

City of Berkley, Michigan

**Financial Report
with Supplemental Information
June 30, 2011**

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berkley, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2011 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, retirement system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part 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.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Notes 1 and 13. As a result of this required implementation, the Loss Reserve Fund, formerly a special revenue fund, has been reported within the General Fund effective July 1, 2010, and the District Court Building Fund, formerly a special revenue fund, has been reported as a capital projects fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Morse, PLLC

November 14, 2011

City of Berkley, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Berkley, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. 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, 2011:

- Property tax values decreased 6.8 percent (\$35,529,510) City-wide for the July 1, 2010 tax collection season that funds the 2010/2011 fiscal year. This is the second consecutive year the City has experienced an overall decrease in its taxable value. Last fiscal year, taxable values declined 1.91 percent or approximately \$10.2 million. The 6.8 percent taxable value decline is very close to what was anticipated by the City.

Sluggish state and national economies are the major contributing factors toward the continued decline in tax values. Specifically contributing to the taxable value decline are the weak home sales prices in the area. Further, the area's unemployment rate stands at 10.8 percent (September 2011) and the amount of vacant properties that are for sale or about to be for sale in the City and region has remained steady.

- Constitutional and statutory state-shared revenue, the second largest revenue source for the City, was neither increased nor reduced in fiscal year 2010/2011 as compared to fiscal year 2009/2010.
- To offset the loss of tax revenue and no growth in state-shared revenue and to increase unrestricted fund balance for future fiscal years in anticipation of losing more tax base and state shared revenue, the City reduced actual General Fund spending and transfers out by approximately \$409,000 in fiscal year 2010/2011 as compared to fiscal year 2009/2010 actual expenses. Further, the City increased actual 2010/2011 revenue by approximately \$109,000 over the 2009/2010 fiscal year.
- Expenditure reductions were determined via the City negotiated healthcare savings through the collective bargaining process that saved approximately \$172,000 in the first year (2010/2011) of implementing the new healthcare changes and approximately \$474,000 annually over the next two fiscal years. These changes also affected all retirees of the City. Transfers out from the General Fund to other operating funds came down by 42 percent or \$27,000. General government, public works, and recreation operating expenses were reduced to offset increased expenses in other departments and to deliver a net expenditure reduction to the General Fund of approximately \$210,000.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

- Across all operating funds, total net assets related to the City's governmental activities decreased by \$384,505. Overall, governmental activity revenue did not keep pace with associated spending. This is due to the continued implementation of capital improvement projects and capital equipment purchases. The City paid for the improvements through the use of fund balance in lieu of current revenue received. Further, general revenue overall was very close to last year; however, that revenue did trend slightly downward.
- 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 was completed as of June 30, 2009. Funds spent on these road projects, from all revenue sources, including grants received and water main work from project inception through June 30, 2011, totaled \$9,794,300.
- The Eleven Mile Road reconstruction is a joint venture project with the City of Huntington Woods, Oak Park, and the Southeastern Oakland County Water Authority (SOCWA). Eleven Mile Road reconstruction started in May 2006 as part of the local road bond project discussed above. The City has paid all funds due and received all grant dollars due for this project as of June 30, 2011 and the project is now completed as are all other road projects associated with the May 2006 debt issue.
- Bond proceeds left over from the Twelve Mile Road Fund were transferred to the Eleven Mile Road Fund to reimburse the Eleven Mile Road Fund for excess bond issue costs paid for by the Eleven Mile Road Fund on behalf of the Twelve Mile Road Fund. All leftover bond proceeds from the Eleven Mile Road Fund were then transferred to the Water/Sewer Fund to reimburse the Water/Sewer Fund for costs paid by said fund on behalf of the Eleven Mile Road Fund.
- The City continued to maintain the structural integrity of the City water mains and sewer system. The City invested and capitalized just over \$236,500 in water and sewer improvements over the 2010/2011 fiscal year. The majority of these dollars were spent in the water system. The City replaced 80 water meters during the fiscal year with these funds.
- The City continued to invest in the City Ice Arena. The City made just over \$11,500 in various capital improvements in fiscal year 2010/2011.
- The City continued to invest in the general infrastructure of the City. Over \$1.5 million worth of capital improvements were performed in fiscal year 2010/2011, with \$1.2 million spent on general city infrastructure (roads and buildings) and \$300,000 spent on replacing existing general city equipment within various departments.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

