

City of Berkeley



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Berkley, Michigan
For the Fiscal Year Ended June 30, 2013
as prepared by the Finance Department

City Council

Phil O'Dwyer – Mayor

Dan Terbrack, Mayor Pro-Tempore
John (Jack) Blanchard
Lisa Platt-Auensen

Steven W. Baker
Alan H. Kideckel
Eileen Steadman

City Manager

Jane Bais-DiSessa

Finance Director/Treasurer

David L. Sabuda, CPA

City of Berkley, Michigan

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City of Berkley, Michigan
List of City Officials
June 30, 2013



City Manager

Jane Bais-DiSessa, City Manager
Darchelle Strickland-Love, Assistant to the City Manager
Nancy Line, Communications Coordinator
Casey O'Neil, Information Technology Coordinator

City Clerk

Cheryl Printz, City Clerk
Annette Boucher, Deputy City Clerk

District Court

The Honorable James Wittenberg
Tami Bone, Court Administrator

Department of Public Works

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

Finance/Treasury Department

David L. Sabuda, CPA, Finance Director/Treasurer
Bryan Bemis, Deputy Treasurer
Laurie Fielder, Accountant
Susan Reddin, Accountant

Library

Celia Morse, Library Director
Karen Endres, Executive Assistant
Carol Stather, Librarian

Parks and Recreation

D. Tom Colwell, Director
Theresa McArleton, Deputy Director
Scott Jennex, Programming

Planning

Amy Vansen, AICP, City Planner
Rene Halloran, Department Clerk

Public Safety

Richard M. Eshman, Chief
Robert North, 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 13, 2013

The Honorable Mayor Phil O'Dwyer
Members of the City Council
Jane Bais-DiSessa, City Manager
and Citizens of the City of Berkley

We are pleased to submit the Comprehensive Annual Financial Report of the City of Berkley for the fiscal year ending June 30, 2013. This is the second Comprehensive Annual Financial Report that the Mayor and City Council will receive. This is a more comprehensive financial report of the City than what the Mayors and City Councils of the past have received.

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 government 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, 2013, the City implemented the reporting changes required to be instituted in the financial statements of local units of government as established by Governmental Accounting Standards Board (GASB) Statement Number 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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 discrete component unit of the City.

The City of Berkley prepares budgets in accordance with the 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 and line item. 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 2013. 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 sound financial management evidenced by its conservative budgeting and aggressive cost cutting actions enabling the preservation of healthy reserve levels, despite pressure from declining property tax revenues and state aid revenues. Prudent fiscal policies and multi-year financial forecasting are the tools utilized to achieve these budgetary results. The City has moderate debt levels with very rapid amortization with the pension plans and compensated absence requirements being well-funded. Revenue flexibility has been achieved as a result of the voter-approved Headlee override which will begin to generate \$1.36 million in additional revenue in fiscal year 2013/14.

Overall, 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 \$62,500. The per capita income is just under \$34,000. 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 \$59,439. In 2010, there are just over 6,400 single family homes and another 624 multi-unit residences. Within this amount 5,363 are owner occupied and another 1,231 are rented. Approximately 329 units are 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 6/30/2013, the population of the City of Berkley is 15,187. The unemployment level within the City according to Home-Facts as of the same date is 9.0% which is under the State unemployment rate of 9.4% but higher than the National average of 7.6%.

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 Berkley School District and satellite medical services from Beaumont Hospital. Regionally, the main campus of Beaumont Hospital is just outside the city limit.

It appears that the city's tax base 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 has 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. According to Oakland County Equalization, it is anticipated that the city's tax base will increase by another 2.0% for the July 2014 tax collection (Fiscal year 2014/15) and 3.0% for the July 2015 tax collection (Fiscal Year 2015/16)

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 Headlee 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 goes into effect on the 7/1/2013 property tax billing. It is estimated that this generates \$1.362 million for City operation. It is anticipated that State Shared Revenues now and into the future will remain steady but not increase at a fast pace due to the state economy. The City has seen its OPEB long-term liability funding ratio increase to 14.9%. Labor contracts expired on June 30, 2013. The City has been proactive and achieved contractual settlements with all labor unions effective for July 1, 2013 through June 30, 2015.

Pension and Other Postemployment 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 Michigan 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 Berkley fully funds the annual required contribution. To reduce future liabilities, the City has closed certain non-union and public works employee 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 Berkley a certificate of excellence in budgetary reporting for fiscal years 2008/09 through 2013/14. 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.

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 our City Manager Jane Bais-DiSessa, for their guidance and leadership dealing with financial matters of the City.

Sincerely,

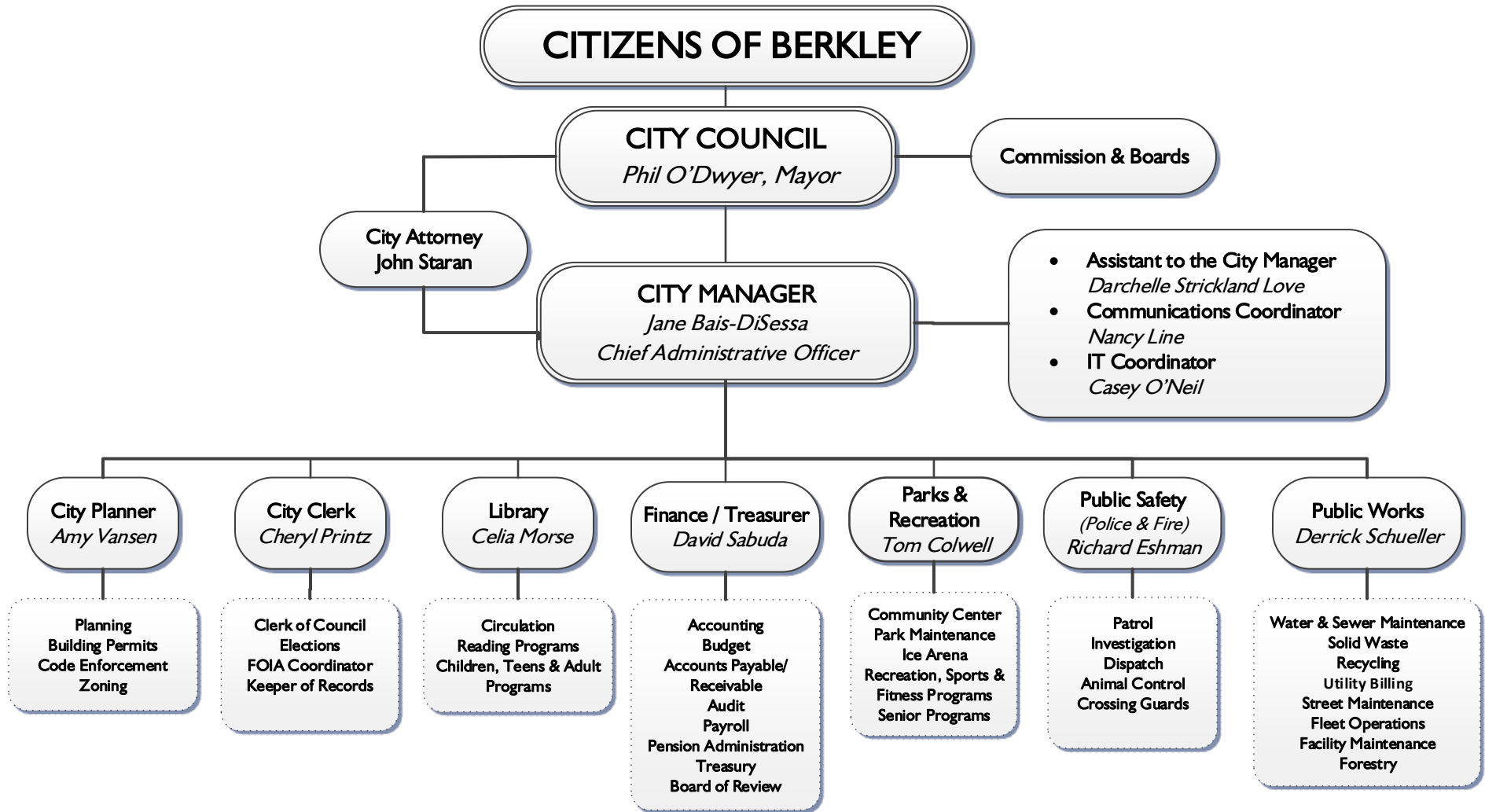


Laurie Fielder
Accountant



David L. Sabuda, CPA
Finance Director/Treasurer

City of Berkley



** The City Manager is responsible for Human Resources, Purchasing, Budget, Risk Management and administrative oversight for all City Departments.

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

- 1996 Library Debt
- 2002 Installment Purchase
- 2006 Major and Local Street Debt
- 2006 Eleven Mile Road Debt
- 2006 Twelve Mile Road Debt

Capital Projects

- District Court Building
- Public Improvements

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



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**City of Berkley
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

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, 2013 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 financial 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, 2013 and the respective changes in its financial 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, pension system schedules of funding progress and employer contributions, 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 required parts 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 13, 2013

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, 2013. 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, 2013:

- Property tax values decreased slightly (2.38 percent - \$11,063,750) for the July 1, 2012 tax collection season that funds the 2012/2013 fiscal year. This is the fourth consecutive year the City has experienced an overall decrease in its taxable value. Last fiscal year, taxable values declined 4.8 percent or approximately \$23.5 million. The 2.38 percent taxable value decline is very close to what was anticipated by the City.

State and national economies are starting to rebound slightly; however, the rebound is not enough as assessed and taxable property values continue to slightly decline in the City. Specifically contributing to the taxable value decline are weak home sales prices in the area. Also contributing to the tax value decline is unemployment in Berkley and the surrounding region. According to the U.S. Department of Labor and Statistics, the area's unemployment rate at June 30, 2013 was 9.0 percent. This is a 0.4 percent decline in unemployment for the area as compared to last fiscal year. Please note, however, that the tax value decline trend is reversing.

- Constitutional and economic vitality incentive program (EVIP) state-shared revenue, the second largest revenue source for the City, increased slightly (\$32,350 or 2.6 percent) in fiscal year 2012/2013 as compared to fiscal year 2011/2012. This is the second year the City has seen a slight increase in this revenue source. This is due to the City participating in the State of Michigan Economic Vitality and Incentive Program (EVIP) and completing all phases of the program and the State of Michigan increasing constitutional payments to local governments by 2 percent.
- The City did see an increase in construction licenses and permit revenue in fiscal year 2012/2013. This revenue stream increased by 21 percent or \$74,800. This economic indicator highlights that the housing market is turning around and the City will see better tax value increases in fiscal year 2013/2014.
- To offset the loss of tax revenue and to slightly 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 goes into effect on July 1, 2013. It is estimated that this levy will generate approximately \$1.362 million net of tax increment finance capture for the City.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

- Across all operating funds, total net position related to the City's governmental activities increased by \$172,588 in fiscal year 2012/2013. Overall, governmental activity revenue outpaced associated spending. This is due to the City managing expenditures very carefully and ensuring that program revenues met program costs.
- The City continued to maintain the structural integrity of the City water mains and sewer system. The City invested and capitalized just over \$447,681 in water and sewer improvements over the 2012/2013 fiscal year. The majority of these dollars were spent on the sewer system. The City relined sewer lines during the fiscal year with these funds. The balance of improvement dollars was spent on building improvements and equipment for the water/sewer department.
- The City continued to invest in the City ice arena. The City made just over \$7,000 in various capital improvements in fiscal year 2012/2013.
- The City continued to invest in the general infrastructure of the City. Over \$1.3 million worth of capital improvements were performed in fiscal year 2012/2013, with \$1.1 million spent on general city infrastructure (roads and buildings) and \$202,000 spent on replacing existing general city equipment within various departments.
- For the fourteenth consecutive year, the City invested in the library collection. The library purchased \$63,189 in new reading and rental materials. This is a 9.8 percent increase over last fiscal year. The Friends of the Library contributed over \$10,147 in funding for the library in fiscal year 2012/2013.
- The Planning Commission and the City Council approved an updated capital improvements program for the time period of fiscal year 2012/2013 through 2018/2019. The total amount of the program is approximately \$9,472,000. This is a decrease from the previous plan of 26.1 percent. This is due to the loss of tax revenues for the 2012/2013 fiscal year.
- The City Council approved an updated capital equipment program for the time period of fiscal year 2012/2013 through 2018/2019. The total amount of the program is approximately \$3,042,000. This is less than a 10.46 percent decrease in our funding plan. This is due to the postponement of equipment purchases over past fiscal years.
- The City determined in May 2011 that, as of June 30, 2009, its GASB No. 45 other postemployment benefit (OPEB) net unfunded liability is estimated to be \$16,620,188 over the next 27 years. This is a 23 percent reduction in liability from our June 30, 2006 valuation. The reduction is due to partially funding the liability and also negotiating with labor unions a change in healthcare benefits including higher deductibles for active and retired employees starting in April 2011.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The annual calculated OPEB liability contribution for fiscal year 2012/2013 was \$1,658,681 including interest and adjustments. The City paid \$1,090,176 on a pay-as-you-go basis including an implicit rate subsidy contribution. The City then invested an additional \$134,000 toward the OPEB liability in fiscal year 2012/2013. These additional funds (\$134,000) were again transferred to a third-party trust for investing and safekeeping. The third-party trust is with the Municipal Employees' Retirement System (MERS). The total payment made by the City in fiscal year 2012/2013 toward the yearly OPEB liability totaled \$1,224,176.

After these payments and adjustments, the City recorded an additional \$434,505 OPEB liability on its statement of net position as of June 30, 2013. The City recorded \$429,631 of the OPEB liability in the government-wide financial statements and \$4,874 of the OPEB liability in the Water/Sewer Fund.

The total four-year accumulated unfunded accrued OPEB liability recorded by the City as of June 30, 2013 is \$2,833,334. The Water/Sewer Fund has recorded \$125,724 of the cumulative OPEB liability and the government-wide financial statement has \$2,707,610 of the OPEB cumulative liability.

