balance	2,880	2,880	23,077	20,197
Fund Balance - Beginning of year	26,930	26,930	26,930	-
Fund Balance - End of year	<u>\$ 29,810</u>	<u>\$ 29,810</u>	<u>\$ 50,007</u>	<u>\$ 20,197</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Twelve Mile Road Project Debt Service Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 139,603	\$ 139,603	\$ 139,314	\$ (289)
State-shared revenue and grants	-	-	1,357	1,357
Investment earnings	41	41	57	16
Total revenue	139,644	139,644	140,728	1,084
Expenditures - Debt service	152,925	152,925	152,925	-
Other Financing Uses -				
Transfers out	-	(10,136)	(10,507)	(371)
Net Change in Fund Balance	(13,281)	(23,417)	(22,704)	713
Fund Balance - Beginning of year	22,704	22,704	22,704	-
Fund Balance - End of year	<u>\$ 9,423</u>	<u>\$ (713)</u>	<u>\$ -</u>	<u>\$ 713</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Capital Projects Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Fines and forfeitures	\$ -	\$ -	\$ 21,532	\$ 21,532
Investment earnings	3,051	3,051	4,159	1,108
Total revenue	3,051	3,051	25,691	22,640
Transfers out	(40,000)	(40,000)	-	40,000
Net Change in Fund Balance	(36,949)	(36,949)	25,691	62,640
Fund Balance - Beginning of year	774,901	774,901	774,901	-
Fund Balance - End of year	<u>\$ 737,952</u>	<u>\$ 737,952</u>	<u>\$ 800,592</u>	<u>\$ 62,640</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Recreation Revolving Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 442,480	\$ 442,480	\$ 537,601	\$ 95,121
Investment income	2,100	2,100	3,331	1,231
Other revenue:				
Local donations	28,000	28,000	25,000	(3,000)
Other miscellaneous income	-	-	1,360	1,360
Total revenue	472,580	472,580	567,292	94,712
Expenditures				
Current - Recreation and culture	391,793	392,651	385,088	7,563
Capital outlay	28,600	72,900	33,423	39,477
Total expenditures	420,393	465,551	418,511	47,040
Transfers Out	(18,619)	(27,000)	(27,000)	-
Net Change in Fund Balance	33,568	(19,971)	121,781	141,752
Fund Balance - Beginning of year	593,293	593,293	593,293	-
Fund Balance - End of year	<u>\$ 626,861</u>	<u>\$ 573,322</u>	<u>\$ 715,074</u>	<u>\$ 141,752</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Solid Waste Service Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 903,072	\$ 903,072	\$ 904,001	\$ 929
Federal grants	-	101,443	103,007	1,564
Charges for services	309,941	309,941	289,138	(20,803)
Investment income	3,337	3,337	4,056	719
Other revenue -				
Other miscellaneous income	4,500	4,500	4,385	(115)
Total revenue	1,220,850	1,322,293	1,304,587	(17,706)
Expenditures				
Current - Public works	1,264,608	1,266,758	1,235,172	31,586
Excess of Revenue (Under) Over Expenditures	(43,758)	55,535	69,415	13,880
Other Financing Sources (Uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(908)	(908)	-	908
Net Change in Fund Balance	5,334	104,627	119,415	14,788
Fund Balance - Beginning of year	536,788	536,788	536,788	-
Fund Balance - End of year	\$ 542,122	\$ 641,415	\$ 656,203	\$ 14,788

City of Berkley, Michigan

Other Supplemental Information Downtown Development Authority Division Balance Sheet June 30, 2016

	<u>DDA</u>	<u>DDA-TIF</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 154,783	\$ 84,123	\$ 238,906
Property taxes receivable	<u>-</u>	<u>8,221</u>	<u>8,221</u>
Total assets	<u>\$ 154,783</u>	<u>\$ 92,344</u>	<u>\$ 247,127</u>
Liabilities and Net Position			
Liabilities - Accounts payable	\$ 2,292	\$ 1,748	\$ 4,040
Net Position - Unrestricted	<u>152,491</u>	<u>90,596</u>	<u>243,087</u>
Total liabilities and net position	<u>\$ 154,783</u>	<u>\$ 92,344</u>	<u>\$ 247,127</u>

City of Berkley, Michigan

Other Supplemental Information Downtown Development Authority Division Schedule of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	<u>DDA</u>	<u>DDA-TIF</u>	<u>Total</u>
Revenue			
Property taxes	\$ 39,647	\$ 202,421	\$ 242,068
State-shared revenue and grants	-	46,161	46,161
Investment income	891	818	1,709
Other revenue	1,200	-	1,200
Total revenue	<u>41,738</u>	<u>249,400</u>	<u>291,138</u>
Expenditures - Current			
Operations	20,093	210,408	230,501
Capital outlay	31,919	43,936	75,855
Total expenditures	<u>52,012</u>	<u>254,344</u>	<u>306,356</u>
Net Change in Net Position	(10,274)	(4,944)	(15,218)
Net Position - Beginning of year	<u>162,765</u>	<u>95,540</u>	<u>258,305</u>
Net Position - End of year	<u>\$ 152,491</u>	<u>\$ 90,596</u>	<u>\$ 243,087</u>

City of Berkley, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2016

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016
Assets - Cash	\$ 245,424	\$ 305,543	\$ (242,909)	\$ 308,058
Liabilities				
Accounts payable	\$ 333	\$ 207,916	\$ (208,197)	\$ 52
Due to other governmental units	5,286	8,836	(4,156)	9,966
Cash bonds and deposits	239,805	270,669	(212,434)	298,040
Total liabilities	\$ 245,424	\$ 487,421	\$ (424,787)	\$ 308,058

Statistical Section

Statistical Information

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

1. Financial Trend Information

These schedules contain certain trend information to help the reader understand how the City's financial position and performance have changed over time.

Net Position by Component	94-95
Changes in Net Position	96-97
Fund Balances of Governmental Funds	98-99
Changes in Fund Balances of Governmental Funds	100-101

2. Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its main income source - property taxes.

Property Tax Levies and Collections	102
Assessed Value and Actual Value of Taxable Property	103
Direct and Overlapping Property Tax Rates	104-105
Principal Property Taxpayers (Major Taxpayers)	106

3. Debt Capacity Information

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

Ratios of Outstanding Debt by Type	107-108
Pledged-revenue Coverage	109
Ratios of General Bonded Debt Outstanding	110
Direct and Overlapping Governmental Activities Debt	111
Legal Debt Margin	112-113
Legal Debt Margin - P.A. 99 Debt	114-115

4. Demographic and Economic Information

These schedules present various demographic and economic indicators for the reader to understand the environment within the City that affects the City's financial statements.

