

# **City of Berkley, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# City of Berkley, Michigan

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# City of Berkley, Michigan

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## Independent Auditor's Report

To the City Council  
City of Berkley, Michigan

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 as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Berkley, Michigan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Berkley, Michigan

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 accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 6, 2008

# City of Berkley, Michigan

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## 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, 2008. 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, 2008:

- Constitutional and statutory state-shared revenue, a significant revenue source, was reduced slightly by the State of Michigan by approximately \$7,650 this year due to a declining state economy. The City reacted by carefully monitoring expenditures.
- Total net assets related to the City's governmental activities increased by approximately \$1,741,000. A majority of this increase is attributable to the 2006 road rehabilitation program going on throughout the City. The unrestricted portion of government activities net assets increased by approximately \$2,200,000.
- In May 2006, the City issued \$5,975,000 of road bonds. These bonds were utilized to rehabilitate major and local streets throughout the City. Those roads receiving bond proceeds for rehabilitation include Twelve Mile, Eleven Mile, Coolidge Hwy., Webster Road, Catalpa, and various local streets. Work is nearly complete as of June 30, 2008 with \$5,750,000 of bond proceeds being spent on these roads. Funds spent on this project, from all revenue sources, from project inception through June 30, 2008 totaled \$7,517,000.
- Eleven Mile Road reconstruction started in May 2006. Preliminary engineering road work started immediately in May 2006 with actual construction starting in May 2007. The City of Berkley has prepaid or incurred \$1,493,000 of water/sewer additions and \$2,245,000 of road bond proceeds through June 30, 2008 for this project. This is a joint venture project with the City of Huntington Woods, Oak Park, and the Southeastern Oakland County Water Authority (SOCWA).
- To reduce the infiltration of ground water into the sewer collection system and re-establish the structural integrity of the sewer mains, the City continued the sewer lining upgrade program. The City invested and capitalized just over \$394,000 in the sewer lining program.
- The City also continued the water meter replacement program, replacing 48 meters in the year ended June 30, 2008.
- The City continues to provide an employee training program to enable Water Department employees to obtain Michigan Department of Environmental Quality, Water Distribution System certifications, as required by federal and state regulations.

# City of Berkley, Michigan

## Management's Discussion and Analysis (Continued)

- The City invested in the operations of the Department of Public Works by replacing the gas pumps at the Public Works facility and purchasing a new shop hoist in the mechanic garage to allow the City mechanic to expand services on City vehicles. The total investment was approximately \$14,500.
- The City rehabilitated Lazenby Field ball diamond lights. The total cost was approximately \$87,700. The City also rehabilitated the Oxford Towers Park tennis courts. The total cost was approximately \$60,500.
- The City also made a capital investment in the City Ice Arena and Community Center. The City replaced one boiler and invested in the compressors for the ice surfaces. The total investment was approximately \$41,000. The Community Center received new carpeting and siding for a total additional investment of \$7,400.
- Overall, circulation increased 2.7 percent at the library in the year ended June 30, 2008. City of Berkley circulation also increased by 3.6 percent for the fiscal year when analyzing only the City of Berkley usage of the library. Internet access has become an increasingly popular service at the library. The library has seen internet sessions grow from 22,400 sessions in fiscal year 2006/2007 to 33,700 sessions in 2007/2008. This is a 50 percent increase in internet sessions for fiscal year 2007/2008.
- The City again invested in the library collection. The Library purchased \$71,500 in new reading and rental materials.
- The Planning Commission and the City Council approved an updated capital improvements program for the time period of fiscal year 2007/2008 through 2013/2014. The total amount of the program is approximately \$15,502,000.
- The City Council approved an updated capital equipment program for the time period of fiscal year 2007/2008 through 2013/2014. The total amount of the program is approximately \$2,790,000.
- The City determined in March 2007 that its GASB 45 other postemployment benefit (OPEB) net unfunded liability is estimated to be \$21,707,000 over the next 30 years. The estimated normal first-year cost is \$1,179,150 and the estimated unfunded accrued liability is \$905,100 for a total estimated OPEB first-year liability cost of \$2,084,250, based on a June 30, 2006 actuarial valuation. The City designated General Fund and Water/Sewer Fund unrestricted fund balance at the end of fiscal year 2007/2008 in order to pay the \$905,100 liability in fiscal year 2008/2009.

# City of Berkley, Michigan

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## Management's Discussion and Analysis (Continued)

- The City negotiated two Public Act 99 financing arrangements for the purchase of fire truck and telecommunications equipment in November 2006 and May 2007, respectively. The total borrowing for the new fire truck was \$352,867 and the telecommunications equipment was \$51,100. The final installment of loan proceeds for the fire truck was received by the City in fiscal year 2007/2008 in the amount of \$251,694 when the fire truck was delivered in August 2008. The City received and recognized \$101,173 of the fire truck loan in fiscal year 2006/2007 when the Fire Truck was being built. The City also installed the telecommunications equipment in July 2008 and recognized those loan proceeds in fiscal year 2006/2007.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Berkley 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 assets as of June 30, 2008 and 2007 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 11.0	\$ 10.8	\$ 2.3	\$ 2.7	\$ 13.3	\$ 13.5
Noncurrent assets	12.7	11.1	13.4	12.2	26.1	23.3
<b>Total assets</b>	<b>23.7</b>	<b>21.9</b>	<b>15.7</b>	<b>14.9</b>	<b>39.4</b>	<b>36.8</b>
Current liabilities	2.5	1.9	1.0	0.8	3.5	2.7
Long-term liabilities	7.1	7.6	6.1	6.4	13.2	14.0
<b>Total liabilities</b>	<b>9.6</b>	<b>9.5</b>	<b>7.1</b>	<b>7.2</b>	<b>16.7</b>	<b>16.7</b>
Net assets:						
Invested in capital assets -						
Net of related debt	6.2	5.5	6.6	5.2	12.8	10.7
Restricted	4.1	5.3	-	-	4.1	5.3
Unrestricted	3.8	1.6	2.0	2.5	5.8	4.1
<b>Total net assets (as restated)</b>	<b>\$ 14.1</b>	<b>\$ 12.4</b>	<b>\$ 8.6</b>	<b>\$ 7.7</b>	<b>\$ 22.7</b>	<b>\$ 20.1</b>

The City of Berkley's combined net assets increased just over 12.9 percent from a year ago - increasing from \$20.1 million to \$22.7 million. Unrestricted net assets of the governmental activities and the business-type activities, the part of net assets used to finance day-to-day operations, increased approximately 41 percent from June 30, 2007.

In reviewing the City's net assets of business-type activities, the net assets invested in capital assets, net of related debt, increased approximately 26 percent due to the addition of new business assets in the current year net of depreciation expense. Specifically, the new assets acquired consist of the City-wide sewer relining program, in which the City invested and capitalized just over \$394,000 worth of sewer relining work. The Eleven Mile Road construction investment amounts to \$595,000 for fiscal year 2007/2008. The Department of Public Works also performed \$40,000 worth of work for various meter and hydrant replacements. The City and Downtown Development Authority authorized \$237,000 in rehabilitation work at 12 Mile and Coolidge. The City also participated in new storm and drain work in the amount of \$114,000 as reflected in the new debt series issued by the Oakland County Drain Commissioner on behalf of the City of Berkley and other local municipalities. The ice arena as mentioned earlier performed \$41,000 in infrastructure repairs at the arena.

Management is still accelerating payments due from ice arena customers and shortening the skating season at the ice arena to keep expenditures down and cash flows current. The ice arena manager and the figure skating coordinator remain independent contractors to keep fringe benefit costs down. This allows the City to keep operating transfers from other operating funds to the ice arena to a minimum.