As of June 30, 2013, the City has \$2,627,898 set aside with MERS for future other postemployment employee benefits for certain retirees. These funds are accounted for on the MERS financial statements. At June 30, 2013, the City has funded 14.8 percent of its OPEB liability.

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 whether the 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.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The City of Berkley as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2012 and 2013 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 8.0	\$ 8.0	\$ 3.3	\$ 2.7	\$ 11.3	\$ 10.7
Capital assets	13.4	13.4	15.1	15.0	28.5	28.4
Total assets	21.4	21.4	18.4	17.7	39.8	39.1
Liabilities						
Current liabilities	1.7	1.6	0.8	0.8	2.5	2.4
Long-term liabilities	6.2	6.5	4.8	5.2	11.0	11.7
Total liabilities	7.9	8.1	5.6	6.0	13.5	14.1
Net Position						
Net investment in capital assets*	9.5	8.9	10.0	9.5	19.5	18.4
Restricted	2.4	2.5	-	-	2.4	2.5
Unrestricted*	1.6	1.9	2.8	2.2	4.4	4.1
Total net position	<u>\$ 13.5</u>	<u>\$ 13.3</u>	<u>\$ 12.8</u>	<u>\$ 11.7</u>	<u>\$ 26.3</u>	<u>\$ 25.0</u>

* 2012 amounts for the business-type activities have been restated to be consistent with 2013 presentation.

The City's combined total net position increased just over 5.2 percent from a year ago - increasing from \$25.0 million to \$26.3 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, increased approximately 7.3 percent from June 30, 2012 due to the City's increase in license and permit fees and state-shared revenues and reducing day-to-day expenses and monthly employee benefit costs.

In reviewing the City's net position of business-type activities, the net position investment in capital assets increased 5.3 percent due to the addition of new business assets in the current year net of disposals. Specifically, the new assets acquired were placed into the City-wide water system including sewer lining, meter replacements, and equipment.

In reviewing the City's net position of government-type activities, the net position investment in capital assets increased approximately 6.7 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 such as police cars and recreation facilities other than the ice arena.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position during the years ended June 30, 2013 and 2012 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 2.9	\$ 3.0	\$ 5.9	\$ 5.7	\$ 8.8	\$ 8.7
Operating grants and contributions	1.1	1.1	-	-	1.1	1.1
Capital grants and contributions	0.4	0.1	-	-	0.4	0.1
General revenue:						
Property taxes	6.7	6.8	-	-	6.7	6.8
State-shared revenue	1.3	1.2	-	-	1.3	1.2
Unrestricted investment earnings	-	0.1	-	-	-	0.1
Franchise fees	0.4	0.3	-	-	0.4	0.3
Other revenue	0.1	0.3	-	-	0.1	0.3
Total revenue	12.9	12.9	5.9	5.7	18.8	18.6
Program Expenses						
General government	3.0	3.4	-	-	3.0	3.4
Public safety	4.7	4.6	-	-	4.7	4.6
Public works	3.0	3.0	-	-	3.0	3.0
Health and welfare	0.1	0.1	-	-	0.1	0.1
Recreation and culture	1.6	1.5	-	-	1.6	1.5
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water and sewer	-	-	4.5	4.6	4.5	4.6
Arena	-	-	0.4	0.4	0.4	0.4
Total expenses	12.6	12.8	4.9	5.0	17.5	17.8
Income Before Transfers	0.3	0.1	1.0	0.7	1.3	0.8
Transfers	(0.1)	(0.1)	0.1	0.1	-	-
Increase in Net Position	\$ 0.2	\$ -	\$ 1.1	\$ 0.8	\$ 1.3	\$ 0.8

Governmental Activities

Overall, the net position for governmental activities increased slightly by \$200,000 or 1.5 percent in fiscal year 2012/2013 due to the local economic effects as described below:

- The City's total governmental revenues remained constant and expenses decreased slightly between fiscal years.
- Government activities program expenses decreased by approximately \$200,000 from the prior fiscal year, decreasing from \$12.8 million to \$12.6 million in expenses.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

As explained earlier, revenue increased in the license and permit and state-shared revenue area of the revenue budget but declined in property tax collection and charges for services. Expenses were reduced in general government area of the budget to offset the flat operating revenues received.

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 contacts or consortiums with the Detroit water and sewerage department and the Southeast Oakland County Water Authority. Total net position of the business-type activities did increase by approximately \$1.1 million or 9.4 percent in the fiscal year. This is primarily a result of asset improvements in the sewer lines, various equipment purchases, and asset improvement activity at the ice arena in fiscal year 2012/2013.

A combined General Fund and Recreation Revolving Fund contribution of \$73,315, along with available net position, balanced the Ice Arena Fund in fiscal year 2012/2013.

Management expanded the ice skating season in fiscal year 2012/2013 to include a spring season. This assisted the ice arena in cash flow and operating needs of the arena.

Staffing has also been kept to a minimum. This was done by having the recreation director also act as the recreation manager at the ice arena. The City once again contracted out skate instruction. The City also reduced the work time at the ice arena for the full-time maintenance person. This person was moved to summer recreation maintenance when the ice surface was removed for the summer. This personnel shift saved the ice arena approximately 25 percent of the cost of the full-time maintenance person.

The City of Berkley, Michigan's Funds

The City of Berkley, Michigan's major funds begin on pages 14 and 15, following the statement of net position and statement of activities financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole.

The City's major funds for the year ended June 30, 2013 include the General Fund, the Major and Local Streets Funds, the Solid Waste Service Fund, and the Recreation Revolving Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety (police and fire) which incurred expenses of approximately \$4,525,000 or 36 percent of the general government operation.

These 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 2012/2013 fiscal year, expenditures recorded in the General Fund directly related to the public safety millages amounted to approximately \$2,000,000. The remaining cost of the police and fire protection is funded by other general revenue sources of the General Fund.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

Major and Local Streets Funds saw a decrease in fund balance due to a flat revenue stream and the need to spend a consistent amount of funds to maintain the major and local road system in the City. This is approximately the same amount of road maintenance expenses paid in 2012/2013 as in fiscal year 2011/2012. This is the fifth fiscal year where fund balance from the major and local roads funded a portion of the road maintenance work for the City.

The Solid Waste Fund also had expenditures exceed revenues for the fiscal year. This is due to declining revenues coming to this operating fund due to a declining tax base and an increase in pick-up and disposal costs of municipal solid waste.

The fund balance declines in these three major operating funds are a chief reason the City sought and received a Headlee tax increase in August 2012 for operations beginning July 1, 2013.

Budgetary Highlights - All Operating Funds

Over the course of the year, the City amended various operating fund budgets to take into account operating events during the year. The total amount of revenue appropriation adjustments was a net increase of \$314,976 across all operating funds. The material appropriation increases in revenue were in the General Fund, Arena Fund, and the Recreation Revolving Fund. Specifically, recreation programming along with ice arena revenues increased more than anticipated during the fiscal year. The construction license and permit revenue line items within the General Fund were also up over original appropriation amounts.

The total amount of expenditure appropriation adjustments was a net increase of \$715,364 across all operating funds. The General Fund, along with the Major Streets Fund, Water/Sewer Fund, and the Downtown Development Authority, had the majority of the net increase in costs. Specifically, these appropriation increases were due to unanticipated infrastructure improvements and the final payment on a piece of equipment for the Department of Public Works.

Capital Asset and Debt Administration

At the end of fiscal year 2013, the City had a net book value of \$28,421,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in roads within the City.

Additions to capital assets include the construction in progress on various major and local streets throughout the City, a sewer line relining program, as well as 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 debt can be found within the notes to the basic financial statements.

In May 2013, Fitch rating services affirmed the City's bond rating as AA stable for the general obligation road bonds, Series 2006.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Two major sources of unrestricted revenue for the City are property taxes from operating millages and state-shared revenue.

The Oakland County Assessor's Office anticipates a 2.2 percent increase in real property taxable value within the City of Berkley for the July 2013 tax year (2013/2014 fiscal year). The county is also anticipating a county-wide zero percent reduction in tax value in July 2014. For July 2015, the City and county are also forecasting a zero percent taxable value change on real property.

The City will lose approximately \$68,000 in the 2014/2015 fiscal year due to a state law that repeals personal property taxes on certain personal property for fiscal year 2014/2015. A statewide vote will be held in August 2014 to determine if personal property taxes will be eliminated on certain property.

It is anticipated that the State of Michigan will not significantly increase state-shared revenue payments to local governments. Our future forecasting in this area is projecting a 2.2 percent increase in fiscal year 2013/2014 and an additional 2.0 percent increase in fiscal year 2014/2015 and 3.0 percent in fiscal year 2015/2016.

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 2014/2015, fiscal year 2015/2016, 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 utilize wage freezes from all union and nonunion employees except for those employees moving within classification. Labor contracts expire on June 30, 2013. The City also continues to obtain health care and prescription drug premium savings for active employees as well as retirees that are estimated to save the City significant dollars in premium payments and GASB Statement No. 45 liability over fiscal year 2013/2014. The City continues to evaluate revenues to ensure that revenues levied and charged meet expenses of the program the revenue supports.

Through the use of long-term planning, the City will continue to evaluate and monitor its budget. Other adjustments will be made to address changes in economic conditions and other events as these events 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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 6,805,668	\$ 992,718	\$ 7,798,386	\$ 347,243
Receivables:				
Taxes	35,255	-	35,255	14,375
Customers	196,988	2,469,551	2,666,539	-
Other receivables	-	41,031	41,031	-
Other governmental units	558,113	-	558,113	-
Internal balances (Note 6)	185,076	(185,076)	-	-
Inventories	33,962	-	33,962	-
Prepaid costs	203,567	7,664	211,231	1,625
Capital assets (Note 5):				
Assets not subject to depreciation	505,569	13,795	519,364	-
Assets subject to depreciation	12,836,335	15,065,004	27,901,339	-
Total assets	21,360,533	18,404,687	39,765,220	363,243
Liabilities				
Accounts payable	324,612	283,735	608,347	1,128
Due to other governmental units	3,771	-	3,771	-
Accrued liabilities and other	378,392	62,066	440,458	-
Unearned revenue	45,600	-	45,600	-
Noncurrent liabilities:				
Due within one year (Note 7):				
Compensated absences	285,759	62,169	347,928	-
Current portion of long-term debt	735,000	402,910	1,137,910	-
Due in more than one year:				
Compensated absences (Note 7)	370,763	-	370,763	-
Other postemployment benefit obligations (Note 10)	2,707,610	125,724	2,833,334	-
Long-term debt (Note 7)	3,060,000	4,627,610	7,687,610	-
Total liabilities	7,911,507	5,564,214	13,475,721	1,128
Net Position				
Net investment in capital assets	9,546,904	10,048,279	19,595,183	-
Restricted for:				
Streets	1,488,698	-	1,488,698	-
Public safety	54,842	-	54,842	-
Community development and promotion	66,350	-	66,350	-
Sanitation	647,829	-	647,829	-
Library	27,959	-	27,959	-
Debt service	11,422	-	11,422	-
Unrestricted	1,605,022	2,792,194	4,397,216	362,115
Total net position	<u>\$ 13,449,026</u>	<u>\$ 12,840,473</u>	<u>\$ 26,289,499</u>	<u>\$ 362,115</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	\$ 3,014,392	\$ 1,824,123	\$ 80,933	\$ 150,000
Public safety	4,693,881	259,768	16,405	-
Public works	3,033,044	296,487	932,500	204,071
Health and welfare	163,566	-	80,377	-
Recreation and culture	1,585,170	457,283	61,427	30,345
Interest on long-term debt	172,787	-	-	36,140
Total governmental activities	12,662,840	2,837,661	1,171,642	420,556
Business-type activities:				
Water and sewer	4,503,819	5,562,758	-	-
Arena	398,498	379,651	-	-
Total business-type activities	4,902,317	5,942,409	-	-
Total primary government	<u>\$ 17,565,157</u>	<u>\$ 8,780,070</u>	<u>\$ 1,171,642</u>	<u>\$ 420,556</u>
Component unit - Downtown Development Authority	<u>\$ 432,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (959,336)	\$ -	\$ (959,336)	\$ -
(4,417,708)	-	(4,417,708)	-
(1,599,986)	-	(1,599,986)	-
(83,189)	-	(83,189)	-
(1,036,115)	-	(1,036,115)	-
(136,647)	-	(136,647)	-
(8,232,981)	-	(8,232,981)	-
-	1,058,939	1,058,939	-
-	(18,847)	(18,847)	-
-	1,040,092	1,040,092	-
(8,232,981)	1,040,092	(7,192,889)	-
-	-	-	(432,424)
6,707,929	-	6,707,929	242,743
1,259,681	-	1,259,681	-
50,954	4,781	55,735	2,897
406,839	-	406,839	-
53,481	-	53,481	1,198
8,478,884	4,781	8,483,665	246,838
(73,315)	73,315	-	-
172,588	1,118,188	1,290,776	(185,586)
13,276,438	11,722,285	24,998,723	547,701
\$ 13,449,026	\$ 12,840,473	\$ 26,289,499	\$ 362,115

City of Berkley, Michigan

	General Fund	Major Streets Fund	Local Streets Fund
Assets			
Cash and cash equivalents (Note 3)	\$ 2,884,986	\$ 767,990	\$ 604,391
Receivables:			
Taxes	8,253	-	-
Customers	113,389	-	-
Other governmental units	416,596	101,837	38,525
Interfund advances receivable (Note 6)	63,129	-	-
Inventories	32,399	-	-
Prepaid costs	188,801	2,839	2,945
	<u>\$ 3,707,553</u>	<u>\$ 872,666</u>	<u>\$ 645,861</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 230,367	\$ 5,793	\$ 13,820
Due to other governmental units	3,771	-	-
Accrued and other liabilities	313,295	10,216	-
Deferred revenue	4,374	-	-
	<u>551,807</u>	<u>16,009</u>	<u>13,820</u>
Fund Balances			
Nonspendable:			
Inventory and prepaid items	221,200	2,839	2,945
Long-term advances receivable	63,129	-	-
Restricted:			
Debt service	-	-	-
Streets	-	853,818	629,096
Solid waste service	-	-	-
Public safety	45,372	-	-
Library	27,959	-	-
Community promotion	34,599	-	-
Committed:			
Recreation	-	-	-
Seniors' program	-	-	-
Assigned:			
School land purchase	325,000	-	-
Capital improvement	-	-	-
Unassigned	2,438,487	-	-
	<u>3,155,746</u>	<u>856,657</u>	<u>632,041</u>
Total fund balances	<u>\$ 3,707,553</u>	<u>\$ 872,666</u>	<u>\$ 645,861</u>
Total liabilities and fund balances	<u>\$ 3,707,553</u>	<u>\$ 872,666</u>	<u>\$ 645,861</u>