Demographic and Economic Statistics	116
Principal Employers	117

5. Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Full-time Equivalent Government Employees by Function	118
Operating Indicators by Function	119-120
Capital Asset Statistics by Function	121

City of Berkley, Michigan

Source: City annual financial statements

	As of June 30				
	2007	2008	2009	2010	2011
Governmental Activities					
Invested in capital assets, net of related debt	\$ 5,511,233	\$ 6,248,911	\$ 7,060,516	\$ 7,803,010	\$ 8,386,258
Restricted	5,323,191	4,094,643	3,544,810	3,483,147	2,740,980
Unrestricted	<u>1,564,927</u>	<u>3,797,532</u>	<u>3,414,309</u>	<u>2,433,875</u>	<u>2,197,612</u>
Total net assets	12,399,351	14,141,086	14,019,635	13,720,032	13,324,850
Business-type Activities					
Invested in capital assets, net of related debt	5,239,890	6,617,232	8,142,849	8,794,109	8,912,363
Restricted	-	-	-	-	-
Unrestricted	<u>2,544,495</u>	<u>2,013,068</u>	<u>1,241,937</u>	<u>1,308,518</u>	<u>1,968,092</u>
Total net assets	<u>7,784,385</u>	<u>8,630,300</u>	<u>9,384,786</u>	<u>10,102,627</u>	<u>10,880,455</u>
Primary Government in Total					
Invested in capital assets, net of related debt	10,751,123	12,866,143	15,203,365	16,597,119	17,298,621
Restricted	5,323,191	4,094,643	3,544,810	3,483,147	2,740,980
Unrestricted	<u>4,109,422</u>	<u>5,810,600</u>	<u>4,656,246</u>	<u>3,742,393</u>	<u>4,165,704</u>
Total net position	<u>\$ 20,183,736</u>	<u>\$ 22,771,386</u>	<u>\$ 23,404,421</u>	<u>\$ 23,822,659</u>	<u>\$ 24,205,305</u>

**Financial Trend Information
Net Position by Component
Last Ten Fiscal Years**

As of June 30				
2012	2013	2014	2015	2016
\$ 8,913,634	\$ 9,546,904	\$ 10,490,391	\$ 11,765,355	\$ 12,605,508
2,498,530	2,297,100	2,489,255	2,575,308	3,481,448
<u>1,864,274</u>	<u>1,605,022</u>	<u>1,571,278</u>	<u>(7,387,648)</u>	<u>(8,329,077)</u>
13,276,438	13,449,026	14,550,924	6,953,015	7,757,879
9,349,182	10,048,279	10,469,046	11,078,068	11,829,788
-	-	-	-	-
<u>2,373,103</u>	<u>2,792,194</u>	<u>3,431,190</u>	<u>2,314,089</u>	<u>2,524,710</u>
<u>11,722,285</u>	<u>12,840,473</u>	<u>13,900,236</u>	<u>13,392,157</u>	<u>14,354,498</u>
18,262,816	19,595,183	20,959,437	22,843,423	24,435,296
2,498,530	2,297,100	2,489,255	2,575,308	3,481,448
<u>4,237,377</u>	<u>4,397,216</u>	<u>5,002,468</u>	<u>(5,073,559)</u>	<u>(5,804,367)</u>
<u>\$ 24,998,723</u>	<u>\$ 26,289,499</u>	<u>\$ 28,451,160</u>	<u>\$ 20,345,172</u>	<u>\$ 22,112,377</u>

City of Berkley, Michigan

	As of June 30				
	2007	2008	2009	2010	2011
Expenses					
Governmental Activities					
General government	\$ 2,434,482	\$ 2,485,624	\$ 3,364,289	\$ 3,136,223	\$ 3,278,204
Public safety	4,238,500	4,319,548	4,880,904	4,648,256	4,771,634
Public works	2,759,903	2,805,318	2,652,054	2,956,123	2,995,491
Health and welfare	154,857	233,320	290,150	131,969	184,224
Recreation and culture	1,637,638	1,720,748	1,732,343	1,676,755	1,538,314
Interest on long-term debt	312,159	304,824	283,330	215,764	237,219
Unallocated depreciation	-	-	-	-	-
Total primary governmental activities	11,537,539	11,869,382	13,203,070	12,765,090	13,005,086
Business Type Activities					
Water/Sewer	3,483,903	3,404,673	3,673,284	3,883,589	4,425,206
Arena	524,566	457,502	459,062	485,033	391,151
Total Business Type Activities	4,008,469	3,862,175	4,132,346	4,368,622	4,816,357
Total Primary Government Expenses	15,546,008	15,731,557	17,335,416	17,133,712	17,821,443
Program Revenue					
Government Activities					
Charges for services	2,541,112	2,727,253	2,819,447	2,666,889	2,688,763
Operating grants and contributions	1,136,724	1,168,098	1,226,338	1,035,713	1,132,307
Capital grants and contributions	885,505	70,840	20,419	5,388	309,306
Total government activities program revenue	4,563,341	3,966,191	4,066,204	3,707,990	4,130,376
Business Type Activities					
Charges for services - Water/Sewer	4,172,699	4,219,273	4,460,704	4,604,767	4,996,086
Charges for services - Arena	472,227	445,109	325,681	363,289	342,046
Total business type activities program revenues	4,644,926	4,664,382	4,786,385	4,968,056	5,338,132
Total primary government program revenues	\$ 9,208,267	\$ 8,630,573	\$ 8,852,589	\$ 8,676,046	\$ 9,468,508
Net (Expense)/Revenue					
Governmental activities	\$ (6,974,198)	\$ (7,903,191)	\$ (9,136,866)	\$ (9,057,100)	\$ (8,874,710)
Business-type activities	636,457	802,207	654,039	599,434	521,775
Total primary government net expenses	(6,337,741)	(7,100,984)	(8,482,827)	(8,457,666)	(8,352,935)
General Revenue and Other Changes in Net Assets					
Governmental activities					
Property taxes	6,740,174	7,081,734	7,091,901	6,985,695	7,010,324
State-shared revenue	1,425,872	1,418,217	1,360,499	1,210,027	1,210,027
Unrestricted investment earnings	684,030	584,484	220,526	54,021	54,268
Other	864,490	560,491	432,374	624,376	458,965
Total general government revenue	9,714,566	9,644,926	9,105,300	8,874,119	8,733,584
Business type activities					
Unrestricted investment earnings	102,912	43,708	10,562	1,785	1,997
Other	-	-	-	-	-
Total general business-type revenues	102,912	43,708	10,562	1,785	1,997
Total primary government program revenues	9,817,478	9,688,634	9,115,862	8,875,904	8,735,581
Change in Net Assets					
Governmental activities	2,740,368	1,741,735	(31,566)	(182,981)	(141,126)
Business-type activities	739,369	845,915	664,601	601,219	523,772
Total primary government	\$ 3,479,737	\$ 2,587,650	\$ 633,035	\$ 418,238	\$ 382,646