# City of Berkley, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the years ended June 30, 2008 and 2007 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 2.7	\$ 2.5	4.7	\$ 4.6	\$ 7.4	\$ 7.1
Operating grants and contributions	1.2	1.1	-	-	1.2	1.1
Capital grants and contributions	0.1	0.9	-	-	0.1	0.9
General revenue:						
Property taxes	7.1	6.8	-	-	7.1	6.8
State-shared revenue	1.4	1.4	-	-	1.4	1.4
Unrestricted investment earnings	0.6	0.7	-	0.1	0.6	0.8
Franchise fees	0.2	0.2	-	-	0.2	0.2
Transfers and other revenue	0.3	(0.1)	-	0.7	0.3	0.6
Total revenue	13.6	13.5	4.7	5.4	18.3	18.9
<b>Program Expenses</b>						
General government	2.5	2.4	-	-	2.5	2.4
Public safety	4.4	4.2	-	-	4.4	4.2
Public works	2.8	2.8	-	-	2.8	2.8
Health and welfare	0.2	0.2	-	-	0.2	0.2
Recreation and culture	1.7	1.6	-	-	1.7	1.6
Interest on long-term debt	0.3	0.3	-	-	0.3	0.3
Water and sewer	-	-	3.4	3.6	3.4	3.6
Arena	-	-	0.4	0.5	0.4	0.5
Total program expenses	11.9	11.5	3.8	4.1	15.7	15.6
<b>Change in Net Assets</b>	<b>\$ 1.7</b>	<b>\$ 2.0</b>	<b>\$ 0.9</b>	<b>\$ 1.3</b>	<b>\$ 2.6</b>	<b>\$ 3.3</b>

# **City of Berkley, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Overall, the net assets for governmental activities increased by \$1,700,000 in fiscal year 2008 over fiscal year 2007 due to the economic effects described below:

The City of Berkley's total governmental revenues increased by approximately \$100,000 in the year ended June 30, 2008. The revenue increase of less than 1 percent was primarily due to the normal property tax growth and capital grants received.

Public safety expenses account for over 36 percent of the total expenses of the governmental activities. The general government is 21 percent and public works is 24 percent of total governmental expenditures.

In total, government activities expenses increased by approximately \$300,000 from the prior year. This increase in expenditures is directly related to an increase in infrastructure investment and the overall annual cost of living increase given at the beginning of the fiscal year.

### **Business-type Activities**

The City of Berkley's business-type activities include water and sewer and arena. We provide water and sewer services to residents through contacts or consortiums with the Detroit Water and Sewerage Department. Total net assets of the business-type activities increased approximately \$800,000 in the fiscal year. This is primarily a result of expenditure reduction within the City's Water and Sewer Fund and ice arena budget.

### **The City of Berkley's Funds**

The City of Berkley's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages.

The City of Berkley's major funds for the year ended June 30, 2008 include the General Fund, the Major and Local Streets Funds, and the Eleven Mile Road Project Fund.

The General Fund pays for most of the City of Berkley's governmental services. The most significant are police and fire, which incurred expenses of approximately \$4,100,000. These services are partially supported by a special public safety millage, which is recorded in the General Fund. During the current year, expenditures recorded in the General Fund directly related to the public safety millage amounted to approximately \$854,000. The remaining cost of the police and fire protection is funded by other general revenue sources of the General Fund.

# **City of Berkley, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Over the course of the year, the City of Berkley amended the General Fund budget to take into account events during the year. The most significant change was to appropriate for water main work at 12 Mile and Coolidge and to appropriate for the beginning of the 12 Mile and Coolidge Intersection work. Appropriations were increased by \$235,700 and \$60,000, respectively.

### **Capital Asset and Debt Administration**

At the end of 2008, the City of Berkley had \$25,500,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City of Berkley has invested significantly in roads within the City of Berkley. Additions to capital assets include the construction in progress on various major and local streets throughout the city, 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.

The City will continue its road improvement project by completing the Eleven Mile Road project and the 12 Mile and Coolidge Intersection in fiscal year 2008/2009.

### **Economic Factors and Next Year's Budgets and Rates**

The City will continue to face difficulty maintaining a balanced budget due to inherent limitations on its primary sources of revenue. Two major sources of unrestricted revenue for the City are property taxes from operating millages and state-shared revenue, both of which are subject to limitations that will prevent them from increasing by much more than the rate of inflation for at least the foreseeable future. On the other hand, expenses are expected to increase by more than inflation in many areas such as health insurance, current retiree benefits, energy costs, and the potential funding of future retiree healthcare liabilities. Through the use of long-term planning, the City will continue to evaluate and monitor its budget. Adjustments will be made to address changes in economic conditions and other events.

### **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 of Berkley's finances and to show the City of Berkley'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 finance director/treasurer office or the City manager.

# City of Berkley, Michigan

## Statement of Net Assets June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 8,861,211	\$ 762,470	\$ 9,623,681	\$ 485,208
Receivables:				
Taxes	87,533	-	87,533	15,462
Customers	81,313	1,871,302	1,952,615	-
Other governmental units	712,464	-	712,464	-
Inventories	27,497	-	27,497	-
Prepaid costs	149,722	-	149,722	-
Internal balances (Note 5)	329,077	(329,077)	-	-
Restricted assets (Note 7)	722,385	-	722,385	-
Deposits	-	629,850	629,850	-
Capital assets (Note 4):				
Nondepreciable	1,338,848	13,795	1,352,643	-
Depreciable - Net	11,401,611	12,752,507	24,154,118	-
Total assets	23,711,661	15,700,847	39,412,508	500,670
<b>Liabilities</b>				
Accounts payable	1,184,232	518,310	1,702,542	9,270
Accrued and other liabilities	302,127	57,468	359,595	-
Noncurrent liabilities (Note 6):				
Due within one year	950,944	382,320	1,333,264	-
Due in more than one year	7,133,272	6,112,449	13,245,721	-
Total liabilities	9,570,575	7,070,547	16,641,122	9,270
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	6,248,911	6,617,232	12,866,143	-
Restricted:				
Construction	3,510,401	-	3,510,401	-
Public safety	71,447	-	71,447	-
Community development and promotion	3,265	-	3,265	-
Sanitation	493,877	-	493,877	-
Recreation	15,653	-	15,653	-
Unrestricted	3,797,532	2,013,068	5,810,600	491,400
Total net assets	<u>\$ 14,141,086</u>	<u>\$ 8,630,300</u>	<u>\$ 22,771,386</u>	<u>\$ 491,400</u>

# City of Berkley, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,485,624	\$ 1,595,878	\$ 102,923	\$ -
Public safety	4,319,548	288,838	29,081	-
Public works	2,805,318	364,457	932,083	65,353
Health and welfare	233,320	-	35,361	-
Recreation and culture	1,720,748	478,080	68,650	5,487
Interest on long-term debt	304,824	-	-	-
Total governmental activities	11,869,382	2,727,253	1,168,098	70,840
Business-type activities:				
Water and sewer	3,404,673	4,219,273	-	-
Arena	457,502	445,109	-	-
Total business-type activities	3,862,175	4,664,382	-	-
Total primary government	<u>\$ 15,731,557</u>	<u>\$ 7,391,635</u>	<u>\$ 1,168,098</u>	<u>\$ 70,840</u>
Component unit - Downtown Development Authority	<u>\$ 158,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2008**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (786,823)	\$ -	\$ (786,823)	\$ -
(4,001,629)	-	(4,001,629)	-
(1,443,425)	-	(1,443,425)	-
(197,959)	-	(197,959)	-
(1,168,531)	-	(1,168,531)	-
(304,824)	-	(304,824)	-
(7,903,191)	-	(7,903,191)	-
-	814,600	814,600	-
-	(12,393)	(12,393)	-
-	802,207	802,207	-
(7,903,191)	802,207	(7,100,984)	-
-	-	-	(158,146)
7,081,734	-	7,081,734	247,790
1,418,217	-	1,418,217	-
584,484	43,708	628,192	24,417
247,107	-	247,107	-
313,384	-	313,384	2,202
9,644,926	43,708	9,688,634	274,409
1,741,735	845,915	2,587,650	116,263
12,399,351	7,784,385	20,183,736	375,137
<b>\$ 14,141,086</b>	<b>\$ 8,630,300</b>	<b>\$ 22,771,386</b>	<b>\$ 491,400</b>