**Governmental Funds
Balance Sheet
June 30, 2013**

Solid Waste Service Fund	Recreation Revolving Fund	Nonmajor Funds	Total
\$ 594,146	\$ 417,821	\$ 879,812	\$ 6,149,146
22,687	-	4,315	35,255
81,550	2,049	-	196,988
-	-	1,155	558,113
-	121,947	-	185,076
1,563	-	-	33,962
252	459	8,271	203,567
\$ 700,198	\$ 542,276	\$ 893,553	\$ 7,362,107
\$ 45,047	\$ 24,299	\$ 5,286	\$ 324,612
-	-	-	3,771
7,322	7,642	2,815	341,290
22,687	45,600	4,315	76,976
75,056	77,541	12,416	746,649
1,815	459	8,271	237,529
-	121,947	-	185,076
-	-	40,827	40,827
-	-	-	1,482,914
623,327	-	-	623,327
-	-	9,471	54,843
-	-	-	27,959
-	-	31,751	66,350
-	342,329	-	342,329
-	-	184,094	184,094
-	-	-	325,000
-	-	606,723	606,723
-	-	-	2,438,487
625,142	464,735	881,137	6,615,458
\$ 700,198	\$ 542,276	\$ 893,553	\$ 7,362,107

City of Berkley, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 6,615,458
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	13,341,904
Revenue related to receivables is recorded in the statement of net position at the time it is earned without regard to timeliness of collection	31,376
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(3,795,000)
Accrued interest payable is not recorded in the funds	(37,102)
The current cost of other postemployment benefits is not due and payable in the current period and is not reported in the funds	<u>(2,707,610)</u>
Net Position of Governmental Activities	<u>\$ 13,449,026</u>

City of Berkley, Michigan

	General Fund	Major Streets Fund	Local Streets Fund
Revenue			
Property taxes	\$ 5,136,192	\$ -	\$ -
Licenses and permits	433,502	-	-
Federal grants	12,700	-	-
State-shared revenue and grants	1,285,776	653,925	232,675
Charges for services	419,613	9,108	-
Fines and forfeitures	1,048,228	-	-
Investment earnings	27,332	4,842	3,873
Franchise fees	406,839	-	-
Other miscellaneous income	260,515	21,590	2,502
Total revenue	<u>9,030,697</u>	<u>689,465</u>	<u>239,050</u>
Expenditures			
Current:			
General government	2,522,374	21,525	16,253
Public safety	4,525,013	-	-
Public works	603,230	633,959	447,193
Health and welfare	40,443	-	-
Recreation and culture	1,062,636	-	-
Capital outlay	175,326	-	-
Debt service	-	-	-
Total expenditures	<u>8,929,022</u>	<u>655,484</u>	<u>463,446</u>
Excess of Revenue Over (Under) Expenditures	101,675	33,981	(224,396)
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	-	153,463
Transfers out (Note 6)	(31,305)	(153,463)	-
Total other financing (uses) sources	<u>(31,305)</u>	<u>(153,463)</u>	<u>153,463</u>
Net Change in Fund Balances	70,370	(119,482)	(70,933)
Fund Balances - Beginning of year	<u>3,085,376</u>	<u>976,139</u>	<u>702,974</u>
Fund Balances - End of year	<u><u>\$ 3,155,746</u></u>	<u><u>\$ 856,657</u></u>	<u><u>\$ 632,041</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2013

Solid Waste Service Fund	Recreation Revolving Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 841,484	\$ -	\$ 730,253	\$ 6,707,929
-	-	-	433,502
-	-	80,377	93,077
-	-	19,340	2,191,716
285,064	380,910	78,004	1,172,699
-	-	105,604	1,153,832
4,972	1,859	4,263	47,141
-	-	-	406,839
4,403	25,061	186,521	500,592
<u>1,135,923</u>	<u>407,830</u>	<u>1,204,362</u>	<u>12,707,327</u>
-	-	-	2,560,152
-	-	-	4,525,013
1,185,385	-	-	2,869,767
-	-	167,071	207,514
-	315,218	-	1,377,854
817	23,524	3,239	202,906
-	-	905,847	905,847
<u>1,186,202</u>	<u>338,742</u>	<u>1,076,157</u>	<u>12,649,053</u>
(50,279)	69,088	128,205	58,274
-	-	2,500	155,963
-	(44,510)	-	(229,278)
<u>-</u>	<u>(44,510)</u>	<u>2,500</u>	<u>(73,315)</u>
(50,279)	24,578	130,705	(15,041)
675,421	440,157	750,432	6,630,499
<u>\$ 625,142</u>	<u>\$ 464,735</u>	<u>\$ 881,137</u>	<u>\$ 6,615,458</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (15,041)

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	631,982
Depreciation expense	(927,783)

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(24,071)
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Capital contributions are not reported as revenue in the governmental funds	204,071
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	725,000
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Accrued interest is recorded on debt when incurred in the statement of activities	8,060
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The annual required contribution of other postemployment benefits is recorded when incurred in the statement of activities	<u>(429,630)</u>
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Change in Net Position of Governmental Activities \$ 172,588

City of Berkley, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	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)	\$ 883,877	\$ 108,841	\$ 992,718	\$ 656,522
Receivables:				
Customers	2,468,901	650	2,469,551	-
Other receivables	-	41,031	41,031	-
Prepaid costs	6,815	849	7,664	-
Total current assets	<u>3,359,593</u>	<u>151,371</u>	<u>3,510,964</u>	<u>656,522</u>
Noncurrent assets - Capital assets (Note 5):				
Assets not subject to depreciation	13,795	-	13,795	-
Assets subject to depreciation	14,924,180	140,824	15,065,004	-
Total assets	<u>18,297,568</u>	<u>292,195</u>	<u>18,589,763</u>	<u>656,522</u>
Liabilities				
Current liabilities:				
Accounts payable	277,569	6,166	283,735	-
Accrued and other liabilities	59,108	2,958	62,066	-
Current portion of compensated absences (Note 7)	62,169	-	62,169	285,759
Current portion of long-term debt (Note 7)	402,910	-	402,910	-
Total current liabilities	<u>801,756</u>	<u>9,124</u>	<u>810,880</u>	<u>285,759</u>
Noncurrent liabilities:				
Advances payable to other funds (Note 6)	-	185,076	185,076	-
Compensated absences	-	-	-	370,763
Other postemployment benefit obligations (Note 10)	125,724	-	125,724	-
Long-term debt - Net of current portion (Note 7)	4,627,610	-	4,627,610	-
Total noncurrent liabilities	<u>4,753,334</u>	<u>185,076</u>	<u>4,938,410</u>	<u>370,763</u>
Total liabilities	<u>5,555,090</u>	<u>194,200</u>	<u>5,749,290</u>	<u>656,522</u>
Net Position				
Net investment in capital assets	9,907,455	140,824	10,048,279	-
Unrestricted	2,835,023	(42,829)	2,792,194	-
Total net position	<u>\$ 12,742,478</u>	<u>\$ 97,995</u>	<u>\$ 12,840,473</u>	<u>\$ -</u>

City of Berkley, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	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	\$ 5,385,985	\$ -	\$ 5,385,985	\$ -
Ice rental and related charges	-	379,651	379,651	-
Property and equipment rental	29,604	-	29,604	-
Miscellaneous	147,169	-	147,169	-
Charges to other funds	-	-	-	17,603
Total operating revenue	5,562,758	379,651	5,942,409	17,603
Operating Expenses				
Water and sewer operations	4,067,415	-	4,067,415	-
Arena operations	-	330,335	330,335	-
Compensated absences	-	-	-	21,416
Depreciation	289,642	68,163	357,805	-
Total operating expenses	4,357,057	398,498	4,755,555	21,416
Operating Income (Loss)	1,205,701	(18,847)	1,186,854	(3,813)
Nonoperating Revenue (Expenses)				
Investment income	4,288	493	4,781	3,813
Interest expense	(146,762)	-	(146,762)	-
Total nonoperating (expenses) revenue	(142,474)	493	(141,981)	3,813
Income (Loss) - Before transfers	1,063,227	(18,354)	1,044,873	-
Transfers In (Note 6)	-	73,315	73,315	-
Change in Net Position	1,063,227	54,961	1,118,188	-
Net Position - Beginning of year	11,679,251	43,034	11,722,285	-
Net Position - End of year	\$ 12,742,478	\$ 97,995	\$ 12,840,473	\$ -

City of Berkley, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	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	\$ 5,621,426	\$ 337,970	\$ 5,959,396	\$ 17,603
Payments to suppliers	(3,719,917)	(221,574)	(3,941,491)	-
Payments to employees	(384,857)	(107,698)	(492,555)	(88,413)
Net cash provided by (used in) operating activities	1,516,652	8,698	1,525,350	(70,810)
Cash Flows from Noncapital Financing Activities -				
Cash received from other funds	-	73,315	73,315	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(447,619)	(7,062)	(454,681)	-
Principal and interest paid on capital debt	(539,907)	-	(539,907)	-
Repayment of advances from other funds	-	(95,000)	(95,000)	-
Net cash used in capital and related financing activities	(987,526)	(102,062)	(1,089,588)	-
Cash Flows from Investing Activities				
Interest received on investments	4,288	493	4,781	3,813
Proceeds from the sale of investments	116,541	-	116,541	240,594
Net cash provided by investing activities	120,829	493	121,322	244,407
Net Increase (Decrease) in Cash and Cash Equivalents	649,955	(19,556)	630,399	173,597
Cash and Cash Equivalents - Beginning of year	233,922	128,397	362,319	482,925
Cash and Cash Equivalents - End of year	<u>\$ 883,877</u>	<u>\$ 108,841</u>	<u>\$ 992,718</u>	<u>\$ 656,522</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,205,701	\$ (18,847)	\$ 1,186,854	\$ (3,813)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	289,642	68,163	357,805	-
Changes in assets and liabilities:				
Receivables	58,668	(41,681)	16,987	-
Prepaid costs	1,049	67	1,116	-
Accounts payable	(46,766)	1,412	(45,354)	-
Accrued and other liabilities	8,358	(416)	7,942	(66,997)
Net cash provided by (used in) operating activities	<u>\$ 1,516,652</u>	<u>\$ 8,698</u>	<u>\$ 1,525,350</u>	<u>\$ (70,810)</u>

City of Berkley, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	<u>Public Safety Pension</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 312,225	\$ 321,335
Investments (Note 3):		
U.S. Treasury bonds	432,840	-
U.S. government agency securities	1,457,124	-
Common and preferred stock	10,929,354	-
Corporate bonds	2,572,558	-
Mortgage-backed securities	371,915	-
Mutual funds - Fixed-income securities	1,325,791	-
Accrued interest	73,153	-
	<hr/>	<hr/>
Total assets	17,474,960	<u>\$ 321,335</u>
Liabilities		
Accounts payable	24,188	\$ 35,808
Due to other governmental units	-	18,511
Cash bonds and deposits	-	267,016
	<hr/>	<hr/>
Total liabilities	24,188	<u>\$ 321,335</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 17,450,772</u>	

City of Berkley, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Public Safety Pension Year Ended June 30, 2013

Additions

Investment income (loss):	
Interest and dividends	\$ 486,083
Net increase in fair value of investments	1,513,490
Investment-related expenses	<u>(119,958)</u>
Net investment income	1,879,615
Contributions:	
Employer	770,451
Employee	<u>956</u>
Total contributions	<u>771,407</u>
Total additions	2,651,022

Deductions

Benefit payments	1,499,465
Administrative expenses	<u>37,805</u>
Total deductions	<u>1,537,270</u>

Net Increase in Net Position Held in Trust 1,113,752

Net Position Held in Trust for Pension and Other Employee Benefits -
Beginning of year 16,337,020

Net Position Held in Trust for Pension and Other Employee Benefits -
End of year \$ 17,450,772

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Berkley, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Berkley, Michigan:

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's 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, 2013.

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.

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. 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, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

Major Streets Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenue that are restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenue that are restricted for use on local streets.

Solid Waste Service Fund - The Solid Waste Service Fund accounts for the activities of the City sanitation system. Revenue in this fund is generated from a dedicated millage as well as charges to customers for trash pickup.

Recreation Revolving Fund - The Recreation Revolving Fund accounts for recreational services provided by the City. Revenue in this fund is generated from charges from customers for recreational activities.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution and sewage collection systems.

Additionally, the City reports the following fund types:

Internal Service Fund - The internal service fund accounts for the financing of the City's liability for employee compensated absences.

Pension and Other Employee Benefits Trust Fund - The Pension and Other Employee Benefits Trust Fund accounts for the activities of the public safety employees' retirement system, which accumulates resources for pension benefit payments to qualified public safety employees.