Financial Trend Information Changes in Net Position Last Ten Fiscal Years

As of June 30				
2012	2013	2014	2015	2016
\$ 3,481,679	\$ 3,014,392	\$ 3,259,836	\$ 3,713,410	\$ 2,960,882
4,621,263	4,693,881	4,824,914	5,108,392	5,827,300
3,003,907	3,033,044	3,303,767	3,710,743	3,263,194
101,435	163,566	159,649	166,478	119,477
1,539,712	1,585,170	1,709,925	1,828,480	1,856,183
203,665	172,787	139,890	104,750	68,928
-	-	-	-	-
12,951,661	12,662,840	13,397,981	14,632,253	14,095,964
4,586,983	4,503,819	4,568,046	4,874,414	5,214,208
382,335	398,498	388,811	392,804	387,124
4,969,318	4,902,317	4,956,857	5,267,218	5,601,332
17,920,979	17,565,157	18,354,838	19,899,471	19,697,296
3,033,244	2,837,661	3,062,151	3,057,180	2,367,271
1,132,650	1,171,642	1,264,242	1,612,680	1,850,630
147,306	420,556	199,272	249,360	240,677
4,313,200	4,429,859	4,525,665	4,919,220	4,458,578
5,390,864	5,562,758	5,592,326	5,729,719	6,285,422
321,367	379,651	368,805	340,729	237,581
5,712,231	5,942,409	5,961,131	6,070,448	6,523,003
\$ 10,025,431	\$ 10,372,268	\$ 10,486,796	\$ 10,989,668	\$ 10,981,581
\$ (8,638,461)	\$ (8,232,981)	\$ (8,872,316)	\$ (9,713,033)	\$ (9,637,386)
742,913	1,040,092	1,004,274	803,230	921,671
(7,895,548)	(7,192,889)	(7,868,042)	(8,909,803)	(8,715,715)
6,769,419	6,707,929	8,253,315	8,477,367	8,544,699
1,226,594	1,259,681	1,293,237	1,316,074	1,314,979
54,520	50,954	37,413	55,102	60,242
635,772	460,320	441,249	600,322	549,330
8,686,305	8,478,884	10,025,214	10,448,865	10,469,250
2,661	4,781	4,489	10,097	13,670
-	-	-	275	-
2,661	4,781	4,489	10,372	13,670
8,688,966	8,483,665	10,029,703	10,459,237	10,482,920
47,844	172,588	1,101,898	595,020	804,864
745,574	1,118,188	1,059,763	1,040,709	962,341
\$ 793,418	\$ 1,290,776	\$ 2,161,661	\$ 1,635,729	\$ 1,767,205

City of Berkley, Michigan

	As of June 30				
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$ 1,529,212	\$ 348,637	\$ 418,208	\$ 512,336	\$ -
Unreserved	1,427,161	3,419,573	2,425,253	1,934,516	-
Nonspendable	-	-	-	-	368,673
Restricted	-	-	-	-	72,800
Assigned	-	-	-	-	220,000
Unassigned	-	-	-	-	1,992,303
Total General Fund	<u>\$ 2,956,373</u>	<u>\$ 3,768,210</u>	<u>\$ 2,843,461</u>	<u>\$ 2,446,852</u>	<u>\$ 2,653,776</u>
All Other Governmental Funds					
Reserved	\$ 202,050	\$ 211,738	\$ 247,238	\$ 247,238	\$ -
Unreserved, reported in:					
Special revenue funds	2,876,105	3,426,490	3,633,578	3,599,107	-
Capital project funds	2,675,389	1,038,880	401,995	407,774	-
Debt service funds	29,085	40,886	20,649	13,818	-
Nonmajor funds	-	-	-	24,644	-
Nonspendable	-	-	-	-	260,316
Restricted	-	-	-	-	2,686,079
Committed	-	-	-	-	348,215
Assigned	-	-	-	-	415,669
Total all other governmental funds	<u>\$ 5,782,629</u>	<u>\$ 4,717,994</u>	<u>\$ 4,303,460</u>	<u>\$ 4,292,581</u>	<u>\$ 3,710,279</u>

Source: City annual financial statements

* Fund balance classifications were changed as a result of implementation of GASB Statement No. 54.

**Financial Trend Information
Fund Balances of Governmental Funds
Last Ten Fiscal Years**

As of June 30				
2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
315,502	284,329	317,474	291,749	327,691
96,903	107,930	120,355	129,814	142,012
220,000	325,000	5,000	-	-
2,452,971	2,438,647	2,741,075	3,103,391	3,909,081
<u>\$ 3,085,376</u>	<u>\$ 3,155,906</u>	<u>\$ 3,183,904</u>	<u>\$ 3,524,954</u>	<u>\$ 4,378,784</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
203,321	138,276	80,536	24,361	19,707
2,421,348	2,188,290	2,415,571	2,320,355	3,305,159
422,592	526,423	692,100	835,919	976,873
497,862	606,723	700,423	774,901	800,592
<u>\$ 3,545,123</u>	<u>\$ 3,459,712</u>	<u>\$ 3,888,630</u>	<u>\$ 3,955,536</u>	<u>\$ 5,102,331</u>