# City of Berkley, Michigan

## Governmental Funds Balance Sheet June 30, 2008

	Major Special Revenue Funds			Major Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Eleven Mile Road Project		
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 3,372,270	\$ 1,265,622	\$ 873,762	\$ 650,806	\$ 1,828,468	\$ 7,990,928
Receivables:						
Due from other funds (Note 5)	-	-	-	-	3,946	3,946
Taxes	55,347	-	-	-	32,186	87,533
Customers	21,957	-	-	-	59,356	81,313
Other governmental units	504,365	100,415	38,182	-	69,502	712,464
Prepaid costs	148,922	-	-	-	800	149,722
Inventories	27,497	-	-	-	-	27,497
Interfund advances receivable (Note 5)	117,339	-	-	-	211,738	329,077
Restricted assets (Note 7)	-	-	-	722,385	-	722,385
<b>Total assets</b>	<b>\$ 4,247,697</b>	<b>\$ 1,366,037</b>	<b>\$ 911,944</b>	<b>\$ 1,373,191</b>	<b>\$ 2,205,996</b>	<b>\$ 10,104,865</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 174,519	\$ 18,192	\$ 17,574	\$ 852,637	\$ 121,310	\$ 1,184,232
Accrued and other liabilities	204,918	4,172	-	-	8,576	217,666
Due to other funds (Note 5)	3,946	-	-	-	-	3,946
Due to other governmental units	7,661	-	-	-	-	7,661
Deferred revenue (Note 1)	88,443	-	-	-	116,713	205,156
<b>Total liabilities</b>	<b>479,487</b>	<b>22,364</b>	<b>17,574</b>	<b>852,637</b>	<b>246,599</b>	<b>1,618,661</b>
<b>Fund Balances</b>						
Reserved for:						
Inventory and prepaid items	176,419	-	-	-	-	176,419
Library	15,653	-	-	-	-	15,653
Public safety	34,316	-	-	-	-	34,316
Community promotion	4,910	-	-	-	-	4,910
Long-term advances receivable	117,339	-	-	-	211,738	329,077
Unreserved and designated for:						
Fire truck	194,944	-	-	-	-	194,944
School land purchase	110,000	-	-	-	-	110,000
Parking lot improvements	127,000	-	-	-	-	127,000
Land purchase	138,000	-	-	-	-	138,000
Postemployment benefits contribution	905,000	-	-	-	-	905,000
Cable	59,695	-	-	-	-	59,695
Unreserved and undesignated, reported in:						
General Fund	1,884,934	-	-	-	-	1,884,934
Special Revenue Funds	-	1,343,673	894,370	-	1,188,447	3,426,490
Debt Service Funds	-	-	-	-	40,886	40,886
Capital Projects Funds	-	-	-	520,554	518,326	1,038,880
<b>Total fund balances</b>	<b>3,768,210</b>	<b>1,343,673</b>	<b>894,370</b>	<b>520,554</b>	<b>1,959,397</b>	<b>8,486,204</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,247,697</b>	<b>\$ 1,366,037</b>	<b>\$ 911,944</b>	<b>\$ 1,373,191</b>	<b>\$ 2,205,996</b>	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	12,740,459
Revenue related to receivables is recorded in the statement of net assets at the time it is earned without regard to timeliness of collection	205,156
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(7,213,933)
Accrued interest payable is not recorded in the funds	(76,800)
<b>Net assets of governmental activities</b>	<b>\$ 14,141,086</b>

# City of Berkley, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	Major Special Revenue Funds			Major Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Eleven Mile Road Project		
<b>Revenue</b>						
Property taxes	\$ 5,493,616	\$ -	\$ -	\$ -	\$ 1,588,118	\$ 7,081,734
Licenses and permits	252,136	-	-	-	-	252,136
Charges for services	435,539	8,929	-	-	748,020	1,192,488
Federal grants	7,187	-	-	-	44,134	51,321
State-shared revenues and grants	1,475,416	658,170	232,330	-	21,785	2,387,701
Local grants and contributions	-	-	-	39,296	26,057	65,353
Fines and forfeitures	1,117,953	-	-	-	54,749	1,172,702
Investment earnings	272,116	61,911	38,863	72,314	95,329	540,533
Special assessment	33,977	-	-	-	-	33,977
Franchise fees	247,107	-	-	-	-	247,107
Other	512,820	20,215	323	-	351,478	884,836
<b>Total revenue</b>	<b>9,847,867</b>	<b>749,225</b>	<b>271,516</b>	<b>111,610</b>	<b>2,929,670</b>	<b>13,909,888</b>
<b>Expenditures</b>						
Current:						
General government	2,421,896	11,396	15,251	-	234,296	2,682,839
Public safety	4,188,458	-	-	-	35,334	4,223,792
Public works	472,521	394,986	376,530	-	1,097,135	2,341,172
Health and welfare	63,880	-	-	-	246,564	310,444
Recreation and culture	1,128,571	-	-	-	260,302	1,388,873
Debt service:						
Principal retirement	118,347	-	-	-	400,000	518,347
Interest and other fiscal charges	-	-	-	-	300,144	300,144
Capital outlay	829,209	-	-	1,637,251	182,309	2,648,769
<b>Total expenditures</b>	<b>9,222,882</b>	<b>406,382</b>	<b>391,781</b>	<b>1,637,251</b>	<b>2,756,084</b>	<b>14,414,380</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>624,985</b>	<b>342,843</b>	<b>(120,265)</b>	<b>(1,525,641)</b>	<b>173,586</b>	<b>(504,492)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from long-term debt	251,694	-	-	-	-	251,694
Transfers in (Note 5)	16,053	-	154,251	-	80,895	251,199
Transfers out (Note 5)	(80,895)	(154,251)	-	-	(16,053)	(251,199)
<b>Total other financing sources (uses)</b>	<b>186,852</b>	<b>(154,251)</b>	<b>154,251</b>	<b>-</b>	<b>64,842</b>	<b>251,694</b>
<b>Net Change in Fund Balances</b>	<b>811,837</b>	<b>188,592</b>	<b>33,986</b>	<b>(1,525,641)</b>	<b>238,428</b>	<b>(252,798)</b>
<b>Fund Balances - Beginning of year</b>	<b>2,956,373</b>	<b>1,155,081</b>	<b>860,384</b>	<b>2,046,195</b>	<b>1,720,969</b>	<b>8,739,002</b>
<b>Fund Balances - End of year</b>	<b>\$ 3,768,210</b>	<b>\$ 1,343,673</b>	<b>\$ 894,370</b>	<b>\$ 520,554</b>	<b>\$ 1,959,397</b>	<b>\$ 8,486,204</b>

# City of Berkley, Michigan

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## 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, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (252,798)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay expenditures	2,566,814
Loss on disposal of assets	(96,073)
Depreciation expense	(735,049)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(3,132)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	511,826
Proceeds from long-term debt are recorded as other financing sources in the governmental funds, but not in the statement of activities (where they increase long-term debt)	(251,694)
Accrued interest is recorded on debt when incurred in the statement of activities	1,841
Internal Service Funds are also included as governmental activities	-
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 1,741,735</u></b>

# City of Berkley, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 760,987	\$ 1,483	\$ 762,470	\$ 870,283
Receivables - Customers	1,828,966	42,336	1,871,302	-
Total current assets	2,589,953	43,819	2,633,772	870,283
Noncurrent assets:				
Deposits	629,850	-	629,850	-
Capital assets (Note 4):				
Nondepreciable	13,795	-	13,795	-
Depreciable - Net	12,369,602	382,905	12,752,507	-
Total capital assets	12,383,397	382,905	12,766,302	-
Total noncurrent assets	13,013,247	382,905	13,396,152	-
Total assets	15,603,200	426,724	16,029,924	870,283
<b>Liabilities</b>				
Current liabilities:				
Current portion of compensated absences (Note 6)	44,926	-	44,926	390,755
Current portion of long-term debt (Note 6)	337,394	-	337,394	-
Accounts payable	518,155	155	518,310	-
Accrued and other liabilities	56,373	1,095	57,468	-
Total current liabilities	956,848	1,250	958,098	390,755
Noncurrent liabilities:				
Advances payable to other funds (Note 5)	-	329,077	329,077	-
Long-term debt - Net of current portion (Note 6)	6,112,449	-	6,112,449	-
Compensated absences (Note 6)	-	-	-	479,528
Total noncurrent liabilities	6,112,449	329,077	6,441,526	479,528
Total liabilities	7,069,297	330,327	7,399,624	870,283
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	6,563,404	53,828	6,617,232	-
Unrestricted	1,970,499	42,569	2,013,068	-
Total net assets	\$ 8,533,903	\$ 96,397	\$ 8,630,300	\$ -