Agency Fund - The Agency Fund 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.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note I - Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenue include (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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary 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.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2012 tax is levied and collectible on July 1, 2012 and is recognized as revenue in the year ended June 30, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2012 taxable valuation of the City of Berkley, Michigan totaled \$454,037,820 (a portion of which is captured by the DDA), on which taxes levied consisted of 8.2028 mills for operating and public safety purposes, 1.8927 mills for sanitation services, 0.1101 mills for community promotion, 2.6430 mills for public safety retirement benefits, and 1.6431 mills for debt service. This resulted in approximately \$3,649,000 for operating and public safety, \$841,000 for sanitation, \$49,000 for community promotion, \$1,174,000 for public safety retirement benefits, and \$730,000 for debt service. These amounts are recognized in the respective General Fund and special revenue and debt service funds financial statements as tax revenue. The taxes levied by the DDA were 1.9217 mills, which resulted in approximately \$40,000 in tax revenue. This amount was recorded as part of the DDA component unit.

Assets, Liabilities, and Net Position or Equity

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.

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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 fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

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

Compensated Absences (Annual and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and annual leave pay. 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.

Note I - Summary of Significant Accounting Policies (Continued)

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. 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, pension and 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.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council, the highest level of decision-making authority, for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Honorable Mayor and City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body, as provided by the budgetary process of the City

Note 1 - Summary of Significant Accounting Policies (Continued)

- **Unassigned:** All other amounts not classified elsewhere. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

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.

New Accounting Standard - In the current year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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, 2013 has not been calculated.

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

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. 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 significantly in excess of the amount budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Finance	\$ 256,124	\$ 354,252

The unfavorable variance relates to the timing of billing for assessing services provided to the City.

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, 2012		\$ (853,687)
Current year permit revenue		172,456
Related expenses:		
Direct costs	\$ (212,399)	
Estimated indirect costs	<u>(21,240)</u>	<u>(233,639)</u>
Current year shortfall		<u>(61,183)</u>
Cumulative shortfall - June 30, 2013		<u>\$ (914,870)</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.

The City has designated one bank for the deposit of its funds. The investment policy adopted by the City Council 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 \$8,322,569 and \$347,243, respectively, of bank deposits (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 with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 2,572,558	6.18
Mutual fund fixed income	1,038,239	6.05
Mortgage-backed securities	371,915	25.65
U.S. Treasury bonds	432,840	16.85
Government agency securities	1,457,124	26.44

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 and certificates of deposit) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 262,919	A1	Moody's
Corporate bonds	698,118	A2	Moody's
Corporate bonds	697,522	A3	Moody's
Corporate bonds	32,461	AA1	Moody's
Corporate bonds	44,244	AA2	Moody's
Corporate bonds	196,556	AA3	Moody's
Corporate bonds	424,826	BAA1	Moody's
Corporate bonds	157,469	BAA2	Moody's
Corporate bonds	58,444	BAA3	Moody's
Mortgage-backed securities	371,915	AAA	Moody's
Mutual fund	631,719	AAA	Moody's
Mutual fund	406,520	A-	Various

City of Berkley, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Deferred Revenue

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

	Governmental Funds	
	Unavailable	Unearned
Delinquent property taxes	\$ 31,376	\$ -
Other	-	45,600
Total	\$ 31,376	\$ 45,600

Note 5 - Capital Assets

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

	Balance July 1, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 311,706	\$ -	\$ -	\$ -	\$ 311,706
Construction in progress	245,007	(245,007)	193,863	-	193,863
Subtotal	556,713	(245,007)	193,863	-	505,569
Capital assets being depreciated:					
Roads and bridges	52,025,799	245,007	335,810	-	52,606,616
Buildings	6,498,410	-	11,526	-	6,509,936
Equipment and books	2,347,181	-	170,923	-	2,518,104
Vehicles	1,910,068	-	123,931	10,598	2,023,401
Subtotal	62,781,458	245,007	642,190	10,598	63,658,057
Accumulated depreciation:					
Roads and bridges	42,871,732	-	472,675	-	43,344,407
Buildings	4,389,974	-	129,840	-	4,519,814
Equipment and books	1,489,899	-	204,123	-	1,694,022
Vehicles	1,152,932	-	121,145	10,598	1,263,479
Subtotal	49,904,537	-	927,783	10,598	50,821,722
Net capital assets being depreciated	12,876,921	245,007	(285,593)	-	12,836,335
Net capital assets	\$ 13,433,634	\$ -	\$ (91,730)	\$ -	\$ 13,341,904

City of Berkley, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

	Balance July 1, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2013
Business-type Activities					
Capital assets not being depreciated -					
Land	\$ 13,795	\$ -	\$ -	\$ -	\$ 13,795
Capital assets being depreciated:					
Water and sewer transmission lines	16,951,084	-	276,557	-	17,227,641
Buildings	999,205	-	10,435	-	1,009,640
Building improvements	234,797	-	-	-	234,797
Equipment	1,251,319	-	167,689	70,218	1,348,790
Land improvements	36,474	-	-	-	36,474
Subtotal	19,472,879	-	454,681	70,218	19,857,342
Accumulated depreciation:					
Water and sewer transmission lines	2,493,240	-	227,479	-	2,720,719
Buildings	861,942	-	41,059	-	903,001
Building improvements	188,760	-	14,381	-	203,141
Equipment	924,335	-	74,886	70,218	929,003
Land improvements	36,474	-	-	-	36,474
Subtotal	4,504,751	-	357,805	70,218	4,792,338
Net capital assets being depreciated	14,968,128	-	96,876	-	15,065,004
Net capital assets	<u>\$ 14,981,923</u>	<u>\$ -</u>	<u>\$ 96,876</u>	<u>\$ -</u>	<u>\$ 15,078,799</u>

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

Governmental activities:

General government	\$ 155,617
Public safety	166,760
Public works	533,647
Recreation and culture	71,759
Total governmental activities	<u>\$ 927,783</u>

Business-type activities:

Water and sewer	\$ 289,642
Ice arena	68,163
Total business-type activities	<u>\$ 357,805</u>

City of Berkley, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ice Arena Fund	\$ 63,129
Recreation Revolving Fund	Ice Arena Fund	<u>121,947</u>
	Total	<u>\$ 185,076</u>

Interfund balances payable from the Ice Arena Fund to the General and Recreation Revolving Funds as of June 30, 2013 represent advances made to the fund to pay off outstanding bonded debt and to cover various operating expenses of the fund which are not expected to be repaid in the next year and are classified as long-term advances.

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	Nonmajor enterprise funds	\$ 28,805
	Nonmajor governmental funds	<u>2,500</u>
	Total General Fund	31,305
Recreation Revolving Fund	Nonmajor enterprise funds	44,510
Major Streets Fund	Local Streets Fund	<u>153,463</u>
	Total	<u>\$ 229,278</u>

The transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenue in accordance with Act 51. The transfers from the Recreation Revolving Fund and the General Fund to the nonmajor enterprise funds represent the transfer of funds to assist with operating expenses. The transfer from the General Fund to nonmajor governmental funds represents the establishment of the Public Improvements Fund.

Note 7 - Long-term Debt

The City of Berkley 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 and installment purchase agreements are also general obligations of the City.

Note 7 - Long-term Debt (Continued)

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	\$ 475,000	\$ -	\$ 100,000	\$ 375,000	\$ 100,000
2006 General Obligation 11 Mile Road							
Bonds:							
Amount of issue: \$2,500,000	3.90% -	\$100,000 -					
Maturing through 2021	4.25%	\$300,000	1,950,000	-	150,000	1,800,000	150,000
2006 General Obligation Other Road							
Bonds:							
Amount of issue: \$2,625,000	3.90% -	\$200,000 -					
Maturing through 2016	4.25%	\$375,000	1,400,000	-	325,000	1,075,000	325,000
Contractual obligations with Oakland County - 2002 Installment Purchase Agreement:							
Amount of issue: \$1,260,000	5.20%	\$50,000 -					
Maturing through 2016		\$200,000	695,000	-	150,000	545,000	160,000
Total bond obligations			4,520,000	-	725,000	3,795,000	735,000
Other long-term obligations - Compensated absences			723,519	21,416	88,413	656,522	285,759
Other long-term obligations - Other postemployment benefits			2,277,980	1,565,321	1,135,691	2,707,610	-
Total governmental activities			<u>\$ 7,521,499</u>	<u>\$ 1,586,737</u>	<u>\$ 1,949,104</u>	<u>\$ 7,159,132</u>	<u>\$ 1,020,759</u>
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	\$ 632,302	\$ -	\$ 56,366	\$ 575,936	\$ 57,940
2001-C:							
Amount of issue: \$5,176,822	2.50%	\$207,829 -					
Maturing through 2024		\$324,025	3,406,501	-	246,875	3,159,626	253,173
2001-D:							
Amount of issue: \$199,641	2.50%	\$7,872 -					
Maturing through 2024		\$13,225	90,542	-	6,613	83,929	6,928
2001-E:							
Amount of issue: \$621,597	4.10% -	\$22,987 -					
Maturing through 2024	5.25%	\$71,480	698,429	-	52,903	645,526	54,161
2005-F:							
Amount of issue: \$103,572	1.625%	\$4,478 -					
Maturing through 2026		\$5,703	70,321	-	4,478	65,843	4,478
2006-G:							
Amount of issue: \$112,919	1.625%	\$4,798 -					
Maturing through 2028		\$6,398	93,087	-	5,118	87,969	5,118
2008-H:							
Amount of issue: \$491,662	2.50%	\$19,193 -					
Maturing through 2029		\$30,709	432,483	-	20,792	411,691	21,112
Total bond obligations			5,423,665	-	393,145	5,030,520	402,910
Other long-term obligations:							
Compensated absences			59,515	2,654	-	62,169	62,169
Other postemployment benefits			120,849	93,360	88,485	125,724	-
Total business-type activities			<u>\$ 5,604,029</u>	<u>\$ 96,014</u>	<u>\$ 481,630</u>	<u>\$ 5,218,413</u>	<u>\$ 465,079</u>

City of Berkley, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 735,000	\$ 148,409	\$ 883,409	\$ 402,910	\$ 136,075	\$ 538,985
2015	860,000	113,527	973,527	413,008	125,137	538,145
2016	925,000	75,426	1,000,426	424,984	113,932	538,916
2017	225,000	46,444	271,444	436,644	102,378	539,022
2018	225,000	37,500	262,500	447,670	90,482	538,152
2019-2023	825,000	51,500	876,500	2,311,301	262,413	2,573,714
2024-2028	-	-	-	563,293	26,890	590,183
2029	-	-	-	30,710	768	31,478
Total	<u>\$ 3,795,000</u>	<u>\$ 472,806</u>	<u>\$ 4,267,806</u>	<u>\$ 5,030,520</u>	<u>\$ 858,075</u>	<u>\$ 5,888,595</u>

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 that the individual employee's salaries are paid from, 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 \$5,888,595. During the current year, net revenue of the system was \$1,205,701 compared to annual debt requirements of \$539,907.

Note 8 - 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 9 - Defined Benefit Pension Plan

General Employees' Pension

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers substantially all employees in the City's merit system and all employees of the Department of Public Works. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from all merit system employees and Department of Public Works employees hired after July 1, 2004 of 4 percent and no contribution from Department of Public Works employees.

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$637,576 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 1.0 percent per year, compounded annually and attributable to inflation, and (c) additional projected salary increases of up to 8.40 percent per year, depending on service and attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on open divisions and on a 30-year level dollar for closed divisions. The remaining amortization period is 28 years.

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 637,576	\$ 552,043	\$ 537,883
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -

Note 9 - Defined Benefit Pension Plan (Continued)

Actuarial valuation for the three most recent years as of December 31 is as follows:

	2012	2011	2010
Actuarial value of assets	\$ 13,876,409	\$ 14,285,165	\$ 14,601,510
Actuarial accrued liability (AAL) (entry age)	\$ 19,621,345	\$ 19,680,073	\$ 19,040,900
Unfunded AAL (UAAL)	\$ 5,744,936	\$ 5,394,908	\$ 4,439,390
Funded ratio	71 %	73 %	77 %
Covered payroll	\$ 2,253,166	\$ 2,225,644	\$ 2,194,904
UAAL as a percentage of covered payroll	255 %	242 %	202 %

Public Safety Pension Trust

Plan Description - The City of Berkley, Michigan's public safety pension is the administrator of a single-employer defined benefit plan that covers all public safety employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, membership consisted of 42 retirees and beneficiaries currently receiving benefits and 25 current active employees. The plan does not issue a separate financial report.

Funding Policy - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates and does not require employee contributions. Administrative costs of the plan are financed through investment earnings.

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$770,451 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2011 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 5 percent to 9 percent per year including an inflation component of 5 percent, and (c) no cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis for police and fire employees. The remaining amortization period is 20 years.

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 770,451	\$ 781,547	\$ 719,836
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -

Funding Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the plan was 75.7 percent funded. The actuarial accrued liability for benefits was approximately \$21.4 million, and the actuarial value of assets was approximately \$16.2 million, resulting in an unfunded actuarial accrued liability of approximately \$5.2 million. The covered payroll (annual payroll for active employees covered by the plan) was \$1.6 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 325.0 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Reserves - As of June 30, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 407,221
Reserve for retired benefit payments	14,561,094

Note 10 - 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 non-union and court retirees. As of June 30, 2013, a total of 78 retirees and 75 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 their 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, 2013, the City has assets totaling \$2,627,898 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.

For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. 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:

City of Berkley, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Other Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 1,822,159
Interest on the prior year's net OPEB obligation	167,918
Less adjustment to the annual required contribution	<u>(331,396)</u>
Annual OPEB cost	1,658,681
Amounts contributed:	
Payments of current premiums	(1,090,176)
Employer contributions	<u>(134,000)</u>
Increase in net OPEB obligation	434,505
OPEB obligation - Beginning of year	<u>2,398,829</u>
OPEB obligation - End of year	<u><u>\$ 2,833,334</u></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
6/30/11	6/30/06	\$ 2,204,171	63.6	\$ 1,540,289
6/30/12	6/30/09	1,975,310	56.5	2,398,829
6/30/13	6/30/09	1,658,681	73.8	2,833,334

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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	\$ 3,643,038	595.9
6/30/09	1,035,664	17,655,852	16,620,188	5.9	4,424,609	375.6

Note 10 - 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2009 actuarial valuation, the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 29 years.