City of Berkley, Michigan

	As of June 30				
	2007	2008	2009	2010	2011
Revenue					
Local revenue	\$ 12,274,950	\$ 11,470,866	\$ 11,079,457	\$ 10,638,306	\$ 10,377,264
State revenue	2,367,806	2,387,701	2,299,879	2,111,858	2,116,821
Federal revenue	57,634	51,321	97,057	30,088	96,773
Total revenue	14,700,390	13,909,888	13,476,393	12,780,252	12,590,858
Expenditures					
Current:					
General government	2,774,250	2,682,839	3,329,203	2,935,158	2,525,147
Public safety	4,137,720	4,223,792	4,733,586	4,468,058	4,711,535
Public works	2,532,356	2,341,172	2,526,019	2,759,016	2,733,588
Health and welfare	221,794	310,444	372,347	155,901	222,609
Recreation and culture	1,344,085	1,388,873	1,470,635	1,430,559	1,334,890
Debt service:					
Principal	483,624	511,826	560,189	734,269	658,021
Interest	296,993	306,665	290,286	224,615	244,692
Capital outlay	4,825,905	2,648,769	1,443,524	363,542	281,698
Total expenditures	16,616,727	14,414,380	14,725,789	13,071,118	12,712,180
Excess of Revenue Over (Under) Expenditures	(1,916,337)	(504,492)	(1,249,396)	(290,866)	(121,322)
Other Financing Sources (Uses)					
Proceeds from long-term debt	152,273	251,694	-	-	-
Transfers in	1,308,752	251,199	258,615	203,021	378,266
Transfers out	(1,387,944)	(251,199)	(348,500)	(319,643)	(621,645)
Debt defeasance	-	-	-	-	-
Total other financing sources (uses)	73,081	251,694	(89,885)	(116,622)	(243,379)
Net Change in Fund Balances	(1,843,256)	(252,798)	(1,339,281)	(407,488)	(364,701)
Fund Balances - Beginning of year	10,582,258	8,739,002	8,486,202	7,146,921	6,728,756
Fund Balances - End of year	\$ 8,739,002	\$ 8,486,204	\$ 7,146,921	\$ 6,739,433	\$ 6,364,055
Debt service as a percentage of noncapital expenditures	0.0658	0.0691	0.0655	0.0788	0.0754

Source: City annual financial statements.

Financial Trend Information
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

		As of June 30							
		2012	2013	2014	2015	2016			
\$	10,485,022	\$	10,422,534	\$	11,959,223	\$	12,468,368	\$	12,002,658
	2,155,369		93,077		2,322,250		2,372,622		2,918,786
	74,851		2,191,716		43,643		383,305		120,601
	<u>12,715,242</u>		<u>12,707,327</u>		<u>14,325,116</u>		<u>15,224,295</u>		<u>15,042,045</u>
	2,392,049		2,560,152		2,802,372		2,724,425		2,254,700
	4,461,190		4,525,013		4,700,580		4,866,822		4,668,617
	2,834,954		2,869,767		3,058,533		4,101,935		3,123,736
	141,613		207,514		179,489		196,602		153,445
	1,306,839		1,377,854		1,414,086		1,533,968		1,485,044
	741,454		725,000		735,000		860,000		925,000
	212,025		180,847		148,610		114,276		76,174
	<u>262,418</u>		<u>202,906</u>		<u>778,370</u>		<u>277,496</u>		<u>327,704</u>
	<u>12,352,542</u>		<u>12,649,053</u>		<u>13,817,040</u>		<u>14,675,524</u>		<u>13,014,420</u>
	362,700		58,274		508,076		548,771		2,027,625
	-		-		-		-		-
	158,332		155,963		756,953		916,693		555,034
	(254,588)		(229,278)		(807,953)		(1,057,508)		(582,034)
	-		-		-		-		-
	<u>(96,256)</u>		<u>(73,315)</u>		<u>(51,000)</u>		<u>(140,815)</u>		<u>(27,000)</u>
	266,444		(15,041)		457,076		407,956		2,000,625
	<u>6,364,055</u>		<u>6,630,499</u>		<u>6,615,458</u>		<u>7,072,534</u>		<u>7,480,490</u>
\$	<u>6,630,499</u>	\$	<u>6,615,458</u>	\$	<u>7,072,534</u>	\$	<u>7,480,490</u>	\$	<u>9,481,115</u>
	0.0815		0.0754		0.0670		0.0677		0.0789

City of Berkley, Michigan

Revenue Capacity Information Property Tax Levies and Collections Ten-year Comparison

Tax Year	Fiscal Year Ended June 30	Total Levy	Levy Year Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2006	2007	\$ 7,299,030	\$ 7,272,214	99.63%	\$ 22,431	\$ 7,294,645	99.94%
2007	2008	7,665,402	7,647,248	99.76%	17,164	7,664,412	99.99%
2008	2009	7,788,425	7,767,792	99.74%	17,376	7,785,168	99.96%
2009	2010	7,692,971	7,677,824	99.80%	12,616	7,690,440	99.97%
2010	2011	7,765,387	7,739,802	99.67%	21,747	7,761,549	99.95%
2011	2012	7,522,328	7,508,678	99.82%	13,650	7,522,328	100.00%
2012	2013	7,470,715	7,457,808	99.83%	12,907	7,470,715	100.00%
2013	2014	9,042,351	9,023,584	99.79%	18,768	9,042,352	100.00%
2014	2015	9,231,605	9,225,574	99.93%	6,032	9,231,606	100.00%
2015	2016	9,279,449	9,265,679	99.85%	13,770	9,279,449	100.00%

Source: Oakland County Settlement Document
City of Berkley Accounting Records

City of Berkley, Michigan

Revenue Capacity Information Assessed Value and Actual Value of Taxable Property Last Ten Years

Taxable Value by Property Type (1)						City Tax Rate (Mills)	State Equalized Value (SEV) (2)	Taxable Value as a Percent of SEV
Real Property								
Tax Year (3)	Residential	Commercial	Industrial	Personal	Total Value			
2007	\$ 462,885,080	\$ 52,258,100	\$ 3,709,970	\$ 13,561,450	\$ 532,414,600	12.9732	\$ 694,893,290	76.62%
2008	463,377,838	53,865,200	3,731,790	13,433,110	534,407,938	12.9957	658,680,808	81.13%
2009	450,038,090	57,090,940	3,409,420	13,641,370	524,179,820	13.0779	595,450,680	88.03%
2010	417,703,030	53,212,790	3,708,310	14,026,180	488,650,310	14.0656	524,003,230	93.25%
2011	397,284,790	52,547,550	1,128,660	14,140,570	465,101,570	14.2990	480,072,565	96.88%
2012	388,105,590	51,050,170	889,120	13,992,940	454,037,820	14.4917	460,925,460	98.51%
2013	397,730,420	50,439,440	849,760	14,900,060	463,919,680	17.5074	473,399,655	98.00%
2014	410,885,648	50,207,950	816,550	11,907,130	473,817,278	17.5454	521,957,503	90.78%
2015	429,367,950	51,202,520	831,010	12,626,360	494,027,840	16.9791	591,165,960	83.57%
2016	444,824,760	51,074,430	795,420	12,251,880	508,946,490	15.8215	634,050,220	80.27%

(1) Under Michigan law, the revenue base is taxable value.