# City of Berkley, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
<b>Operating Revenue</b>				
Charges for services	\$ 4,086,755	\$ 435,330	\$ 4,522,085	\$ 52,708
Property and equipment rental	24,808	-	24,808	-
Miscellaneous	107,710	9,779	117,489	-
Total operating revenue	4,219,273	445,109	4,664,382	52,708
<b>Operating Expenses</b>				
Arena operations	-	385,657	385,657	-
Water and sewer operations	2,980,285	-	2,980,285	-
Compensated absences	-	-	-	96,567
Depreciation	255,278	54,554	309,832	-
Total operating expenses	3,235,563	440,211	3,675,774	96,567
<b>Operating Income (Loss)</b>	983,710	4,898	988,608	(43,859)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	43,247	461	43,708	43,859
Interest expense	(169,110)	(17,291)	(186,401)	-
<b>Change in Net Assets</b>	857,847	(11,932)	845,915	-
<b>Net Assets - Beginning of year</b>	7,676,056	108,329	7,784,385	-
<b>Net Assets - End of year</b>	<u>\$ 8,533,903</u>	<u>\$ 96,397</u>	<u>\$ 8,630,300</u>	<u>\$ -</u>

# City of Berkley, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 4,232,683	\$ 436,749	\$ 4,669,432	\$ 52,708
Payments to suppliers	(2,335,744)	(286,039)	(2,621,783)	
Payments to employees	(409,842)	(99,754)	(509,596)	(215,225)
Net cash provided by (used in) operating activities	1,487,097	50,956	1,538,053	(162,517)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(1,358,027)	(57,663)	(1,415,690)	-
Repayment of capital debt and interest	(504,400)	(17,291)	(521,691)	-
Net cash used in capital and related financing activities	(1,862,427)	(74,954)	(1,937,381)	-
<b>Cash Flows from Noncapital Financing Activities - Cash</b>				
received from other funds	-	9,688	9,688	-
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	43,247	461	43,708	43,859
Loss from sale of capital assets	-	2,636	2,636	-
Net cash provided by investing activities	43,247	3,097	46,344	43,859
<b>Net Decrease in Cash and Cash Equivalents</b>	(332,083)	(11,213)	(387,004)	(118,658)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,093,070	12,696	1,105,766	988,941
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 760,987</u>	<u>\$ 1,483</u>	<u>\$ 762,470</u>	<u>\$ 870,283</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 983,710	\$ 4,898	\$ 988,608	\$ (43,859)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	255,278	54,554	309,832	-
Changes in assets and liabilities:				
Receivables	13,410	(8,360)	5,050	-
Accounts payable	203,596	(154)	203,442	-
Prepaid expenses	51,482	-	51,482	-
Accrued and other liabilities	(20,379)	18	(20,361)	(118,658)
Net cash provided by (used in) operating activities	<u>\$ 1,487,097</u>	<u>\$ 50,956</u>	<u>\$ 1,538,053</u>	<u>\$ (162,517)</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2008, assets totaling \$112,919 were constructed by the County from amounts to be paid by the City in future years.

# City of Berkley, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefits Trust Fund - Public Safety Pension	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,673,148	\$ 274,411
Investments (Note 3):		
Mutual funds	600,118	-
Common and preferred stock	9,981,604	-
Corporate bonds	4,133,163	-
U.S. Treasury bonds	431,271	-
U.S. government agency securities	526,077	-
Accrued interest	37,633	-
	17,383,014	<b>\$ 274,411</b>
<b>Liabilities</b>		
Cash bonds and deposits	-	\$ 196,521
Due to other governmental units	-	77,890
	-	<b>\$ 274,411</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 17,383,014</b>	

# City of Berkley, Michigan

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## Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefits Trust Fund - Public Safety Pension Year Ended June 30, 2008

### Additions

Investment income:	
Interest and dividends	\$ 421,063
Net decrease in fair value of investments	(1,654,554)
Less investment expenses	<u>(158,785)</u>
Net investment income	(1,392,276)
 Contributions:	
Employer	506,423
Employee	<u>4,364</u>
Total additions	(881,489)

### Deductions

Benefit payments	1,094,152
Administrative expenses	<u>43,315</u>
Total deductions	<u>1,137,467</u>

**Net Decrease** (2,018,956)

### Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>19,401,970</u>
End of year	<u><u>\$ 17,383,014</u></u>

## **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'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, 2008.

**Discretely Presented Component Unit** - The Downtown Development 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 mayor and 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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the primary government is financially accountable.

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

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 revenues to be available if they are 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, receivables have been recorded along with a “deferred revenue” liability for property taxes that are collected after the period of availability.

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

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

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

**Eleven Mile Road Project Fund** - The Eleven Mile Road Project Fund accounts for the construction, maintenance, and improvement of Eleven Mile Road. The fund is financed by a general obligation bond.

The City reports the following major Enterprise Funds:

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

**Arena Fund** - The Arena Fund accounts for all activities of the city ice arena.

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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. 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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City of Berkley's policy is to first apply restricted resources.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **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 of Berkley's 2007 tax is levied and collectible on July 1, 2007 and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the City of Berkley totaled \$532,414,600 (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, 0.0939 mills for community promotion, 1.6359 mills for public safety retirement benefits, and 1.1479 mills for debt service. This resulted in approximately \$4,297,000 for operating and public safety, \$989,000 for sanitation, \$49,000 for community promotion, \$854,000 for public safety retirement benefits, and \$599,000 for debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

### **Assets, Liabilities, and Net Assets 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.

**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.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities 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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

Infrastructure	25 to 84 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

**Deferred Revenue** - Deferred revenue is recorded in the governmental funds in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period.

**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 are 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.

**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

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

## **Note 2 - Stewardship, Compliance, and Accountability 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, 2007 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers and proceeds from long-term debt have been included in the revenue and expenditures categories, rather than as other financing sources (uses). 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; 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.

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

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

	<u>Budget</u>	<u>Actual</u>
<b>General Fund</b>		
General government - Insurance	\$ 385,625	\$ 389,018
Public works:		
Operations	219,336	219,845
Street programs	145,000	162,675
Transfers to other funds	45,648	80,895

**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:

Cumulative shortfall - July 1, 2007		\$ (217,390)
Current year building permit revenue		98,519
Related expenses:		
Direct costs	\$ (213,439)	
Estimated indirect costs	<u>(21,344)</u>	<u>(234,783)</u>
Current year shortfall		<u>(136,264)</u>
Cumulative shortfall - June 30, 2008		<u><u>\$ (353,654)</u></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 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 two banks 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 deposits 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 had \$12,868,687 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution 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.