Note 11 - 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 non-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, 2013, the City expensed \$692,476 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. The Southeastern Oakland County Water Authority has a debt issue with a total balance outstanding as of June 30, 2013 of \$1,375,000, of which the City has guaranteed \$76,389. 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, 2013, the City expensed \$893,031 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 12 - 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 8. No liability has been reflected in these financial statements.

Note 13 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of fiscal year 2013-2014.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Berkley, Michigan, this standard will be adopted for the 2013-2014 fiscal year.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. 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 financial statements for the 2014-2015 fiscal year.

Required Supplemental Information

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,169,683	\$ 5,178,108	\$ 5,136,192	\$ (41,916)
Licenses and permits	303,250	431,125	433,502	2,377
Federal grants	6,000	12,700	12,700	-
State-shared revenue and grants	1,255,742	1,258,050	1,285,776	27,726
Charges for services	436,646	482,597	419,613	(62,984)
Fines and forfeitures	1,120,224	1,053,424	1,048,228	(5,196)
Investment earnings	29,000	29,000	27,332	(1,668)
Franchise fees	287,525	321,500	406,839	85,339
Other revenue:				
Local donations	-	2,500	4,103	1,603
Other	288,037	307,245	256,412	(50,833)
Total revenue	8,896,107	9,076,249	9,030,697	(45,552)
Expenditures				
Current:				
General government:				
City Council	13,503	13,503	12,979	524
District Court	636,726	577,773	577,773	-
Manager	181,315	181,315	180,665	650
Elections	174,322	178,210	165,111	13,099
Finance	256,124	256,124	354,252	(98,128)
Legal	78,413	82,213	85,834	(3,621)
Clerk/Treasurer	96,700	96,700	94,925	1,775
City hall	196,037	216,037	202,125	13,912
Planning	60,337	60,337	48,904	11,433
Inspection	191,987	228,781	212,399	16,382
Insurance	547,603	547,603	536,383	11,220
Community promotion	57,700	57,700	37,884	19,816
Employee benefits	13,140	13,140	13,140	-
Total general government	2,503,907	2,509,436	2,522,374	(12,938)
Public safety:				
Administration	200,890	200,890	172,168	28,722
Service aides	285,154	287,654	265,899	21,755
Operations	3,569,805	3,570,173	3,502,394	67,779
Insurance	50,000	50,000	47,344	2,656
Pension administration	469,123	469,123	466,974	2,149
Building inspections and related	-	371	371	-
Animal control	76,568	76,568	69,863	6,705
Total public safety	4,651,540	4,654,779	4,525,013	129,766

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Current (Continued):				
Public works:				
Operations	\$ 269,118	\$ 277,072	\$ 287,643	\$ (10,571)
Garage	119,689	119,689	103,417	16,272
Street programs	195,000	195,000	212,170	(17,170)
Total public works	583,807	591,761	603,230	(11,469)
Health and welfare - Community development	44,871	44,871	40,443	4,428
Recreation and culture:				
Recreation	383,470	380,425	346,478	33,947
Library	615,008	617,008	580,346	36,662
WBRK	72,196	72,196	69,882	2,314
Communications coordinator	70,739	70,739	65,930	4,809
Total recreation and culture	1,141,413	1,140,368	1,062,636	77,732
Capital outlay	191,325	199,865	175,326	24,539
Total expenditures	9,116,863	9,141,080	8,929,022	212,058
Excess of Revenue (Under) Over Expenditures	(220,756)	(64,831)	101,675	166,506
Other Financing Uses - Transfers out	(95,050)	(112,060)	(31,305)	(80,755)
Net Change in Fund Balance	(315,806)	(176,891)	70,370	85,751
Fund Balance - Beginning of year	3,085,376	3,085,376	3,085,376	-
Fund Balance - End of year	<u>\$ 2,769,570</u>	<u>\$ 2,908,485</u>	<u>\$ 3,155,746</u>	<u>\$ 247,261</u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 627,683	\$ 627,683	\$ 653,925	\$ 26,242
Charges for services	9,107	9,107	9,108	1
Investment income	5,210	5,210	4,842	(368)
Other	31,900	31,900	21,590	(10,310)
Total revenue	673,900	673,900	689,465	15,565
Expenditures				
Administrative	23,123	23,123	21,525	1,598
Field operations	572,530	732,940	633,959	98,981
Total expenditures	595,653	756,063	655,484	100,579
Other Financing Uses - Transfers out	(147,566)	(147,566)	(153,463)	5,897
Net Change in Fund Balance	(69,319)	(229,729)	(119,482)	122,041
Fund Balance - Beginning of year	976,139	976,139	976,139	-
Fund Balance - End of year	<u>\$ 906,820</u>	<u>\$ 746,410</u>	<u>\$ 856,657</u>	<u>\$ 110,247</u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 229,120	\$ 229,120	\$ 232,675	\$ 3,555
Investment earnings	3,961	3,961	3,873	(88)
Other	5,450	5,450	2,502	(2,948)
Total revenue	238,531	238,531	239,050	519
Expenditures				
Administrative	16,109	16,109	16,253	(144)
Field operations	484,181	517,100	447,193	69,907
Total expenditures	500,290	533,209	463,446	69,763
Excess of Expenditures Under Revenue	(261,759)	(294,678)	(224,396)	70,282
Other Financing Sources (Uses)				
Transfers in	146,043	146,043	153,463	7,420
Transfers out	(1,203)	(1,203)	-	(1,203)
Total other financing sources	144,840	144,840	153,463	6,217
Net Change in Fund Balance	(116,919)	(149,838)	(70,933)	76,499
Fund Balance - Beginning of year	702,974	702,974	702,974	-
Fund Balance - End of year	\$ 586,055	\$ 553,136	\$ 632,041	\$ 78,905

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Service Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 839,362	\$ 839,362	\$ 841,484	\$ 2,122
Charges for services	277,084	277,084	285,064	7,980
Investment income	5,500	5,500	4,972	(528)
Other	5,700	5,700	4,403	(1,297)
Total revenue	1,127,646	1,127,646	1,135,923	8,277
Expenditures				
Operations	1,240,265	1,200,365	1,185,385	14,980
Capital outlay	-	1,000	817	183
Total expenditures	1,240,265	1,201,365	1,186,202	15,163
Net Change in Fund Balance	(112,619)	(73,719)	(50,279)	23,440
Fund Balance - Beginning of year	675,421	675,421	675,421	-
Fund Balance - End of year	\$ 562,802	\$ 601,702	\$ 625,142	\$ 23,440

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Recreation Revolving Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 352,565	\$ 398,058	\$ 380,910	\$ (17,148)
Investment income	1,400	1,400	1,859	459
Other revenue	100	25,100	25,061	(39)
Total revenue	354,065	424,558	407,830	(16,728)
Expenditures				
Recreation and culture	281,513	326,476	315,218	11,258
Capital outlay	25,000	25,000	23,524	1,476
Total expenditures	306,513	351,476	338,742	12,734
Other Financing Uses - Transfers out	(45,981)	(65,035)	(44,510)	20,525
Net Change in Fund Balance	1,571	8,047	24,578	16,531
Fund Balance - Beginning of year	440,157	440,157	440,157	-
Fund Balance - End of year	<u>\$ 441,728</u>	<u>\$ 448,204</u>	<u>\$ 464,735</u>	<u>\$ 16,531</u>

City of Berkley, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2013

The schedule of funding progress is as follows (in millions):

Public Safety Pension Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 18.8	\$ 19.4	\$ 0.6	96.9	\$ 1.8	33.3
6/30/08	19.0	19.5	0.5	97.4	1.6	31.3
6/30/09	16.3	20.4	4.1	79.9	1.7	241.2
6/30/10	16.0	20.9	4.9	76.6	1.8	272.2
6/30/11	16.2	21.2	5.0	76.4	1.7	294.1
6/30/12	16.2	21.4	5.2	75.7	1.6	325.0

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/08	6/30/06	\$ 506,423	100.0
6/30/09	6/30/07	499,877	100.0
6/30/10	6/30/08	452,531	100.0
6/30/11	6/30/09	719,836	100.0
6/30/12	6/30/10	781,547	100.0
6/30/13	6/30/11	770,451	100.0

Additional information as of June 30, 2012, the latest actuarial valuation date, is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent of pay
Amortization period	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5 percent
Projected salary increases*	5.0 percent to 9.0 percent
*Includes inflation at	5.0 percent
Cost of living adjustments	None

Other Supplemental Information

City of Berkley, Michigan

	Special Revenue Funds			Debt Service Funds		
	Community Development Block Grant	Drug Forfeiture Fund	Seniors' Program Fund	1996 General Obligation Library Bond	2002 Installment Loan	Major and Local Street Projects Debt Service
Assets						
Cash and cash equivalents	\$ 32,356	\$ 10,539	\$ 187,196	\$ 8	\$ 3,382	\$ 7,176
Receivables:						
Taxes	-	-	-	1,011	-	2,841
Federal government	1,155	-	-	-	-	-
Prepaid costs	-	-	8,271	-	-	-
Total assets	\$ 33,511	\$ 10,539	\$ 195,467	\$ 1,019	\$ 3,382	\$ 10,017
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,760	\$ 1,068	\$ 287	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	2,815	-	-	-
Deferred revenue	-	-	-	1,011	-	2,841
Total liabilities	1,760	1,068	3,102	1,011	-	2,841
Fund Balances						
Nonspendable - Inventory and prepaid items	-	-	8,271	-	-	-
Restricted:						
Debt service	-	-	-	8	-	7,176
Public safety	-	9,471	-	-	-	-
Community promotion	31,751	-	-	-	-	-
Committed - Seniors' program	-	-	184,094	-	-	-
Assigned - Capital improvement	-	-	-	-	3,382	-
Total fund balances	31,751	9,471	192,365	8	3,382	7,176
Total liabilities and fund balances	\$ 33,511	\$ 10,539	\$ 195,467	\$ 1,019	\$ 3,382	\$ 10,017

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
Eleven Mile Road Project Debt Service	Twelve Mile Road Project Debt Service	District Court Building Fund	Public Improvements	
\$ 17,493	\$ 16,150	\$ 603,012	\$ 2,500	\$ 879,812
231	232	-	-	4,315
-	-	-	-	1,155
-	-	-	-	8,271
\$ 17,724	\$ 16,382	\$ 603,012	\$ 2,500	\$ 893,553

\$ -	\$ -	\$ -	\$ 2,171	\$ 5,286
-	-	-	-	2,815
231	232	-	-	4,315
231	232	-	2,171	12,416
-	-	-	-	8,271
17,493	16,150	-	-	40,827
-	-	-	-	9,471
-	-	-	-	31,751
-	-	-	-	184,094
-	-	603,012	329	606,723
17,493	16,150	603,012	329	881,137
\$ 17,724	\$ 16,382	\$ 603,012	\$ 2,500	\$ 893,553

City of Berkley, Michigan

	Special Revenue Funds			Debt Service Funds		
	Community Development Block Grant	Drug Forfeiture Fund	Seniors' Program Fund	1996 General Obligation Library Bonds	2002 Installment Purchase	Major and Local Streets Projects Debt Service
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,859
Federal grants	80,377	-	-	-	-	-
State-shared revenue and grants	-	-	19,340	-	-	-
Charges for services	-	-	78,004	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	-	59	1,051	-	-	39
Other	-	-	381	-	186,140	-
Total revenue	80,377	59	98,776	-	186,140	378,898
Expenditures - Current						
Health and welfare	85,239	-	81,832	-	-	-
Capital outlay	-	1,068	-	-	-	-
Debt service	-	-	-	-	186,140	376,482
Total expenditures	85,239	1,068	81,832	-	186,140	376,482
Excess of Revenue (Under) Over Expenditures	(4,862)	(1,009)	16,944	-	-	2,416
Other Financing Sources - Transfers in	-	-	-	-	-	-
Net Change in Fund Balances	(4,862)	(1,009)	16,944	-	-	2,416
Fund Balances - Beginning of year	36,613	10,480	175,421	8	3,382	4,760
Fund Balances - End of year	\$ 31,751	\$ 9,471	\$ 192,365	\$ 8	\$ 3,382	\$ 7,176