(2) In the State of Michigan, state equalized value is meant to reflect 50 percent of the true value of the property.

(3) Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: Oakland County Equalization
City of Berkley - State Form L-4029

City of Berkley, Michigan

Millage Rates - City of Berkley

Overlapping Taxes Berkley Schools

Tax Year	Fiscal Year Ended June 30	City			Community	Public Safety		Total City		Overlapping Taxes	
		Operating	Public Safety	Sanitation	Promotions	Pension	City Debt	Tax Rates	Homestead	Non-Homestead	
2007	2008	6.3101	1.8927	1.8927	0.0939	1.6359	1.1479	12.9732	4.3467	22.3467	
2008	2009	6.3101	1.8927	1.8927	0.0940	1.6471	1.1591	12.9957	4.2167	22.2167	
2009	2010	6.3101	1.8927	1.8927	0.0950	1.6922	1.1952	13.0779	4.2167	22.2167	
2010	2011	6.3101	1.8927	1.8927	0.1023	2.4762	1.3916	14.0656	4.2167	22.2167	
2011	2012	6.3101	1.8927	1.8927	0.1075	2.5479	1.5481	14.2990	4.6967	22.6967	
2012	2013	6.3101	1.8927	1.8927	0.1101	2.6430	1.6431	14.4917	4.7167	22.7167	
2013	2014	9.3101	1.8927	1.8927	0.1078	2.7435	1.5606	17.5074	4.7367	22.7367	
2014	2015	9.2831	1.8872	1.8872	0.1055	2.7120	1.6704	17.5454	4.7353	22.7353	
2015	2016	9.1456	1.8592	1.8592	0.1012	2.4290	1.5849	16.9791	7.7269	25.7269	
2016	2017	8.9818	1.8259	1.8259	0.0982	2.5445	0.5452	15.8215	7.7148	25.7148	

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

General operating	8.9818
Public safety	1.8592
Sanitation	1.8592
Community promotions	2.4791

The public safety pension and debt millages noted in the table above are limited by law to the millage required to cover estimated eligible expenditures.

Source: Oakland County Equalization - Apportionment Reports
City of Berkley Treasury Department

**Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Last Ten Years**

Overlapping Taxes

Royal Oak Schools		Overlapping Taxes							
		Oakland County							
	Non-	Oakland	Oakland	Oakland	Public	State		Zoo	Downtown
Homestead	Homestead	County	Intermediate	Community	Transportation	Education	HCMA	Authority	Development
			Schools	College	Authority				Authority
7.6057	22.7100	4.4315	3.3690	1.5844	0.5900	6.0000	0.2146	-	1.9262
7.4095	22.7100	4.4315	3.3690	1.5844	0.5900	6.0000	0.2146	0.1000	1.9262
7.3521	22.7100	4.4315	3.3690	1.5844	0.5900	6.0000	2.1460	0.1000	1.9218
7.7312	22.7100	4.4315	3.3690	1.5844	0.5900	6.0000	0.2415	0.1000	1.9216
7.7300	22.7100	4.4315	3.3690	1.5844	0.5900	6.0000	0.2146	0.1000	1.9217
7.7300	22.7100	4.1900	3.3690	1.5844	0.5900	6.0000	0.2146	0.1000	1.9217
7.7300	25.7300	4.1900	3.3690	1.5844	0.5900	6.0000	0.2146	0.1000	1.9217
7.1928	25.1928	4.1900	3.3690	1.5844	1.0000	6.0000	0.2146	0.1000	1.9217
7.3842	22.7466	4.3310	3.3633	1.5819	0.9998	6.0000	0.2146	0.0998	1.9217
7.2911	22.5797	4.0900	3.3633	1.5819	0.9998	6.0000	0.2146	0.0998	1.9217

City of Berkley, Michigan

Revenue Capacity Information Principal Property Taxpayers (Major Taxpayers) Last Ten Years

Taxpayers	2016 Taxable Value	Percentage of Total City Value	2016 Rank	2007 Taxable Value	Percentage of Total City Value	2007 Rank
Consumers Energy	\$ 3,073,230	0.65%	1	\$ 1,203,560	0.23%	7
DHS Management	2,803,930	0.59%	2	3,551,240	0.67%	1
DTE Electric	2,481,100	0.52%	3	3,210,620	0.60%	2
Northwood Medical Limited Ptnrs.	1,703,320	0.36%	4	1,798,300	0.34%	3
Dynex Commercial Services	1,513,640	0.32%	5	1,369,270	0.26%	5
Essco of Berkley LLC	1,399,670		6	-	-	%
Capital Development Corp	983,370	0.21%	7	1,184,780	0.22%	8
Berkley Twelve Associates II	1,223,330	0.26%	8	1,698,150	0.32%	4
Anusbigian LLC	1,242,830	0.26%	9	1,383,370	0.26%	6
SD Investments	879,730	0.19%	10	-	-	%
Hartfield Realty & Leasing	-	-	%	N/A	1,107,820	0.21%
Berkley Holding, Inc.	-	-	%	N/A	767,250	0.14%
Total taxable value	\$ 17,304,150			\$ 17,274,360		

Source: Oakland County Equalization
City of Berkley Treasury Department

City of Berkley, Michigan

	2007*	2008*	2009	2010	2011
Governmental Activities					
General obligation bonds	\$ 6,334,065	\$ 6,123,933	\$ 5,638,744	\$ 4,994,475	\$ 4,436,454
Installment purchase agreements	1,140,000	1,090,000	1,015,000	925,000	825,000
Total	7,474,065	7,213,933	6,653,744	5,919,475	5,261,454
Business-type Activities					
General obligation bonds	6,672,214	6,449,843	6,604,112	6,178,439	5,805,463
Total debt of the government	14,146,279	13,663,776	13,257,856	12,097,914	11,066,917
Total taxable value (1)	13,433,110	13,641,370	14,026,180	14,140,570	13,992,940
Ratio of total debt to taxable value	105.31%	100.16%	94.52%	85.55%	79.09%
Total population	15,531	15,531	15,531	14,970	15,067
Total debt per capita	911	880	854	808	735

(1) Personal income is not available

Population and personal income data obtained from:

Population is from the United States Census

Population estimation obtained from www.semco.org

Taxable value obtained from Oakland County Equalization

* Subsequent to 2006, certain debt was reclassified from governmental activities to business-type activities.

**Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

	2012	2013	2014	2015	2016
\$	3,825,000	\$ 3,250,000	\$ 2,675,000	\$ 2,000,000	\$ 1,275,000
	695,000	545,000	385,000	200,000	-
	4,520,000	3,795,000	3,060,000	2,200,000	1,275,000
	5,423,665	5,030,519	4,627,609	4,214,602	4,034,230
	9,943,665	8,825,519	7,687,609	6,414,602	5,309,230
	14,900,060	11,907,130	473,817,278	494,027,840	508,946,490
	66.74%	74.12%	1.62%	1.30%	1.04%
	15,067	15,253	15,253	15,089	15,135
	660	579	504	425	351

City of Berkley, Michigan

Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

Fiscal Year (1)	Water Fund			Water and Sewer Debt Service				Coverage
	Operating Revenue (2)	Less Operating Expenses	Net Revenue	Principal	Interest	Total		
2007	\$ 4,172,699	\$3,248,185	\$ 924,514	\$ 312,373	\$ 235,718	\$ 548,091	1.69	
2008	4,219,273	3,235,563	983,710	335,290	169,110	504,400	1.95	
2009	4,460,704	3,499,968	960,736	337,393	173,316	510,709	1.88	
2010	4,604,767	3,709,776	894,991	425,673	173,813	599,486	1.49	
2011	4,996,086	4,265,636	730,450	372,976	159,570	532,546	1.37	
2012	5,390,864	4,432,259	958,605	381,798	154,724	536,522	1.79	
2013	5,562,758	4,375,930	1,186,828	393,145	146,762	539,907	2.20	
2014	5,592,326	4,436,732	1,155,594	402,911	136,074	538,985	2.14	
2015	5,816,011	4,752,286	1,063,725	413,008	125,137	538,145	1.98	
2016	6,197,520	5,099,354	1,098,166	424,983	90,968	515,951	2.13	

Source: City of Berkley finance department

- (1) Debt starts in fiscal year 2004
- (2) Interest income is not included in operating revenue

City of Berkley, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Years

Fiscal Year	UTGO City General Obligation Bonds	General Obligation Bonds Issued by County on Behalf of the City	Total General		Taxable Value	Total Debt as a Percentage of Taxable Value	Population	Total Debt per Capita
			Obligation	Debt				
2007	\$ 5,975,000	\$ 6,672,214	\$ 12,647,214	\$	532,414,600	2.375%	15,531	814.32
2008	5,625,000	6,449,843	12,074,843		534,407,938	2.259%	15,531	777.47
2009	5,250,000	6,604,112	11,854,112		524,179,820	2.261%	15,531	763.25
2010	4,825,000	6,178,439	11,003,439		488,650,310	2.252%	14,970	735.03
2011	4,350,000	5,805,463	10,155,463		465,101,570	2.183%	15,067	674.02
2012	3,825,000	5,423,665	9,248,665		454,037,820	2.037%	15,067	613.84
2013	3,250,000	5,030,519	8,280,519		463,919,680	1.785%	15,253	542.88
2014	3,060,000	4,627,609	7,687,609		473,817,278	1.622%	15,253	504.01
2015	2,200,000	4,214,602	6,414,602		494,027,840	1.298%	15,089	425.12
2016	1,275,000	4,034,230	5,309,230		508,946,490	1.043%	15,135	350.79

Source: SEMCOG
Tax value - Oakland County Equalization

City of Berkley, Michigan

Debt Capacity Information Direct and Overlapping Governmental Activities Debt June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Berkley School District	\$ 64,490,000	52.32%	\$ 33,741,168
Royal Oak School District	33,715,000	0.46%	155,089
Oakland County	403,351,276	0.95%	3,831,837
Oakland County Intermediate School District	46,680,000	0.96%	448,128
Oakland County Community College	1,605,000	0.96%	15,408
Total overlapping debt			38,191,630
Direct city debt			1,275,000
Total direct and overlapping debt			<u>\$ 39,466,630</u>

Source: Percentages obtained from Municipal Advisory Council of Michigan

The percentage of overlapping bonded debt applicable to each governmental unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Berkley and dividing it by that governmental unit's total taxable value.

City of Berkley, Michigan

	2007	2008	2009	2010	2011
Calculation of Debt Limit					
State equalized valuation (SEV)	\$ 658,680,808	\$ 595,450,680	\$ 524,003,230	\$ 480,072,565	\$ 460,925,460
Debt limit (10% of SEV)	65,868,081	59,545,068	52,400,323	48,007,257	46,092,546
Calculation of Debt Subject to Limit					
Total debt (1)	14,146,279	13,663,776	13,257,856	12,097,914	11,066,917
Less Debt Not Subject to Limit:					
State qualified debt issuance	-	-	-	-	-
Net debt subject to limit	14,146,279	13,663,776	13,257,856	12,097,914	11,066,917
Legal debt margin	\$ 51,721,802	\$ 45,881,292	\$ 39,142,467	\$ 35,909,343	\$ 35,025,629
Net debt subject to limit as percentage of debt limit	21.48%	22.95%	25.30%	25.20%	24.01%

Sources: Oakland County Equalization
City annual financial statements

(1) All debt including PA 99 installment debt

**Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years**

2012	2013	2014	2015	2016
\$ 473,399,655	\$ 521,957,503	\$ 591,165,960	\$ 591,165,960	\$ 634,050,220
47,339,966	52,195,750	59,116,596	59,116,596	63,405,022
9,943,665	8,825,519	7,687,609	6,414,602	5,073,436
-	-	-	-	-
9,943,665	8,825,519	7,687,609	6,414,602	5,073,436
\$ 37,396,301	\$ 43,370,231	\$ 51,428,987	\$ 52,701,994	\$ 58,331,586
21.00%	16.91%	13.00%	10.85%	8.00%