### Note 3 - Deposits and Investments (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of the Public Safety Pension fixed income investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Corporate bonds	\$ 4,133,163	13.06 years
U.S. Treasury bonds	431,271	3.75 years
Government agency securities	526,077	3.14 years

**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 Public Safety Pension debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 461,506	A	Standard & Poor's
Corporate bonds	684,728	A+	Standard & Poor's
Corporate bonds	667,750	A-	Standard & Poor's
Corporate bonds	118,914	AA	Standard & Poor's
Corporate bonds	315,778	AA-	Standard & Poor's
Corporate bonds	120,480	AAA	Standard & Poor's
Corporate bonds	207,713	BB+	Standard & Poor's
Corporate bonds	80,413	BB	Standard & Poor's
Corporate bonds	383,394	BBB	Standard & Poor's
Corporate bonds	821,913	BBB+	Standard & Poor's
Corporate bonds	230,194	BBB-	Standard & Poor's
Corporate bonds	40,381	Not Rated	Standard & Poor's
Government agency securities	526,077	AAA	Standard & Poor's

### Note 3 - Deposits and Investments (Continued)

Subsequent to year end, the City's investment portfolio recorded in the pension trust fund has incurred a decline of approximately \$3,200,000 in fair value. This significant decline is consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

### Note 4 - Capital Assets

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

<b>Governmental Activities</b>	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 219,974	\$ -	\$ -	\$ 219,974
Construction in progress	4,368,650	1,118,874	4,368,650	1,118,874
Subtotal	4,588,624	1,118,874	4,368,650	1,338,848
Capital assets being depreciated:				
Infrastructure	43,570,046	4,960,434	-	48,530,480
Buildings	6,214,575	7,881	-	6,222,456
Equipment and books	1,937,379	373,509	26,794	2,284,094
Vehicles	1,845,728	474,766	374,375	1,946,119
Subtotal	53,567,728	5,816,590	401,169	58,983,149
Accumulated depreciation:				
Infrastructure	40,919,928	315,474	-	41,235,402
Buildings	3,749,054	115,504	-	3,864,558
Equipment and books	1,242,540	202,762	2,575	1,442,727
Vehicles	1,240,063	101,309	302,521	1,038,851
Total accumulated depreciation	47,151,585	735,049	305,096	47,581,538
Net capital assets being depreciated	6,416,143	5,081,541	96,073	11,401,611
Net capital assets	<u>\$ 11,004,767</u>	<u>\$ 6,200,415</u>	<u>\$ 4,464,723</u>	<u>\$ 12,740,459</u>

# City of Berkley, Michigan

## Notes to Financial Statements June 30, 2008

### Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 13,795	\$ -	\$ -	\$ 13,795
Capital assets being depreciated:				
Infrastructure	12,324,958	1,428,398	-	13,753,356
Land improvements	36,474	-	-	36,474
Buildings	958,924	6,000	-	964,924
Building improvements	174,750	16,293	2,750	188,293
Equipment	<u>1,202,400</u>	<u>77,917</u>	<u>22,261</u>	<u>1,258,056</u>
Subtotal	14,697,506	1,528,608	25,011	16,201,103
Accumulated depreciation:				
Infrastructure	1,545,925	180,691	-	1,726,616
Land improvements	36,474	-	-	36,474
Buildings	658,741	40,449	-	699,190
Building improvements	130,046	8,369	115	138,300
Equipment	<u>789,954</u>	<u>80,323</u>	<u>22,261</u>	<u>848,016</u>
Total accumulated depreciation	<u>3,161,140</u>	<u>309,832</u>	<u>22,376</u>	<u>3,448,596</u>
Net capital assets being depreciated	<u>11,536,366</u>	<u>1,218,776</u>	<u>2,635</u>	<u>12,752,507</u>
Net capital assets	<u>\$ 11,550,161</u>	<u>\$ 1,218,776</u>	<u>\$ 2,635</u>	<u>\$ 12,766,302</u>

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

#### Governmental activities:

General government	\$ 188,247
Public safety	96,981
Public works	359,481
Recreation and culture	<u>90,340</u>
Total governmental activities	<u>\$ 735,049</u>

#### Business-type activities:

Water and sewer	\$ 255,278
Arena	<u>54,554</u>
Total business-type activities	<u>\$ 309,832</u>

## **Note 4 - Capital Assets (Continued)**

**Construction Commitments** - The City has active road construction projects at year end related to the \$5,975,000 City of Berkley, Unlimited Tax General Obligation Bonds, Series 2006 bond issue. The City of Berkley has entered into various agreements and joint ventures to repair, rehabilitate, and replace roads and sidewalks throughout the City. The committed contractual work is substantively complete with the exception of Eleven Mile Road. The completion of work is as follows as of June 30, 2008:

### **Major Street Work**

Major street work includes Catalpa Drive from Greenfield to Woodward and Coolidge Highway from Eleven Mile Road to Twelve Mile Road. This work has been completed as of June 30, 2008.

### **Local Street Work**

Local street work includes various local street repairs throughout the City. A street listing can be obtained from the city manager's office or the Department of Public Works of the City of Berkley. Work includes removing pavement, rebuilding and rehabilitating the street, street concrete repairs with curbs and gutters, drainage sidewalk ramps, and street markings. This work has been completed as of June 30, 2008.

### **Eleven Mile Road Work**

This project is being done as a joint venture with the cities of Huntington Woods and Oak Park and the Southeast Oakland County Water Authority. There is also federal and state grant participation for this project. The State of Michigan manages and accounts for the entire project. The local units, along with the federal government, contribute the necessary funding for the project to the State of Michigan which then in turn manages the financial and construction portions of this project. The local units pay their share of funding to the City of Oak Park. Oak Park distributes the local unit's share of the project directly to the State of Michigan. This project includes water as well as road work. The City's share of the project is 45 percent for construction and 50 percent for all engineering fees. The City of Berkley also benefits from 50 percent of all federal and state grant funding.

## **Note 4 - Capital Assets (Continued)**

Phase I is a road reconstruction and watermain replacement from Greenfield Road to Coolidge Highway. This phase is completed with the exception of punch list items at June 30, 2008. Phase II is from Coolidge Highway to Woodward Avenue and is underway as of the fiscal year ended June 30, 2008. This work is also road reconstruction and watermain replacement. The intersection at Coolidge Highway and Eleven Mile Road will be handled after the completion of the Phase II work and is scheduled to be done in October 2008.

The City of Berkley is anticipating approximately \$414,000 in additional costs for both construction and construction engineering fees in total for both phases of the project. The City has bond proceeds on hand to be able to pay \$351,900 of road costs and the Water and Sewer Fund has \$62,100 available to pay for watermain charges. The City is also anticipating \$136,600 in reimbursements from the Federal government to offset prepaid expenses paid for construction during the fiscal year ended June 30, 2008.

### **Twelve Mile Road Work**

Twelve Mile Road rehabilitation will be from Tyler Avenue to Kenmore Avenue. Twelve Mile Road rehabilitation includes removing pavement, trees, sidewalks and drainage structures, and provides for a new asphalt road with a concrete base, sidewalks, and street markings. The City is also providing new lighting planter boxes, irrigation, and other streetscape items. A special assessment district was formed by the City to defray the cost of the sidewalk reconstruction on Twelve Mile Road. The total cost is \$149,135 with the initial funding being derived from the City's General Fund. The special assessment district will reimburse the General Fund over a five-year period at a simple interest rate of 5 percent. Failure to pay timely by a billable member of the special assessment district results in the amount due being rolled to their next property tax bill after payment is due. The City has collected 67 percent or \$100,400 of the outstanding principal balance due through the second collection period.

### **Webster Road**

The Webster Road rehabilitation project is being done in conjunction with the City of Royal Oak. In accordance with an approved contract between the City of Berkley and the City of Royal Oak, the City of Berkley pays all costs and the City of Royal Oak reimburses the City of Berkley for said costs incurred on the Royal Oak side of Webster Road. Work on Webster Road is complete as of June 30, 2008.

# City of Berkley, Michigan

## Notes to Financial Statements June 30, 2008

### Note 4 - Capital Assets (Continued)

In addition, the City has committed to participating in Series G and Series H of the George W. Kuhn Bonds which are anticipated to occur in the year ending June 30, 2009 in the total amount of \$604,581.

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Arena Fund	\$ 117,339
Recreation Revolving Fund	Arena Fund	211,738
Nonmajor governmental funds	General Fund	<u>3,946</u>
	Total	<u>\$ 333,023</u>

Interfund balances payable from the Arena Fund to the General and Recreation Revolving Funds represent advances made to the funds to pay off outstanding bonded debt as of June 30, 2008 which are not expected to be repaid in the next year and are classified as long-term advances. Remaining interfund balance represents routine and temporary cash flow assistance until funds are transferred from cash accounts.