**Other Supplemental Information
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

Debt Service Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
Eleven Mile Road Project Debt Service	Twelve Mile Road Project Debt Service	District Court Building Fund	Public Improvements	
\$ 228,077	\$ 123,317	\$ -	\$ -	\$ 730,253
-	-	-	-	80,377
-	-	-	-	19,340
-	-	-	-	78,004
-	-	105,604	-	105,604
118	68	2,928	-	4,263
-	-	-	-	186,521
<u>228,195</u>	<u>123,385</u>	<u>108,532</u>	<u>-</u>	<u>1,204,362</u>
-	-	-	-	167,071
-	-	-	2,171	3,239
<u>225,688</u>	<u>117,537</u>	<u>-</u>	<u>-</u>	<u>905,847</u>
<u>225,688</u>	<u>117,537</u>	<u>-</u>	<u>2,171</u>	<u>1,076,157</u>
2,507	5,848	108,532	(2,171)	128,205
-	-	-	2,500	2,500
<u>2,507</u>	<u>5,848</u>	<u>108,532</u>	<u>329</u>	<u>130,705</u>
<u>14,986</u>	<u>10,302</u>	<u>494,480</u>	<u>-</u>	<u>750,432</u>
<u>\$ 17,493</u>	<u>\$ 16,150</u>	<u>\$ 603,012</u>	<u>\$ 329</u>	<u>\$ 881,137</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund Community Development Block Grant Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 86,798	\$ 86,798	\$ 80,377	\$ (6,421)
Expenditures				
Health and welfare	74,458	102,258	85,239	17,019
Capital outlay	-	9,800	-	9,800
Total expenditures	74,458	112,058	85,239	26,819
Other Financing Uses - Transfers out	(6,613)	(6,613)	-	6,613
Net Change in Fund Balance	5,727	(31,873)	(4,862)	27,011
Fund Balance - Beginning of year	36,613	36,613	36,613	-
Fund Balance - End of year	<u>\$ 42,340</u>	<u>\$ 4,740</u>	<u>\$ 31,751</u>	<u>\$ 27,011</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Forfeiture Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment earnings	\$ 59	\$ 59	\$ 59	\$ -
Expenditures - Capital outlay	1,000	1,000	1,068	(68)
Net Change in Fund Balance	(941)	(941)	(1,009)	(68)
Fund Balance - Beginning of year	10,480	10,480	10,480	-
Fund Balance - End of year	<u>\$ 9,539</u>	<u>\$ 9,539</u>	<u>\$ 9,471</u>	<u>\$ (68)</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Seniors' Program Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 21,785	\$ 21,785	\$ 19,340	\$ (2,445)
Charges for services	69,843	78,957	78,004	(953)
Investment earnings	800	800	1,051	251
Other	400	400	381	(19)
Total revenue	92,828	101,942	98,776	(3,166)
Expenditures - Health and welfare	89,095	94,095	81,832	12,263
Net Change in Fund Balance	3,733	7,847	16,944	9,097
Fund Balance - Beginning of year	175,421	175,421	175,421	-
Fund Balance - End of year	<u>\$ 179,154</u>	<u>\$ 183,268</u>	<u>\$ 192,365</u>	<u>\$ 9,097</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2002 Installment Purchase Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 186,140	\$ 186,140	\$ 186,140	\$ -
Expenditures - Debt service	<u>186,140</u>	<u>186,140</u>	<u>186,140</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	<u>3,382</u>	<u>3,382</u>	<u>3,382</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,382</u></u>	<u><u>\$ 3,382</u></u>	<u><u>\$ 3,382</u></u>	<u><u>\$ -</u></u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major and Local Streets Projects Debt Service Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 377,996	\$ 377,996	\$ 378,859	\$ 863
Investment earnings	274	274	39	(235)
Total revenue	378,270	378,270	378,898	628
Expenditures - Debt service	376,481	376,481	376,482	(1)
Net Change in Fund Balance	1,789	1,789	2,416	627
Fund Balance - Beginning of year	4,760	4,760	4,760	-
Fund Balance - End of year	\$ 6,549	\$ 6,549	\$ 7,176	\$ 627

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Eleven Mile Road Project Debt Service Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 227,579	\$ 227,579	\$ 228,077	\$ 498
Investment earnings	270	270	118	(152)
Total revenue	227,849	227,849	228,195	346
Expenditures - Debt service	225,688	225,688	225,688	-
Net Change in Fund Balance	2,161	2,161	2,507	346
Fund Balance - Beginning of year	14,986	14,986	14,986	-
Fund Balance - End of year	<u>\$ 17,147</u>	<u>\$ 17,147</u>	<u>\$ 17,493</u>	<u>\$ 346</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Twelve Mile Road Project Debt Service Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 123,068	\$ 123,068	\$ 123,317	\$ 249
Investment earnings	126	126	68	(58)
Total revenue	123,194	123,194	123,385	191
Expenditures - Debt service	117,538	117,538	117,537	1
Net Change in Fund Balance	5,656	5,656	5,848	192
Fund Balance - Beginning of year	10,302	10,302	10,302	-
Fund Balance - End of year	<u>\$ 15,958</u>	<u>\$ 15,958</u>	<u>\$ 16,150</u>	<u>\$ 192</u>

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - District Court Building Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Fines and forfeitures	\$ 73,250	\$ 96,250	\$ 105,604	\$ 9,354
Investment earnings	2,100	2,100	2,928	828
Total revenue	75,350	98,350	108,532	10,182
Expenditures - General government	11,500	11,500	-	11,500
Net Change in Fund Balance	63,850	86,850	108,532	21,682
Fund Balance - Beginning of year	494,480	494,480	494,480	-
Fund Balance - End of year	\$ 558,330	\$ 581,330	\$ 603,012	\$ 21,682

City of Berkley, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Public Improvements Budgetary Comparison Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Capital outlay	-	2,500	2,171	329
Excess of Expenditures Under Revenue	-	(2,500)	(2,171)	329
Other Financing Sources - Transfers in	-	2,500	2,500	-
Net Change in Fund Balance	-	-	329	329
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 329</u>

City of Berkley, Michigan

Other Supplemental Information Downtown Development Authority Division Balance Sheet June 30, 2013

	<u>DDA</u>	<u>DDA-TIF</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 256,598	\$ 90,645	\$ 347,243
Property taxes receivable	-	14,375	14,375
Prepaid expenses and other assets	1,625	-	1,625
Total assets	<u>\$ 258,223</u>	<u>\$ 105,020</u>	<u>\$ 363,243</u>
Liabilities - Accounts payable	\$ 1,128	\$ -	\$ 1,128
Net Position - Unrestricted	257,095	105,020	362,115
Total liabilities and net position	<u>\$ 258,223</u>	<u>\$ 105,020</u>	<u>\$ 363,243</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, 2013

	DDA	DDA-TIF	Total
Revenue			
Property taxes	\$ 39,596	\$ 203,147	\$ 242,743
Investment income	1,521	1,376	2,897
Other revenue	1,198	-	1,198
Total revenue	42,315	204,523	246,838
Expenditures - Current			
Operations	15,862	202,845	218,707
Capital outlay	-	213,717	213,717
Total expenditures	15,862	416,562	432,424
Excess of Revenue Over (Under) Expenditures	26,453	(212,039)	(185,586)
Transfers	(15,000)	15,000	-
Net Change in Fund Balance	11,453	(197,039)	(185,586)
Fund Balance - Beginning of year	245,642	302,059	547,701
Fund Balance - End of year	<u>\$ 257,095</u>	<u>\$ 105,020</u>	<u>\$ 362,115</u>

City of Berkley, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2013

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
Trust				
Assets				
Cash	\$ 296,091	\$ 513,412	\$ (488,168)	\$ 321,335
Receivables	1,910	-	(1,910)	-
Total assets	<u>\$ 298,001</u>	<u>\$ 513,412</u>	<u>\$ (490,078)</u>	<u>\$ 321,335</u>
Liabilities				
Accounts payable	26,290	476,106	(466,588)	35,808
Due to other governmental units	11,021	352,401	(344,911)	18,511
Cash bonds and deposits	260,690	192,810	(186,484)	267,016
Total liabilities	<u>\$ 298,001</u>	<u>\$ 1,021,317</u>	<u>\$ (997,983)</u>	<u>\$ 321,335</u>

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	76-77
Changes in Net Position	78-79
Fund Balances of Governmental Funds	80-81
Changes in Fund Balances of Governmental Funds	82-83

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	84
Assessed Value and Actual Value of Taxable Property	85
Direct and Overlapping Property Tax Rates	86-87
Principal Property Taxpayers (Major Taxpayers)	88

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	89-90
Pledged-revenue Coverage	91
Ratios of General Bonded Debt Outstanding	92
Direct and Overlapping Governmental Activities Debt	93
Legal Debt Margin	94-95
Legal Debt Margin - P.A. 99 Debt	96-97

4. Demographic and Economic Information

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

Demographic and Economic Statistics	98
Principal Employers	99

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	100
Operating Indicators by Function	101-102
Capital Asset Statistics by Function	103

City of Berkley, Michigan

	As of June 30				
	2004	2005	2006	2007	2008
Governmental Activities					
Net investment in capital assets	\$ 1,926,576	\$ 3,326,167	\$ 3,966,796	\$ 5,511,233	\$ 6,248,911
Restricted	649,991	2,904,749	3,583,265	5,323,191	4,094,643
Unrestricted	4,103,974	2,391,302	2,812,709	1,564,927	3,797,532
 Total net position	 6,680,541	 8,622,218	 10,362,770	 12,399,351	 14,141,086
Business-type Activities					
Net investment in capital assets	3,094,840	2,520,653	2,921,114	5,239,890	6,617,232
Restricted	-	-	-	-	-
Unrestricted	2,579,614	3,224,157	3,677,691	2,544,495	2,013,068
 Total net position	 5,674,454	 5,744,810	 6,598,805	 7,784,385	 8,630,300
Primary Government in Total					
Net investment in capital assets	5,021,416	5,846,820	6,887,910	10,751,123	12,866,143
Restricted	649,991	2,904,749	3,583,265	5,323,191	4,094,643
Unrestricted	6,683,588	5,615,459	6,490,400	4,109,422	5,810,600
 Total net position	 <u>\$ 12,354,995</u>	 <u>\$ 14,367,028</u>	 <u>\$ 16,961,575</u>	 <u>\$ 20,183,736</u>	 <u>\$ 22,771,386</u>

Source: City annual financial statements

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

As of June 30				
2009	2010	2011	2012	2013
\$ 7,060,516	\$ 7,803,010	\$ 8,386,258	\$ 8,913,634	\$ 9,546,904
3,544,810	3,483,147	2,740,980	2,498,530	2,297,100
<u>3,414,309</u>	<u>2,433,875</u>	<u>2,197,612</u>	<u>1,864,274</u>	<u>1,605,022</u>
14,019,635	13,720,032	13,324,850	13,276,438	13,449,026
8,142,849	8,794,109	8,912,363	9,558,258	10,048,279
-	-	-	-	-
<u>1,241,937</u>	<u>1,308,518</u>	<u>1,968,092</u>	<u>2,164,027</u>	<u>2,792,194</u>
9,384,786	10,102,627	10,880,455	11,722,285	12,840,473
15,203,365	16,597,119	17,298,621	18,471,892	19,595,183
3,544,810	3,483,147	2,740,980	2,498,530	2,297,100
<u>4,656,246</u>	<u>3,742,393</u>	<u>4,165,704</u>	<u>4,028,301</u>	<u>4,397,216</u>
<u>\$ 23,404,421</u>	<u>\$ 23,822,659</u>	<u>\$ 24,205,305</u>	<u>\$ 24,998,723</u>	<u>\$ 26,289,499</u>

City of Berkley, Michigan

	As of June 30			
	2004	2005	2006	2007
Expenses				
Governmental Activities				
General government	\$ 2,841,784	\$ 2,110,637	\$ 2,465,003	\$ 2,434,482
Public safety	3,352,287	3,547,941	3,984,638	4,238,500
Public works	2,208,936	2,299,307	2,380,517	2,759,903
Health and welfare	98,064	138,973	121,006	154,857
Recreation and culture	1,188,113	1,420,768	1,681,961	1,637,638
Interest on long-term debt	358,608	332,153	266,936	312,159
Unallocated depreciation	431,973	386,475	-	-
Total primary governmental activities expenses	10,479,765	10,236,254	10,900,061	11,537,539
Business-type Activities				
Water/Sewer	2,902,972	3,166,605	2,942,099	3,483,903
Arena	462,367	468,127	528,272	524,566
Total business-type activities expenses	3,365,339	3,634,732	3,470,371	4,008,469
Total primary government expenses	13,845,104	13,870,986	14,370,432	15,546,008
Program Revenue				
Government Activities				
Charges for services	1,885,257	2,409,033	2,316,403	2,541,112
Operating grants and contributions	1,082,052	1,153,065	1,137,380	1,136,724
Capital grants and contributions	-	4,006	74,459	885,505
Total government activities program revenue	2,967,309	3,566,104	3,528,242	4,563,341
Business-type Activities				
Charges for services - Water/Sewer	3,777,112	3,781,680	3,990,896	4,172,699
Charges for services - Arena	436,761	414,620	472,655	472,227
Total business-type activities program revenues	4,213,873	4,196,300	4,463,551	4,644,926
Total primary government program revenues	<u>\$ 7,181,182</u>	<u>\$ 7,762,404</u>	<u>\$ 7,991,793</u>	<u>\$ 9,208,267</u>
Net (Expense) Revenue				
Governmental activities	\$ (7,512,456)	\$ (6,670,150)	\$ (7,371,819)	\$ (6,974,198)
Business-type activities	848,534	561,568	993,180	636,457
Total primary government net expenses	(6,663,922)	(6,108,582)	(6,378,639)	(6,337,741)
General Revenue and Transfers				
Governmental Activities				
Property taxes	5,974,109	5,882,246	6,199,398	6,740,174
State-shared revenue	1,535,451	1,482,010	1,465,184	1,425,872
Unrestricted investment earnings	74,689	131,945	405,303	684,030
Other	1,342,459	582,000	539,499	864,490
Transfers	221,378	503,864	502,987	(703,787)
Total general government general revenue	9,148,086	8,582,065	9,112,371	9,010,779
Business-type Activities				
Unrestricted investment earnings	17,014	30,907	84,484	102,912
Other	70,324	-	-	-
Transfers	(218,078)	(503,864)	(502,987)	703,787
Total general business-type general revenues	(130,740)	(472,957)	(418,503)	806,699
Total primary government program general revenues and transfers	9,017,346	8,109,108	8,693,868	9,817,478
Change in Net Position				
Governmental activities	1,635,630	1,911,915	1,740,552	2,036,581
Business-type activities	717,794	88,611	574,677	1,443,156
Total primary government	<u>\$ 2,353,424</u>	<u>\$ 2,000,526</u>	<u>\$ 2,315,229</u>	<u>\$ 3,479,737</u>