City of Berkley, Michigan

	2007	2008	2009	2010	2011
Calculation of Debt Limit					
Taxable value (TV)	\$ 534,407,938	\$ 524,179,820	\$ 488,650,310	\$ 465,101,570	\$ 454,037,820
Debt limit (1.25% of TV)	6,680,099	6,552,248	6,108,129	5,813,770	5,675,473
Calculation of Debt Subject to Limit					
Total debt	1,499,065	1,588,933	1,403,744	1,094,475	911,454
Less Debt Not Subject to Limit:					
State qualified debt issuance	-	-	-	-	-
Net debt subject to limit	1,499,065	1,588,933	1,403,744	1,094,475	911,454
Legal debt margin	\$ 5,181,034	\$ 4,963,315	\$ 4,704,385	\$ 4,719,295	\$ 4,764,019
Net debt subject to limit as % of debt limit	22.44%	24.25%	22.98%	18.83%	16.06%

Sources: City annual financial statements

**Debt Capacity Information
Legal Debt Margin - P.A. 99 Debt
Last Ten Fiscal Years**

2012	2013	2014	2015	2016
\$ 463,919,680	\$ 473,817,278	\$ 473,817,278	\$ 494,027,840	\$ 508,946,490
5,798,996	5,922,716	5,922,716	6,175,348	6,361,831
695,000	545,000	385,000	200,000	-
-	-	-	-	-
<u>695,000</u>	<u>545,000</u>	<u>385,000</u>	<u>200,000</u>	<u>-</u>
<u>\$ 5,103,996</u>	<u>\$ 5,377,716</u>	<u>\$ 5,537,716</u>	<u>\$ 5,975,348</u>	<u>\$ 6,361,831</u>
11.98%	9.20%	6.50%	3.24%	0.00%

City of Berkley, Michigan

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Median Household Income	Per Capita Personal Income	Unemployment Rate
2007	15,531	\$ 64,758	*	6.6%
2008	15,531	66,094	*	7.2%
2009	15,531	67,475	\$ 33,805	13.8%
2010	14,970	65,548	33,865	12.7%
2011	15,067	62,597	34,475	11.0%
2012	15,123	65,644	34,886	9.6%
2013	15,253	71,740	36,042	9.0%
2014	15,253	70,625	36,539	8.4%
2015	15,089	70,023	*	5.4%
2016	15,135	*	*	4.7%

Sources: State of Michigan - Michigan Labor Market Information - DMB

Oakland County Community Profile for Median Household Income

Oakland County Economic Development & Community Affairs Department

Southeast Michigan Council of Governments

Homefacts.com

City-data.com

* Information not available

City of Berkley, Michigan

Demographic and Economic Information Principal Employers

Employer	Number of Employees	2016	Percentage of		Number of Employees	2006 Rank	Percentage of	
			Total City Employment				Total City Employment	
Berkley School District	605	1	17.51%		652	1	15.34%	
Westborn Market	154	2	4.46%		93	2	2.19%	
Vinsetta Garage	108	3	3.13%		-	-	- %	
Crispelli's	75	4	2.17%		-	-	- %	
City of Berkley	66	5	1.91%		90	3	2.12%	
SHW Group	65	6	1.88%		-	-	- %	
O'Mara's Restaurant	35	7	1.01%		32	9	0.75%	
The Doll Hospital & Toy Soldier Shop*	35	8	1.01%		-	-	- %	
Sila's Pizzeria	30	9	0.87%		36	8	0.85%	
Durst Lumber	28	10	0.81%		-	-	- %	
Farina's Banquet Center	-	-	- %		-	-	- %	
NorthPointe Heart Center	-	-	- %		80	4	1.88%	
Hartfield Lanes	-	-	- %		55	5	1.29%	
Our Lady of LaSalette Parish	-	-	- %		43	6	1.01%	
Associates in Medicine	-	-	- %		38	7	0.89%	
Guaranteed Furniture	-	-	- %		30	10	0.71%	
Total	1,201				1,149			
Total of all employees	3,455				4,251			

*During holidays they employ up to 50 people

Note: 2007 ranks not available for comparison, so 2006 is shown

Source: Berkley Finance Department
Southeast Michigan Council of Governments

City of Berkley, Michigan

Operating Information Full-time Equivalent Government Employees by Function Last Ten Fiscal Years

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City Manager	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Communications	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Information Technology	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Elections	1.24	1.24	-	-	-	-	-	-	-	-
City Clerk/Elections (1)	-	-	1.90	1.60	1.60	1.60	1.60	1.60	1.60	1.60
City Clerk/Treasury	1.29	1.29	-	-	-	-	-	-	-	-
Treasury	-	-	1.00	1.25	1.05	1.05	1.05	1.05	1.05	1.05
Finance	2.07	2.07	1.65	1.30	1.30	1.30	1.15	1.15	1.15	1.15
Public Safety	34.00	34.00	34.00	34.00	34.00	33.00	34.00	33.15	33.15	33.00
Building	2.00	2.00	2.00	2.00	0.95	0.95	0.95	0.95	0.95	0.95
Public Works (2)	6.85	6.94	6.77	6.68	6.22	6.15	5.98	6.15	5.83	5.73
Public Works Garage	0.56	0.57	0.57	0.46	0.15	0.15	0.52	0.15	0.56	0.60
Solid Waste	1.68	1.37	1.62	2.15	2.29	2.28	2.21	2.28	2.21	2.21
Water and Sewer	6.71	6.22	5.82	7.11	7.12	7.23	7.23	7.23	7.17	9.76
Parks and Recreation	4.95	4.95	4.95	4.45	3.45	3.45	3.70	3.45	4.70	4.05
Arena	2.05	1.05	1.05	1.55	1.55	1.55	1.30	1.55	1.30	0.95
Library	3.00	3.00	3.00	3.00	2.95	2.95	2.95	2.95	2.95	2.95
Court	9.00	9.00	8.00	7.00	8.00	6.00	6.00	6.00	-	-
Total	<u>79.00</u>	<u>77.05</u>	<u>75.68</u>	<u>75.90</u>	<u>73.98</u>	<u>71.01</u>	<u>71.99</u>	<u>71.01</u>	<u>65.97</u>	<u>67.35</u>

Source: Finance department budget record

(1) In fiscal year 2008, the Treasury and City Clerk position split into two separate positions. During that year, the City Clerk and elections departments combined.