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

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 governmental funds	\$ 80,895
Nonmajor governmental funds	General Fund	16,053
Major Street Fund	Local Street Fund	<u>154,251</u>
	Total	<u>\$ 251,199</u>

The transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenues in accordance with Act 51. Transfers from the General Fund to the nonmajor governmental funds represent the transfer of unrestricted resources to those funds.

### Note 6 - 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.

# City of Berkley, Michigan

## Notes to Financial Statements June 30, 2008

### Note 6 - 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
<b>Governmental Activities</b>							
1995 Energy Conservation Project Amount of issue: \$584,000 Maturing through 2011	5.95%	\$33,625 - \$77,802	\$ 206,792	\$ -	\$ (33,625)	\$ 173,167	\$ 33,625
2006 General Obligation 12 Mile Road Bonds Amount of issue: \$850,000 Maturing through 2016	3.90% - 4.25%	\$50,000 - \$150,000	850,000	-	(50,000)	800,000	75,000
2006 General Obligation 11 Mile Road Bonds Amount of issue: \$2,500,000 Maturing through 2021	3.90% - 4.25%	\$100,000 - \$300,000	2,500,000	-	(100,000)	2,400,000	100,000
2006 General Obligation Other Roads Bonds Amount of issue: \$2,625,000 Maturing through 2016	3.90% - 4.25%	\$200,000 - \$375,000	2,625,000	-	(200,000)	2,425,000	200,000
Fire Truck Installment Purchase Agreement Amount of issue: \$352,867 Maturing through 2008	4.00%	\$66,858 - \$75,204	101,173	251,694	(68,961)	283,906	66,858
Telephone Installment Purchase Agreement Amount of issue: \$51,100 Maturing through 2012	4.93%	\$9,240 - \$11,250	51,100	-	(9,240)	41,860	9,706
Contractual obligations with Oakland County - 2002 Installment Purchase Agreement Amount of issue: \$1,260,000 Maturing through 2016	5.20%	\$50,000 - \$200,000	1,140,000	-	(50,000)	1,090,000	75,000
Total bond obligations			7,474,065	251,694	(511,826)	7,213,933	560,189
Other long-term obligations - Compensated absences			988,941	-	(118,658)	870,283	390,755
Total governmental activities			\$ 8,463,006	\$ 251,694	\$ (630,484)	\$ 8,084,216	\$ 950,944

# City of Berkley, Michigan

## Notes to Financial Statements June 30, 2008

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
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	\$ 894,292	\$ -	\$ (49,753)	\$ 844,539	\$ 51,012
2000-B							
Amount of issue: \$413,768	4.78% -	\$14,170 -					
Maturing through 2022	5.38%	\$31,173	361,368	-	(21,665)	339,703	18,957
2001-C							
Amount of issue: \$5,176,822	2.50%	\$207,829 -					
Maturing through 2024		\$324,025	4,553,336	-	(218,220)	4,335,116	223,573
2001-D							
Amount of issue: \$199,641	2.50%	\$7,872 -					
Maturing through 2024		\$12,596	183,267	-	(8,817)	174,450	8,502
2001-E							
Amount of issue: \$621,597	4.10% -	\$22,042 -					
Maturing through 2024	5.25%	\$45,346	580,787	-	(32,497)	548,290	26,073
2005-F							
Amount of issue: \$103,572	1.625%	\$4,478 -					
Maturing through 2026		\$6,078	99,164	-	(4,338)	94,826	4,478
2006-G							
Amount of issue: \$112,919	1.625%	\$4,798 -					
Maturing through 2026		\$6,398	-	112,919	-	112,919	4,799
Total bond obligations			6,672,214	112,919	(335,290)	6,449,843	337,394
Other long-term obligations -							
Compensated absences							
			64,259	-	(19,333)	44,926	44,926
Total business activities			\$ 6,736,473	\$ 112,919	\$ (354,623)	\$ 6,494,769	\$ 382,320

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 560,189	\$ 307,440	\$ 867,629	\$ 337,394	\$ 175,555	\$ 512,949
2010	743,201	279,122	1,022,323	346,770	163,419	510,189
2011	664,187	243,707	907,894	355,907	153,955	509,862
2012	726,356	213,871	940,227	365,039	144,236	509,275
2013	725,000	180,647	905,647	375,746	134,233	509,979
2014-2018	2,970,000	421,306	3,391,306	2,033,044	512,180	2,545,224
2019-2023	825,000	51,500	876,500	2,208,165	218,658	2,426,823
2024-2027	-	-	-	427,778	6,695	434,473
Total	\$ 7,213,933	\$ 1,697,593	\$ 8,911,526	\$ 6,449,843	\$ 1,508,931	\$ 7,958,774

### **Note 6 - Long-term Debt (Continued)**

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 is \$7,958,774. During the current year, net revenues of the system were \$857,847 compared to annual debt requirements of \$507,230.

### **Note 7 - Restricted Assets**

Restricted assets at June 30, 2008 consist entirely of cash and cash equivalents related to unspent bond proceeds to be spent on capital outlay.

### **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 Plans**

#### **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.

### Note 9 - Defined Benefit Pension Plans (Continued)

**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 the Merit 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, 2008, the City's annual pension cost of \$452,215 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, 2005, 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 4.5 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 four-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 eight years.

	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension cost (APC)	\$ 452,215	\$ 407,355	\$ 374,454
Percentage of APC contributed	100	100	100
Net pension obligation	\$ -	\$ -	\$ -

  

	Actuarial Valuation as of December 31		
	2007	2006	2005
Actuarial value of assets	\$ 15,431,980	\$ 14,937,657	\$ 14,449,996
Actuarial accrued liability (AAL)			
(entry age)	\$ 18,443,014	\$ 18,077,314	\$ 17,324,667
Unfunded AAL (UAAL)	\$ 3,011,034	\$ 3,139,657	\$ 2,874,671
Funded ratio	84%	83%	83%
Covered payroll	\$ 2,412,962	\$ 2,414,979	\$ 2,252,412
UAAL as a percentage of covered payroll	125%	130%	128%

### Note 9 - Defined Benefit Pension Plans (Continued)

#### Public Safety Pension Trust

**Plan Description** - The City of Berkley'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, 2007, the date of the most recent actuarial valuation, membership consisted of 34 retirees and beneficiaries currently receiving benefits and 28 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.

**Annual Pension Cost** - For the year ended June 30, 2008, the City's annual pension cost of \$506,423 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, 2007, 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, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 5 percent. 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 a closed basis for police and fire employees. The remaining amortization period is 18 years.

**Reserves** - As of June 30, 2008, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 847,688
Reserved for retired benefit	8,584,640

### Note 9 - Defined Benefit Pension Plans (Continued)

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension cost (APC)	\$ 506,423	\$ 419,560	\$ 377,256
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

**Funded Status and Funding Progress** - As of June 30, 2007, the most recent actuarial valuation date, the plan was 96.9 percent funded. The actuarial accrued liability for benefits was \$19.4 million, resulting in an unfunded actuarial accrued liability of \$.6 million. The covered payroll (annual payroll for active employees covered by the plan) was \$1.8 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.3 percent.

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

### Note 10 - Other Postemployment Benefits

The City has elected to provide postemployment health benefits to certain retirees and their beneficiaries in accordance with labor contracts. The government pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, 86 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees in its insured healthcare plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. For the fiscal year ended June 30, 2008, the City made payments for postemployment health benefit premiums of \$731,179. The government obtains healthcare coverage through private insurers.

## **Note 10 - Other Postemployment Benefits (Continued)**

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

## **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 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, 2008, the City expensed \$595,438 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, 2008 of \$4,500,000, of which the City has guaranteed \$198,450. Complete financial statements of the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

## **Note 11 - Joint Ventures (Continued)**

### **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, 2008, the City expensed \$301,783 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, MI 48073.