Source: City annual financial statements

Financial Trend Information Changes in Net Position Last Ten Fiscal Years

As of June 30						
2008	2009	2010	2011	2012	2013	
\$ 2,485,624	\$ 3,364,289	\$ 3,136,223	\$ 3,278,204	\$ 3,481,679	\$ 3,014,392	
4,319,548	4,880,904	4,648,256	4,771,634	4,621,263	4,693,881	
2,805,318	2,652,054	2,956,123	2,995,491	3,003,907	3,033,044	
233,320	290,150	131,969	184,224	101,435	163,566	
1,720,748	1,732,343	1,676,755	1,538,314	1,539,712	1,585,170	
304,824	283,330	215,764	237,219	203,665	172,787	
-	-	-	-	-	-	
11,869,382	13,203,070	12,765,090	13,005,086	12,951,661	12,662,840	
3,404,673	3,673,284	3,883,589	4,425,206	4,586,983	4,503,819	
457,502	459,062	485,033	391,151	382,335	398,498	
3,862,175	4,132,346	4,368,622	4,816,357	4,969,318	4,902,317	
15,731,557	17,335,416	17,133,712	17,821,443	17,920,979	17,565,157	
2,727,253	2,819,447	2,666,889	2,688,763	3,033,244	2,837,661	
1,168,098	1,226,338	1,035,713	1,132,307	1,132,650	1,171,642	
70,840	20,419	5,388	309,306	147,306	420,556	
3,966,191	4,066,204	3,707,990	4,130,376	4,313,200	4,429,859	
4,219,273	4,460,704	4,604,767	4,996,086	5,390,864	5,562,758	
445,109	325,681	363,289	342,046	321,367	379,651	
4,664,382	4,786,385	4,968,056	5,338,132	5,712,231	5,942,409	
\$ 8,630,573	\$ 8,852,589	\$ 8,676,046	\$ 9,468,508	\$ 10,025,431	\$ 10,372,268	
\$ (7,903,191)	\$ (9,136,866)	\$ (9,057,100)	\$ (8,874,710)	\$ (8,638,461)	\$ (8,232,981)	
802,207	654,039	599,434	521,775	742,913	1,040,092	
(7,100,984)	(8,482,827)	(8,457,666)	(8,352,935)	(7,895,548)	(7,192,889)	
7,081,734	7,091,901	6,985,695	7,010,324	6,769,419	6,707,929	
1,418,217	1,360,499	1,210,027	1,210,027	1,226,594	1,259,681	
584,484	220,526	54,021	54,268	54,520	50,954	
560,491	432,374	624,376	458,965	635,772	460,320	
-	(89,885)	(116,622)	(243,379)	(96,256)	(73,315)	
9,644,926	9,015,415	8,757,497	8,490,205	8,590,049	8,405,569	
43,708	10,562	1,785	1,997	2,661	4,781	
-	-	-	-	-	-	
-	89,885	116,622	243,379	96,256	73,315	
43,708	100,447	118,407	245,376	98,917	78,096	
9,688,634	9,115,862	8,875,904	8,735,581	8,688,966	8,483,665	
1,741,735	(121,451)	(299,603)	(384,505)	(48,412)	172,588	
845,915	754,486	717,841	767,151	841,830	1,118,188	
\$ 2,587,650	\$ 633,035	\$ 418,238	\$ 382,646	\$ 793,418	\$ 1,290,776	

City of Berkley, Michigan

	As of June 30				
	2004	2005	2006	2007	2008
General Fund					
Reserved	\$ 588,509	\$ 621,978	\$ 634,603	\$ 1,529,212	\$ 348,637
Unreserved	679,320	1,554,484	1,786,515	1,427,161	3,419,573
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
 Total General Fund	 <u>\$ 1,267,829</u>	 <u>\$ 2,176,462</u>	 <u>\$ 2,421,118</u>	 <u>\$ 2,956,373</u>	 <u>\$ 3,768,210</u>
All Other Governmental Funds					
Reserved	\$ 3,947	\$ 1,003	\$ -	\$ 202,050	\$ 211,738
Unreserved, reported in:					
Special revenue funds	2,094,379	3,069,677	3,617,071	2,876,105	3,426,490
Capital project funds	88,485	27,411	4,517,324	2,675,389	1,038,880
Debt service funds	561,506	23,710	26,745	29,085	40,886
Nonmajor funds	740,926	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
 Total all other governmental funds	 <u>\$ 3,489,243</u>	 <u>\$ 3,121,801</u>	 <u>\$ 8,161,140</u>	 <u>\$ 5,782,629</u>	 <u>\$ 4,717,994</u>

Source: City annual financial statements

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

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

As of June 30				
2009	2010	2011*	2012*	2013*
\$ 418,208	\$ 512,336	\$ -	\$ -	\$ -
2,425,253	1,934,516	-	-	-
-	-	368,673	315,502	284,329
-	-	72,800	96,903	107,930
-	-	220,000	220,000	325,000
-	-	1,992,303	2,452,971	2,438,487
<u>\$ 2,843,461</u>	<u>\$ 2,446,852</u>	<u>\$ 2,653,776</u>	<u>\$ 3,085,376</u>	<u>\$ 3,155,746</u>
\$ 247,238	\$ 247,238	\$ -	\$ -	\$ -
3,633,578	3,599,107	-	-	-
401,995	407,774	-	-	-
20,649	13,818	-	-	-
-	24,644	-	-	-
-	-	260,316	203,321	138,276
-	-	2,686,079	2,421,348	2,188,290
-	-	348,215	422,592	526,423
-	-	415,669	497,862	606,723
<u>\$ 4,303,460</u>	<u>\$ 4,292,581</u>	<u>\$ 3,710,279</u>	<u>\$ 3,545,123</u>	<u>\$ 3,459,712</u>

City of Berkley, Michigan

	As of June 30				
	2004	2005	2006	2007	2008
Revenue					
Local revenue	\$ 9,245,985	\$ 9,080,677	\$ 9,612,213	\$ 12,274,950	\$ 11,470,866
State revenue	2,595,713	2,447,638	2,413,963	2,367,806	2,387,701
Federal revenue	-	82,348	19,686	57,634	51,321
Total revenue	11,841,698	11,610,663	12,045,862	14,700,390	13,909,888
Expenditures					
Current:					
General government	2,336,484	2,300,259	2,555,528	2,774,250	2,682,839
Public safety	3,352,287	3,617,011	4,105,804	4,137,720	4,223,792
Public works	2,208,936	2,341,417	2,266,613	2,532,356	2,341,172
Health and welfare	98,064	176,855	201,658	221,794	310,444
Recreation and culture	1,188,113	1,419,476	1,472,163	1,344,085	1,388,873
Debt service:					
Principal	725,129	983,916	740,971	483,624	511,826
Interest	364,295	316,168	289,918	296,993	306,665
Capital outlay	556,365	62,994	1,607,199	4,825,905	2,648,769
Total expenditures	10,829,673	11,218,096	13,239,854	16,616,727	14,414,380
Excess of Revenue Over (Under) Expenditures	1,012,025	392,567	(1,193,992)	(1,916,337)	(504,492)
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	-	5,975,000	152,273	251,694
Transfers in	724,460	721,454	778,125	1,308,752	251,199
Transfers out	(853,475)	(217,590)	(275,138)	(1,387,944)	(251,199)
Debt defeasance	-	-	-	-	-
Total other financing (uses) sources	(129,015)	503,864	6,477,987	73,081	251,694
Net Change in Fund Balances	883,010	896,431	5,283,995	(1,843,256)	(252,798)
Fund Balances - Beginning of year	3,874,062	4,401,832	5,298,263	10,582,258	8,739,002
Fund Balances - End of year	\$ 4,757,072	\$ 5,298,263	\$ 10,582,258	\$ 8,739,002	\$ 8,486,204
Debt service as a percentage of noncapital expenditures	0.1059	0.1204	0.0942	0.0658	0.0691

Source: City annual financial statements

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

As of June 30				
2009	2010	2011	2012	2013
\$ 11,079,457	\$ 10,638,306	\$ 10,377,264	\$ 10,485,022	10,422,534
2,299,879	2,111,858	2,116,821	2,155,369	93,077
97,057	30,088	96,773	74,851	2,191,716
13,476,393	12,780,252	12,590,858	12,715,242	\$ 12,707,327
3,329,203	2,935,158	2,525,147	2,392,049	2,560,152
4,733,586	4,468,058	4,711,535	4,461,190	4,525,013
2,526,019	2,759,016	2,733,588	2,834,954	2,869,767
372,347	155,901	222,609	141,613	207,514
1,470,635	1,430,559	1,334,890	1,306,839	1,377,854
560,189	734,269	658,021	741,454	725,000
290,286	224,615	244,692	212,025	180,847
1,443,524	363,542	281,698	262,418	202,906
14,725,789	13,071,118	12,712,180	12,352,542	12,649,053
(1,249,396)	(290,866)	(121,322)	362,700	58,274
-	-	-	-	-
258,615	203,021	378,266	158,332	155,963
(348,500)	(319,643)	(621,645)	(254,588)	(229,278)
-	-	-	-	-
(89,885)	(116,622)	(243,379)	(96,256)	(73,315)
(1,339,281)	(407,488)	(364,701)	266,444	(15,041)
8,486,202	7,146,921	6,728,756	6,364,055	6,630,499
\$ 7,146,921	\$ 6,739,433	\$ 6,364,055	\$ 6,630,499	\$ 6,615,458
0.0655	0.0788	0.0754	0.0815	0.0754

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
2003	2004	\$ 6,311,761	\$ 6,281,082	99.51%	\$ 30,679	\$ 6,311,761	100.00%
2004	2005	6,566,930	6,537,228	99.55%	29,702	6,566,930	100.00%
2005	2006	6,673,949	6,657,022	99.75%	16,927	6,673,949	100.00%
2006	2007	7,299,030	7,272,214	99.63%	26,816	7,299,030	100.00%
2007	2008	7,665,402	7,647,248	99.76%	18,154	7,665,402	100.00%
2008	2009	7,788,425	7,767,792	99.74%	20,633	7,788,425	100.00%
2009	2010	7,692,971	7,677,824	99.80%	15,147	7,692,971	100.00%
2010	2011	7,765,387	7,739,802	99.67%	25,586	7,765,388	100.00%
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%

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

Tax Year (3)	Taxable Value by Property Type (1)					City Tax Rate (Mills)	State Equalized Value (SEV) (2)	Taxable Value as a Percent of SEV
	Real Property							
	Residential	Commercial	Industrial	Personal	Total Value			
2004	\$ 392,999,421	\$ 44,296,820	\$ 3,289,180	\$ 14,965,834	\$ 455,551,255	13.1602	\$ 623,613,490	73.05%
2005	416,101,940	46,177,300	3,469,270	13,083,440	478,831,950	12.6250	655,917,750	73.00%
2006	440,032,740	49,592,780	3,767,130	13,435,660	506,828,310	12.8132	682,636,910	74.25%
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%

(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 Operating	Public Safety	Sanitation	Community Promotions	Public Safety Pension	City Debt	Total City Tax Rates	Homestead	Non-Homestead
2004	2005	6.5287	1.9585	1.9585	0.1095	1.2150	1.3900	13.1602	5.1200	23.1200
2005	2006	6.4164	1.9246	1.9246	0.1044	1.4150	0.8400	12.6250	4.5067	22.5067
2006	2007	6.3329	1.8996	1.8996	0.0986	1.5017	1.2845	13.0169	4.4967	22.4967
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

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

General operating	9.3101 mills (Additional 3 mills voter approved 8/2012)
Public safety	1.8927 mills
Sanitation	1.8927 mills
Community promotions	2.5237 mills

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										
Homestead	Non-Homestead	Oakland County	Oakland Intermediate Schools	Oakland Community College	Oakland County Public Transportation Authority	State Education	HCMA	Zoo Authority	Detroit Institute of Arts	Downtown Development Authority
7.5000	21.2061	4.4322	3.3789	1.5889	0.5962	6.0000	0.2154	-	-	1.9247
6.0130	20.3161	4.4315	3.3690	1.5844	0.5950	6.0000	0.2146	-	-	1.9262
7.7030	22.7100	4.4315	3.3690	1.5844	0.5900	6.0000	0.2146	-	-	1.9262
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	0.2146	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	0.2000	1.9217
7.7300	25.7300	4.1900	3.3690	1.5844	-	6.0000	-	0.1000	0.2000	1.9217

City of Berkley, Michigan

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

Taxpayers	2013 Taxable Value	Percentage of Total City Value	2013 Rank	2005 Taxable Value	Percentage of Total City Value	2005 Rank
DHS Management	\$ 2,785,430	0.61%	1	\$ 3,346,010	0.70%	1
Detroit Edison	2,600,470	0.57%	2	2,855,880	0.60%	2
Consumers Energy	2,362,900	0.52%	3	1,164,170	0.24%	6
Northwood Medical Limited Pttrs.	1,780,450	0.39%	4	1,678,750	0.35%	3
Dynex Commercial Services	1,468,060	0.32%	5	1,278,240	0.27%	5
Capital Development Corp	1,227,310	0.27%	6	1,106,020	0.23%	7
Berkley Twelve Associates II	1,196,810	0.26%	7	1,585,260	0.33%	4
Anusbigian LLC	1,159,500	0.26%	8	-	-	N/A
Winward Berkley Properties	797,260	0.18%	9	-	-	N/A
Arbor Drugs	769,920	0.17%	10	-	-	N/A
Hartfield Realty & Leasing	-	-	N/A	1,060,460	0.22%	8
Gabriel and Associates	-	-	N/A	895,720	0.19%	9
Berkley Holding, Inc.	-	-	N/A	746,950	0.16%	10
Total taxable value	\$ 16,148,110			\$ 15,717,460		

Note: Detailed tax records prior to 2005 are not available.