(2) Public works includes Major and Local Streets

City of Berkley, Michigan

Program Function	2007	2008	2009	2010	2011
General Government					
Registered Voters	11,916	11,682	12,108	11,815	11,942
Voters at Polls	5,726	3,019	6,852	3,509	4,979
Absentee Ballots	1,560	1,144	2,633	908	1,395
Percent Voting	61.14%	35.64%	78.34%	37.38%	53.37%
Public Safety					
Responses to Calls for Service	10,185	11,524	15,193	14,790	15,924
Motor Vehicle Accidents	455	487	500	405	454
Assaults	69	64	65	68	60
Burglary	41	26	34	23	39
Property Damage	60	57	61	45	54
Number of Arrests	699	527	790	784	824
Fire:					
Fire Incidents (1)	238	228	179	124	178
Fire Inspections Conducted	143	142	148	156	134
Medical Emergencies	783	777	857	799	842
Parks and Recreation					
Youth Classes	60	70	77	72	77
Adult Classes	28	55	55	92	87
Youth Leagues	1	-	-	-	-
Adult Leagues	9	7	6	7	6
Summer Day Camp Participants	139	139	120	120	132
Senior Citizens Programs	8	10	12	16	19
Ice Arena:					
Number of Skaters enrolled	*	*	85	75	75
Hours of Ice Time Sold	*	*	2,250	2,370	2,190
Public Works					
Water Purchased from SOCWA	56,860,400	55,389,600	57,035,900	55,648,500	56,527,800
Water Sold to Customers	55,998,600	57,048,000	53,083,500	51,444,500	50,941,500
Number of Meters	6,805	6,800	6,800	6,809	6,809
Library					
Items Circulated	163,622	168,065	170,632	170,303	161,203
Circulation per Capita	11	11	11	11	11
Reference and Patron Assistance	13,446	13,211	12,970	14,258	14,058
Electronic Access	-	-	789	699	2,138
Registered Borrowers	8,292	8,220	7,909	8,033	8,081
Materials Borrowed - Non-Residents	62,338	63,058	60,569	56,766	54,496
Materials Borrowed - Berkley Residents at Otl	26,699	33,907	42,828	31,810	28,590
Number of Participants in Activities	3,680	4,380	4,253	4,319	3,198
Public Internet Sessions	22,437	33,690	35,145	34,318	32,250
Books Borrowed	126,012	132,783	135,250	136,329	130,113
Audio/Video/CD Borrowed	37,610	35,282	35,382	33,974	31,090
Treasury					
Summer Tax Bills Processed	4,180	4,074	3,961	3,974	3,881

Source: The police department changed systems in 2007. Information before that year is not available.

Parks and recreation implemented a new system in 2007. Information before that year is not available.

* Information not available

(1) Fire incident includes open burns and downed wires

Operating Information
Operating Indicators by Function
Last Ten Fiscal Years

2012	2013	2014	2015	2016
12,016	12,191	12,349	12,295	12,527
1,077	6,846	1,578	3,214	1,664
729	2,373	797	940	833
15.03%	76%	19.28%	33.79%	19.93%
16,489	15,017	15,513	16,910	16,308
412	367	410	404	360
73	42	70	80	45
30	26	21	22	37
49	43	30	45	25
857	849	829	1,113	1,295
68	99	87	183	120
172	182	48	48	157
823	766	890	894	849
112	90	94	90	94
82	78	81	80	79
-	-	0	0	0
7	6	7	5	5
144	152	185	250	305
20	23	25	25	27
65	56	60	106	130
2,130	1,880	1,624	1,470	1,500
58,265,600	50,361,900	48,465,200	45,348,400	51,593,000
50,911,300	51,600,700	49,783,200	46,240,200	46,216,000
6,865	6,818	6,819	6,833	6,832
166,522	156,691	149,803	145,770	146,573
11	10	10	10	10
14,159	12,779	13,687	14,440	14,351
4,238	5,660	8,762	11,239	13,290
8,109	8,063	7,960	7,991	7,826
54,827	48,653	44,714	41,900	41,478
25,848	25,053	24,031	19,816	19,038
3,988	4,017	4,189	6,536	4,260
30,719	31,231	30,530	32,111	31,264
136,452	128,686	106,455	99,365	99,178
3,070	28,005	34,586	44,689	40,902
3,888	3,858	3,592	3,564	3,495

City of Berkley, Michigan

Operating Information Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
Square footage of buildings:										
City Hall	17,481	17,481	17,481	17,481	17,481	17,481	17,481	17,481	17,481	17,481
Library	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Parks and Recreation	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Ice Arena	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200
Public Safety	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Public Works	2,475	2,475	2,475	2,475	2,475	2,475	2,475	2,475	2,475	2,475
Public Safety:										
Fire Vehicles	2	2	2	2	2	2	2	2	2	2
Police Vehicles	16	14	14	16	16	16	15	15	15	15
Stations	1	1	1	1	1	1	1	1	1	1
Public Works:										
Major Streets (miles)	15.63	15.63	15.63	15.63	15.63	15.63	15.63	15.63	15.63	15.63
Local Streets (miles)	35.95	35.95	35.95	35.95	35.95	35.95	35.95	35.95	35.95	35.95
Street Lights	716	716	716	718	718	750	750	720	720	720
Vehicles in City Fleet	42	45	42	45	39	41	41	41	40	40
Parks and Recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Park Land (Acres)	39	39	39	39	39	39	39	39	42	42
Baseball Fields	8	8	8	8	8	8	8	8	8	8
Ice Arena	1	1	1	1	1	1	1	1	1	1
Historical Museum	1	1	1	1	1	1	1	1	1	1
Water and Sewer:										
Water Mains (Miles)	53	53	53	53	53	53	53	53	53	53
Sanitary Sewers (Miles)	56	56	56	56	56	56	56	56	56	56
Fire Hydrants	500	500	500	500	500	500	500	500	500	500

Source: Berkley Building Department - Square Footage
 Berkley Public Safety - Capital Asset Information
 Berkley Public Works - Capital Asset Information Including Water/Sewer
 Berkley Parks and Recreation - Program Information
 Berkley Finance Department Fleet Information