## **Required Supplemental Information**

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# City of Berkley, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,416,659	\$ 5,529,224	\$ 5,493,616	\$ (35,608)
Licenses and permits	296,210	263,860	252,136	(11,724)
Charges for services	418,460	427,260	435,539	8,279
Federal grants	8,000	8,000	7,187	(813)
State-shared revenues and grants	1,453,846	1,472,040	1,475,416	3,376
Fines and forfeitures	989,046	1,086,113	1,117,953	31,840
Investment earnings	181,100	275,000	272,116	(2,884)
Franchise fees	194,500	247,100	247,107	7
Special assessment	33,650	32,305	33,977	1,672
Other	236,365	425,706	512,820	87,114
Debt proceeds	-	-	251,694	251,694
Transfers in	-	-	16,053	16,053
<b>Total revenue</b>	<b>9,227,836</b>	<b>9,766,608</b>	<b>10,115,614</b>	<b>349,006</b>
<b>Expenditures</b>				
General government:				
City Council	12,930	12,930	6,856	6,074
District court	711,982	733,915	712,526	21,389
Manager	184,798	184,798	183,512	1,286
Elections	116,865	123,250	115,111	8,139
Finance	350,117	344,267	309,132	35,135
Legal	75,300	98,300	94,674	3,626
Clerk/Treasurer	118,698	120,964	113,392	7,572
City hall	187,010	193,132	163,536	29,596
Planning	49,164	56,024	46,011	10,013
Inspection	209,296	226,437	211,010	15,427
Insurance	380,149	385,625	389,018	(3,393)
Community promotion	49,000	66,160	52,766	13,394
Employee benefits	1,800	24,352	24,352	-
<b>Total general government</b>	<b>2,447,109</b>	<b>2,570,154</b>	<b>2,421,896</b>	<b>148,258</b>

# City of Berkley, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Public safety:				
Administration	\$ 186,016	\$ 188,385	\$ 188,264	\$ 121
Service aides	276,635	281,079	275,491	5,588
Operations	3,367,133	3,370,214	3,290,900	79,314
Pension administration	377,665	379,010	373,553	5,457
Animal control	68,355	68,555	60,250	8,305
Total public safety	4,275,804	4,287,243	4,188,458	98,785
Public works:				
Operations	199,620	219,336	219,845	(509)
Garage	96,971	96,971	90,001	6,970
Street programs	145,000	145,000	162,675	(17,675)
Total public works	441,591	461,307	472,521	(11,214)
Health and welfare -				
Community development	74,916	75,966	63,880	12,086
Recreation and culture:				
Recreation	417,222	417,971	408,666	9,305
Library	594,012	595,149	592,881	2,268
WBRK	63,269	63,929	59,956	3,973
Communications coordinator	73,564	74,074	67,068	7,006
Total recreation and culture	1,148,067	1,151,123	1,128,571	22,552
Debt service - Principal retirement	108,699	123,137	118,347	4,790
Capital outlay	598,060	921,627	829,209	92,418
Transfers to other funds	68,200	45,648	80,895	(35,247)
Total expenditures	9,162,446	9,636,205	9,303,777	332,428
<b>Excess of Revenue Over Expenditures</b>	65,390	130,403	811,837	681,434
<b>Fund Balance - Beginning of year</b>	2,956,373	2,956,373	2,956,373	-
<b>Fund Balance - End of year</b>	<u>\$ 3,021,763</u>	<u>\$ 3,086,776</u>	<u>\$ 3,768,210</u>	<u>\$ 681,434</u>

# City of Berkley, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2008

### Major Street Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Charges for services	\$ 8,750	\$ 8,750	\$ 8,929	\$ 179
State-shared revenues and grants	639,708	656,085	658,170	2,085
Investment earnings	60,000	62,000	61,911	(89)
Other	9,000	20,170	20,215	45
Total revenue	717,458	747,005	749,225	2,220
<b>Expenditures</b>				
Finance	14,065	14,065	11,396	2,669
Operations	449,903	460,032	394,986	65,046
Transfers to other funds	154,421	154,421	154,251	170
Total expenditures	618,389	628,518	560,633	67,885
<b>Excess of Revenue Over Expenditures</b>	99,069	118,487	188,592	70,105
<b>Fund Balance - Beginning of year</b>	1,155,081	1,155,081	1,155,081	-
<b>Fund Balance - End of year</b>	<u>\$ 1,254,150</u>	<u>\$ 1,273,568</u>	<u>\$ 1,343,673</u>	<u>\$ 70,105</u>

# City of Berkley, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2008

### Local Street Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenues and grants	\$ 239,725	\$ 233,727	\$ 232,330	\$ (1,397)
Investment earnings	42,000	42,000	38,863	(3,137)
Other	9,000	9,000	323	(8,677)
Transfers in	<u>154,421</u>	<u>154,421</u>	<u>154,251</u>	<u>(170)</u>
Total revenue	445,146	439,148	425,767	(13,381)
<b>Expenditures</b>				
Finance	18,120	16,120	15,251	869
Operations	<u>425,605</u>	<u>445,206</u>	<u>376,530</u>	<u>68,676</u>
Total expenditures	<u>443,725</u>	<u>461,326</u>	<u>391,781</u>	<u>69,545</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	1,421	(22,178)	33,986	56,164
<b>Fund Balance - Beginning of year</b>	<u>860,384</u>	<u>860,384</u>	<u>860,384</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 861,805</b></u>	<u><b>\$ 838,206</b></u>	<u><b>\$ 894,370</b></u>	<u><b>\$ 56,164</b></u>

# City of Berkley, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions June 30, 2008

The schedule of funding progress is as follows:

### Public Safety Pension Trust

Actuarial Valuation Date	Actuarial Value of Assets (in millions) (a)	Actuarial Accrued Liability (AAL) (in millions) (b)	Unfunded AAL (UAAL) (in millions) (b-a)	Funded Ratio (percent) (a/b)	Covered Payroll (in millions) (c)	UAAL as a Percentage of Covered Payroll
6/30/2002	\$ 21.4	\$ 16.4	\$ (5.0)	130.5	\$ 1.7	-
6/30/2003	18.8	16.6	(2.2)	113.3	1.6	-
6/30/2004	18.5	17.3	(1.2)	106.9	1.7	-
6/30/2005	18.1	17.8	(0.3)	101.7	1.7	-
6/30/2006	17.8	18.5	0.7	96.2	1.8	38.9
6/30/2007	18.8	19.4	0.6	96.9	1.8	33.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/03	\$ -	100.0
6/30/04	-	100.0
6/30/05	292,625	100.0
6/30/06	377,256	100.0
6/30/07	419,560	100.0
6/30/08	506,423	100.0

Additional information as of June 30, 2007, the latest actuarial valuation date, is as follows:

Actuarial cost method	- Entry age
Amortization method	- Level percent of payroll
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

The information presented above was determined as part of the actuarial valuations at the dates indicated.

## **Other Supplemental Information**

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# City of Berkley, Michigan

	Special Revenue Funds							Capital
	Community Development Block Grant	Drug Forfeiture Fund	Recreation Revolving Fund	Seniors' Program Fund	District Court Building Fund	Solid Waste Service Fund	Loss Reserve Fund	12 Mile Road and Coolidge
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ 81,091	\$ 288,039	\$ 121,759	\$ 186,267	\$ 477,368	\$ 85,570	\$ 461,317
Receivables:								
Due from other funds	3,946	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	26,039	-	-
Customers	-	-	-	-	-	59,356	-	-
Other governmental units	69,502	-	-	-	-	-	-	-
Interfund advance receivable	-	-	211,738	-	-	-	-	-
Prepaid costs	-	-	800	-	-	-	-	-
<b>Total assets</b>	<b>\$ 73,448</b>	<b>\$ 81,091</b>	<b>\$ 500,577</b>	<b>\$ 121,759</b>	<b>\$ 186,267</b>	<b>\$ 562,763</b>	<b>\$ 85,570</b>	<b>\$ 461,317</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 3,946	\$ 43,960	\$ 2,343	\$ 452	\$ -	\$ 41,447	\$ -	\$ 14,162
Accrued and other liabilities	-	-	5,599	1,577	-	1,400	-	-
Deferred revenue	69,502	-	15,025	-	-	26,039	-	-
<b>Total liabilities</b>	<b>73,448</b>	<b>43,960</b>	<b>22,967</b>	<b>2,029</b>	<b>-</b>	<b>68,886</b>	<b>-</b>	<b>14,162</b>
<b>Fund Balances</b>								
Reserved for long-term advance receivable	-	-	211,738	-	-	-	-	-
Unreserved	-	37,131	265,872	119,730	186,267	493,877	85,570	447,155
<b>Total fund balances</b>	<b>-</b>	<b>37,131</b>	<b>477,610</b>	<b>119,730</b>	<b>186,267</b>	<b>493,877</b>	<b>85,570</b>	<b>447,155</b>
<b>Total liabilities and fund balances</b>	<b>\$ 73,448</b>	<b>\$ 81,091</b>	<b>\$ 500,577</b>	<b>\$ 121,759</b>	<b>\$ 186,267</b>	<b>\$ 562,763</b>	<b>\$ 85,570</b>	<b>\$ 461,317</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008**