Source: Oakland County Equalization
City of Berkley Treasury Department

City of Berkley, Michigan

	2004**	2005	2006*	2007*	2008
Governmental Activities					
General obligation bonds	\$ 10,781,240	\$ 8,187,324	\$ 13,446,365	\$ 6,334,065	\$ 6,123,933
Installment purchase agreements	-	1,225,000	1,190,000	1,140,000	1,090,000
Total	10,781,240	9,412,324	14,636,365	7,474,065	7,213,933
Business-type Activities					
General obligation bonds	-	355,000	325,000	6,672,214	6,449,843
Total debt of the government	10,781,240	9,767,324	14,961,365	14,146,279	13,663,776
Total taxable value (1)	455,551,255	478,831,950	506,828,310	532,414,600	534,407,938
Ratio of total debt to taxable value	2.37%	2.04%	2.95%	2.66%	2.56%
Total population	15,531	15,531	15,531	15,531	15,531
Total debt per capita	\$ 694	\$ 629	\$ 963	\$ 911	\$ 880

(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.semcog.org

Taxable value obtained from Oakland County Equalization

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

** Building Authority Debt was combined in the governmental activities for 2003 and 2004.

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

	2009	2010	2011	2012	2013
	\$ 5,638,744	\$ 4,994,475	\$ 4,436,454	\$ 3,825,000	3,250,000
	<u>1,015,000</u>	<u>925,000</u>	<u>825,000</u>	<u>695,000</u>	<u>545,000</u>
	6,653,744	5,919,475	5,261,454	4,520,000	3,795,000
	<u>6,604,112</u>	<u>6,178,439</u>	<u>5,805,463</u>	<u>5,423,665</u>	<u>5,030,520</u>
	13,257,856	12,097,914	11,066,917	9,943,665	8,825,520
	524,179,820	488,650,310	465,101,570	454,037,820	463,919,680
	2.53%	2.48%	2.38%	2.19%	1.90%
	15,531	14,970	15,067	15,067	15,187
	\$ 854	\$ 808	\$ 735	\$ 660	\$ 581

City of Berkley, Michigan

Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

Fiscal Year	Water Fund	Less	Net Revenue	Water and Sewer Debt Service			Coverage
	Operating Revenue (I)	Operating Expenses		Principal	Interest	Total	
2004	\$ 3,965,070	\$2,921,021	\$ 1,044,049	\$ 57,626	\$ 153,972	\$ 211,598	4.93
2005	3,781,680	3,166,605	615,075	285,291	218,573	503,864	1.22
2006	3,990,896	2,942,099	1,048,797	307,334	206,476	513,810	2.04
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	4,357,057	1,205,701	393,145	146,762	539,907	2.23

Source: City of Berkley finance department

(I) 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		Total General Obligation Debt	Taxable Value	Total Debt as a Percentage of		Total Debt per Capita
		City				Taxable Value	Population	
2004	\$ 1,415,000	\$ 7,423,574	\$ 8,838,574	\$ 455,551,255	1.940%	15,531	\$ 569.09	
2005	775,000	7,138,283	7,913,283	478,831,950	1.653%	15,531	509.52	
2006	6,375,000	6,830,949	13,205,949	506,828,310	2.606%	15,531	850.30	
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	5,030,520	8,280,520	463,919,680	1.785%	15,187	545.24	

Source: SEMCOG
Tax value - Oakland County Equalization

City of Berkley, Michigan

Debt Capacity Information Direct and Overlapping Governmental Activities Debt June 30, 2013

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Berkley School District	\$ 17,985,000	51.44%	\$ 9,251,484
Royal Oak School District	59,170,000	0.47%	278,099
Oakland County	119,779,697	0.92%	1,101,974
Oakland County Intermediate School District	56,670,000	0.92%	521,364
Oakland County Community College	3,765,000	0.93%	35,015
Total overlapping debt			11,187,936
Direct city debt			3,795,000
Total direct and overlapping debt			<u>\$ 14,982,936</u>

Source: Percentages obtained from Municipal Advisory Council of Michigan

City of Berkley, Michigan

	2004	2005	2006	2007	2008
Calculation of Debt Limit					
State equalized valuation (SEV)	\$ 623,613,490	\$ 655,917,750	\$ 682,636,910	\$ 694,893,290	\$ 658,680,808
Debt limit (10% of SEV)	62,361,349	65,591,775	68,263,691	69,489,329	65,868,081
Calculation of Debt Subject to Limit					
Total debt (1)	10,781,240	9,767,324	14,961,365	14,146,279	13,663,776
Less Debt Not Subject to Limit:					
State qualified debt issuance	-	-	-	-	-
Net debt subject to limit	<u>10,781,240</u>	<u>9,767,324</u>	<u>14,961,365</u>	<u>14,146,279</u>	<u>13,663,776</u>
Legal debt margin	<u>\$ 51,580,109</u>	<u>\$ 55,824,451</u>	<u>\$ 53,302,326</u>	<u>\$ 55,343,050</u>	<u>\$ 52,204,305</u>
Net debt subject to limit as percentage of debt limit	17.29%	14.89%	21.92%	20.36%	20.74%

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**

2009	2010	2011	2012	2013
\$ 595,450,680	\$ 524,003,230	\$ 480,072,565	\$ 460,925,460	\$ 473,399,655
59,545,068	52,400,323	48,007,257	46,092,546	47,339,966
13,257,856	12,097,914	11,066,917	9,943,665	8,825,520
-	-	-	-	-
<u>13,257,856</u>	<u>12,097,914</u>	<u>11,066,917</u>	<u>9,943,665</u>	<u>8,825,520</u>
<u>\$ 46,287,212</u>	<u>\$ 40,302,409</u>	<u>\$ 36,940,340</u>	<u>\$ 36,148,881</u>	<u>\$ 38,514,446</u>
22.27%	23.09%	23.05%	21.57%	18.64%

City of Berkley, Michigan

	2004	2005	2006	2007	2008
Calculation of Debt Limit					
Taxable value (TV)	\$ 455,551,255	\$ 478,831,950	\$ 506,828,310	\$ 532,414,600	\$534,407,938
Debt limit (1.25% of TV)	5,694,391	5,985,399	6,335,354	6,655,183	6,680,099
Calculation of Debt Subject to Limit					
Total debt	1,557,666	1,499,041	1,430,416	1,499,065	1,588,933
Less Debt Not Subject to Limit:					
State qualified debt issuance	-	-	-	-	-
Net debt subject to limit	<u>1,557,666</u>	<u>1,499,041</u>	<u>1,430,416</u>	<u>1,499,065</u>	<u>1,588,933</u>
Legal debt margin	<u>\$ 4,136,725</u>	<u>\$ 4,486,358</u>	<u>\$ 4,904,938</u>	<u>\$ 5,156,118</u>	<u>\$ 5,091,166</u>
Net debt subject to limit as % of debt limit	27.35%	25.04%	22.58%	22.52%	23.79%

Sources: City annual financial statements

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

2009	2010	2011	2012	2013
\$524,179,820	\$488,650,310	\$465,101,570	\$454,037,820	\$463,919,680
6,552,248	6,108,129	5,813,770	5,675,473	5,798,996
1,403,744	1,094,475	911,454	695,000	545,000
-	-	-	-	-
<u>1,403,744</u>	<u>1,094,475</u>	<u>911,454</u>	<u>695,000</u>	<u>545,000</u>
<u>\$ 5,148,504</u>	<u>\$ 5,013,654</u>	<u>\$ 4,902,316</u>	<u>\$ 4,980,473</u>	<u>\$ 5,253,996</u>
21.42%	17.92%	15.68%	12.25%	9.40%

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
2004	15,531	\$ 63,115	*	*
2005	15,531	64,093	*	6.1%
2006	15,531	64,984	*	6.1%
2007	15,531	64,758	*	6.6%
2008	15,531	66,094	*	7.2%
2009	15,531	67,475	*	13.8%
2010	14,970	65,548	\$ 33,865	12.7%
2011	15,067	62,597	33,067	11.0%
2012	15,123	62,597	*	9.6%
2013	15,187	*	*	9.0%

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	2013 Rank	Percentage of		Number of Employees	2006 Rank	Percentage of	
			Total City Employment				Total City Employment	
Berkley School District	567	1	15.03%		652	1	15.34%	
Vinsetta Garage	132	2	3.50%		-	-	- %	
SHW Group	102	3	2.70%		-	-	- %	
Westborn Market	100	4	2.65%		93	2	2.19%	
City of Berkley	69	5	1.83%		90	3	2.12%	
Crispelli's	57	6	1.51%		-	-	- %	
The Doll Hospital & Toy Soldier Shop	50	7	1.33%		-	-	- %	
O'Mara Restaurant	33	8	0.87%		32	9	0.75%	
Durst Lumber & Ace Hardware	27	9	0.72%		-	-	- %	
Sila's Pizzeria	25	10	0.66%		36	8	0.85%	
NorthPointe Heart Center	25	10	0.66%		80	4	1.88%	
Farina's Banquet Center	25	10	0.66%		-	-	- %	
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	1,212				1,149			
Total of all employees	3,773				4,251			

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 (1)

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Manager	2.00	2.00	2.00	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	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75
Elections	1.00	1.00	1.00	1.24	1.24	-	-	-	-	-
City Clerk/Elections (2)	-	-	-	-	-	1.90	1.60	1.60	1.60	1.60
City Clerk/Treasury	2.00	2.00	2.00	1.29	1.29	-	-	-	-	-
Treasury	-	-	-	-	-	1.00	1.25	1.05	1.05	1.05
Finance	3.00	3.00	3.00	2.07	2.07	1.65	1.30	1.30	1.30	1.15
Public Safety	36.00	36.00	34.00	34.00	34.00	34.00	34.00	34.00	33.00	34.00
Building	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.95	0.95	0.95
Public Works (3)	11.00	11.00	11.00	6.85	6.94	6.77	6.68	6.22	6.15	5.98
Public Works Garage	1.00	1.00	1.00	0.56	0.57	0.57	0.46	0.15	0.15	0.52
Solid Waste	-	-	-	1.68	1.37	1.62	2.15	2.29	2.28	2.21
Water and Sewer	-	-	-	6.71	6.22	5.82	7.11	7.12	7.23	7.23
Parks and Recreation	4.00	4.00	4.00	4.95	4.95	4.95	4.45	3.45	3.45	3.70
Arena	-	-	-	2.05	1.05	1.05	1.55	1.55	1.55	1.30
Library	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.95	2.95	2.95
Court	-	-	-	9.00	9.00	8.00	7.00	8.00	6.00	6.00
Total	66.00	67.00	65.00	79.00	77.05	75.68	75.90	73.98	71.01	71.99

Source: Finance department budget record

(1) Prior to 2007 - Full-time employees were only tracked for the General Fund

(2) 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.

(3) Public works includes Major and Local Streets

City of Berkley, Michigan

Program Function	2004	2005	2006	2007	2008
General Government					
Registered Voters	11,884	11,884	11,955	11,916	11,682
Voters at Polls	1,779	7,469	2,978	5,726	3,019
Absentee Ballots	774	2,025	1,103	1,560	1,144
Percent Voting	21.48%	79.89%	34.14%	61.14%	35.64%
Public Safety					
Responses to Calls for Service	*	*	*	10,185	11,524
Motor Vehicle Accidents	*	*	*	455	487
Assaults	*	*	*	69	64
Burglary	*	*	*	41	26
Property Damage	*	*	*	60	57
Number of Arrests	*	*	*	699	527
Fire:					
Fire Incidents (1)	*	*	*	238	228
Fire Inspections Conducted	*	*	*	143	142
Medical Emergencies	*	*	*	783	777
Parks and Recreation					
Youth Classes	*	*	*	60	70
Adult Classes	*	*	*	28	55
Youth Leagues	*	*	*	1	-
Adult Leagues	*	*	*	9	7
Summer Day Camp Participants	109	124	124	139	139
Senior Citizens Programs	*	*	*	8	10
Ice Arena:					
Number of Skaters Enrolled	*	*	*	*	*
Hours of Ice Time Sold	*	*	*	*	*
Public Works					
Water Purchased from Detroit	65,694,200	62,090,700	58,705,700	56,860,400	55,389,600
Water Sold to Customers	63,003,500	57,326,120	60,792,300	55,998,600	57,048,000
Number of Meters	6,731	6,731	6,795	6,805	6,800
Library					
Items Circulated	152,316	166,772	195,852	163,622	168,065
Circulation per Capita	10	11	13	11	11
Reference and Patron Assistance	12,371	13,292	14,558	13,446	13,211
Electronic Access	-	-	-	-	-
Registered Borrowers	8,542	9,559	8,331	8,292	8,220
Materials Borrowed - Non-Residents	64,933	74,720	99,652	62,338	63,058
Materials Borrowed - Berkley Residents at Other Libraries	19,800	24,025	28,016	26,699	33,907
Number of Participants in Activities	2,109	2,762	3,776	3,680	4,380
Public Internet Sessions	20,687	17,826	18,899	22,437	33,690
Books Borrowed	118,290	130,050	152,006	126,012	132,783
Audio/Video/CD Borrowed	34,026	36,722	43,846	37,610	35,282
Treasury					
Summer Tax Bills Processed	*	4,469	4,383	4,180	4,074

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

2009	2010	2011	2012	2013
12,108	11,815	11,942	12,016	12,191
6,852	3,509	4,979	1,077	6,846
2,633	908	1,395	729	2,373
78.34%	37.38%	53.37%	15.03%	76.00%
15,193	14,790	15,924	16,489	15,017
500	405	454	412	367
65	68	60	73	42
34	23	39	30	26
61	45	54	49	43
790	784	824	857	849
179	124	178	68	99
148	156	134	172	182
857	799	842	823	766
77	72	77	112	90
55	92	87	82	78
-	-	-	-	-
6	7	6	7	6
120	120	132	144	152
12	16	19	20	23
85	75	75	65	56
2,250	2,370	2,190	2,130	1,880
57,035,900	55,648,500	56,527,800	58,265,600	50,361,900
53,083,500	51,444,500	50,941,500	50,911,300	51,600,700
6,800	6,809	6,809	6,865	6,818
170,632	170,303	161,203	166,522	156,691
11	11	11	11	10
12,970	14,258	14,058	14,159	12,779
789	699	2,138	4,238	5,660
7,909	8,033	8,081	8,109	8,063
60,569	56,766	54,496	54,827	48,653
42,828	31,810	28,590	25,848	25,053
4,253	4,319	3,198	3,988	4,017
35,145	34,318	32,250	30,719	31,231
135,250	136,329	130,113	136,452	128,686
35,382	33,974	31,090	3,070	28,005
3,961	3,974	3,881	3,888	3,858

City of Berkley, Michigan

Operating Information Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000
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	17	17	14	16	14	14	16	16	16	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	16
Local Streets (miles)	35.95	35.95	35.95	35.95	35.95	35.95	35.95	35.95	35.95	36
Street Lights	716	716	716	716	716	716	718	718	750	750
Vehicles in City Fleet	49	49	41	42	45	42	45	39	41	41
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	39	39
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