Project Funds			Debt Service Funds					Total
Major and Local Street Projects	Twelve Mile Road Special Assessment	Twelve Mile Road Project	1996 General Obligation Library Bonds	George Kuhn Drainage Bonds	Major and Local Streets Projects Debt Service	Eleven Mile Road Project Debt Service	Twelve Mile Road Project Debt Service	Nonmajor Governmental Funds
\$ 26,472	\$ -	\$ 59,699	\$ 8	\$ 27,918	\$ 5,695	\$ 4,975	\$ 2,290	\$ 1,828,468
-	-	-	-	-	-	-	-	3,946
-	-	-	3,166	-	2,669	146	166	32,186
-	-	-	-	-	-	-	-	59,356
-	-	-	-	-	-	-	-	69,502
-	-	-	-	-	-	-	-	211,738
-	-	-	-	-	-	-	-	800
<b>\$ 26,472</b>	<b>\$ -</b>	<b>\$ 59,699</b>	<b>\$ 3,174</b>	<b>\$ 27,918</b>	<b>\$ 8,364</b>	<b>\$ 5,121</b>	<b>\$ 2,456</b>	<b>\$ 2,205,996</b>
\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,310
-	-	-	-	-	-	-	-	8,576
-	-	-	3,166	-	2,669	146	166	116,713
15,000	-	-	3,166	-	2,669	146	166	246,599
-	-	-	-	-	-	-	-	211,738
11,472	-	59,699	8	27,918	5,695	4,975	2,290	1,747,659
11,472	-	59,699	8	27,918	5,695	4,975	2,290	1,959,397
<b>\$ 26,472</b>	<b>\$ -</b>	<b>\$ 59,699</b>	<b>\$ 3,174</b>	<b>\$ 27,918</b>	<b>\$ 8,364</b>	<b>\$ 5,121</b>	<b>\$ 2,456</b>	<b>\$ 2,205,996</b>

# City of Berkley, Michigan

	Special Revenue Funds							Capital
	Community Development Block Grant	Drug Forfeiture Fund	Recreation Revolving Fund	Seniors' Program Fund	District Court Building Fund	Solid Waste Service Fund	Loss Reserve Fund	12 Mile Road and Coolidge
<b>Revenue</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 988,660	\$ -	\$ -
Charges for services	-	-	367,808	73,588	-	306,624	-	-
Federal sources	44,134	-	-	-	-	-	-	-
State-shared revenue and grants	-	-	-	21,785	-	-	-	-
Local grants and contributions	-	-	-	-	-	-	-	-
Fines and forfeitures	-	312	-	-	54,437	-	-	-
Investment earnings	-	3,907	12,325	6,451	8,860	28,653	4,670	22,464
Other	-	-	-	1,829	-	4,321	235,989	-
<b>Total revenue</b>	<b>44,134</b>	<b>4,219</b>	<b>380,133</b>	<b>103,653</b>	<b>63,297</b>	<b>1,328,258</b>	<b>240,659</b>	<b>22,464</b>
<b>Expenditures</b>								
Current:								
General government	-	-	-	-	-	-	234,296	-
Public safety	-	-	-	-	9,497	-	-	20,000
Public works	-	-	-	-	-	1,097,134	-	-
Health and welfare	116,674	-	-	129,890	-	-	-	-
Recreation and culture	-	-	260,302	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	43,960	-	-	-	-	-	21,970
<b>Total expenditures</b>	<b>116,674</b>	<b>43,960</b>	<b>260,302</b>	<b>129,890</b>	<b>9,497</b>	<b>1,097,134</b>	<b>234,296</b>	<b>41,970</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(72,540)</b>	<b>(39,741)</b>	<b>119,831</b>	<b>(26,237)</b>	<b>53,800</b>	<b>231,124</b>	<b>6,363</b>	<b>(19,506)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	66,237	-	-	-	-	-	14,658	-
Transfers out	-	-	(16,000)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>66,237</b>	<b>-</b>	<b>(16,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,658</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(6,303)</b>	<b>(39,741)</b>	<b>103,831</b>	<b>(26,237)</b>	<b>53,800</b>	<b>231,124</b>	<b>21,021</b>	<b>(19,506)</b>
<b>Fund Balances - Beginning of year</b>	<b>6,303</b>	<b>76,872</b>	<b>373,779</b>	<b>145,967</b>	<b>132,467</b>	<b>262,753</b>	<b>64,549</b>	<b>466,661</b>
<b>Fund Balances - End of year</b>	<b>\$ -</b>	<b>\$ 37,131</b>	<b>\$ 477,610</b>	<b>\$ 119,730</b>	<b>\$ 186,267</b>	<b>\$ 493,877</b>	<b>\$ 85,570</b>	<b>\$ 447,155</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**

Project Funds			Debt Service Funds						Total Nonmajor Governmental Funds
Major and Local Street Projects	Twelve Mile Road Special Assessment	Twelve Mile Road Project	1996 General Obligation Library Bonds	George Kuhn Drainage Bonds	2002 Installment Purchase	Major and Local Street Projects Debt Service	Eleven Mile Road Project Debt Service	Twelve Mile Road Project Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,954	\$ 203,150	\$ 86,354	\$ 1,588,118
-	-	-	-	-	-	-	-	-	748,020
-	-	-	-	-	-	-	-	-	44,134
-	-	-	-	-	-	-	-	-	21,785
26,057	-	-	-	-	-	-	-	-	26,057
-	-	-	-	-	-	-	-	-	54,749
1,956	-	2,844	-	1,174	-	908	807	310	95,329
-	51	-	8	-	109,280	-	-	-	351,478
28,013	51	2,844	8	1,174	109,280	310,862	203,957	86,664	2,929,670
-	-	-	-	-	-	-	-	-	234,296
-	-	5,837	-	-	-	-	-	-	35,334
-	-	1	-	-	-	-	-	-	1,097,135
-	-	-	-	-	-	-	-	-	246,564
-	-	-	-	-	-	-	-	-	260,302
-	-	-	-	1	109,280	306,200	200,125	84,538	700,144
116,379	-	-	-	-	-	-	-	-	182,309
116,379	-	5,838	-	1	109,280	306,200	200,125	84,538	2,756,084
(88,366)	51	(2,994)	8	1,173	-	4,662	3,832	2,126	173,586
-	-	-	-	-	-	-	-	-	80,895
-	(53)	-	-	-	-	-	-	-	(16,053)
-	(53)	-	-	-	-	-	-	-	64,842
(88,366)	(2)	(2,994)	8	1,173	-	4,662	3,832	2,126	238,428
99,838	2	62,693	-	26,745	-	1,033	1,143	164	1,720,969
<b>\$ 11,472</b>	<b>\$ -</b>	<b>\$ 59,699</b>	<b>\$ 8</b>	<b>\$ 27,918</b>	<b>\$ -</b>	<b>\$ 5,695</b>	<b>\$ 4,975</b>	<b>\$ 2,290</b>	<b>\$ 1,959,397</b>