- At the library, total circulation decreased 5.3 percent for the fiscal year ended June 30, 2011, with an overall circulation of 161,203 items. Internet access continued to be very popular, with the library having an average of 2,687 Internet sessions per month. This is slightly less than last fiscal year of 2,859 Internet sessions. Total program attendance was down 26 percent over the past fiscal year. The library began offering a collection of downloadable audio-books and e-books to residents in January 2010, and 1,991 titles were downloaded over the 2010/2011 fiscal year.
- For the twelfth consecutive year, the City invested in the library collection. The library purchased \$62,600 in new reading and rental materials. This is a 19.5 percent decrease over last fiscal year. This decline in purchases is attributable to the loss in tax revenue over the past fiscal year. The Friends of the Library contributed over \$8,700 either in funding or equipment specifically for the Library in fiscal year 2010/2011.
- The Planning Commission and the City Council approved an updated capital improvements program for the time period of fiscal year 2010/2011 through 2016/2017. The total amount of the program is approximately \$12,552,600. This is a decrease from the previous plan of 5.5 percent. This is due to the anticipated decrease in future revenue coming to the City.
- The City Council approved an updated capital equipment program for the time period of fiscal year 2010/2011 through 2016/2017. The total amount of the program is approximately \$2,766,700. This is a 32 percent decrease in our funding plan. This decrease is due to the anticipated decrease in future revenue coming to the City.
- The City determined in March 2007 that its GASB No. 45 other postemployment benefit (OPEB) net unfunded liability is estimated to be \$21,707,000 over the next 30 years.

For fiscal year 2010/2011, the City paid \$1,279,310 on a pay-as-you-go basis including an implicit rate subsidy contribution of \$191,450 for current employee health care. The City then paid an additional \$123,600 toward the OPEB liability in fiscal year 2010/2011. These additional funds (\$123,600) were again transferred to a third party, Trust Fund, for safekeeping. The total payment made by the City in fiscal year 2010/2011 toward the yearly OPEB liability amounted to \$1,402,910.

After these payments, the City recorded a \$745,834 OPEB liability plus \$55,426 of interest expense for a total OPEB liability increase of \$801,260. The City recorded \$782,840 of the OPEB liability in the government-wide financial statements and \$18,420 of the OPEB liability in the Water/Sewer Fund for fiscal year 2010/2011.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The total three-year accumulated unfunded accrued OPEB liability recorded by the City as of June 30, 2011 is \$1,540,289. The Water/Sewer Fund has recorded \$102,995 of the cumulative OPEB liability and the government-wide financial statement has \$1,437,294 of the OPEB cumulative liability.

As of June 30, 2011, the City has \$2,079,154 set aside in a separate trust fund for future other postemployment employee benefits for certain retirees. These funds are accounted for on the financial statements of the trust fund safekeeping the assets.

- The Downtown Development Authority (DDA) started the construction process of refurbishing the City-owned parking lot south of Twelve Mile between Gardner and Robina. Total costs incurred by the City and the Authority in fiscal year 2010/2011 amounted to \$301,250 including engineering costs.

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, Michigan as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

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

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The City of Berkley as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2011 and 2010 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$ 8.5	\$ 8.7	\$ 2.5	\$ 1.7	\$ 11.0	\$ 10.4
Capital assets	13.6	13.5	14.9	15.3	28.5	28.8
Total assets	22.1	22.2	17.4	17.0	39.5	39.2
Liabilities						
Current liabilities	2.5	3.2	1.0	1.1	3.5	4.3
Long-term liabilities	6.3	5.3	5.5	5.8	11.8	11.1
Total liabilities	8.8	8.5	6.5	6.9	15.3	15.4
Net Assets						
Invested in capital assets -						
Net of related debt	8.4	7.8	8.9	8.8	17.3	16.6
Restricted	2.7	3.5	-	-	2.7	3.5
Unrestricted	2.2	2.4	2.0	1.3	4.2	3.7
Total net assets	<u>\$ 13.3</u>	<u>\$ 13.7</u>	<u>\$ 10.9</u>	<u>\$ 10.1</u>	<u>\$ 24.2</u>	<u>\$ 23.8</u>

The City's combined total net assets increased just over 1.7 percent from a year ago - increasing from \$23.8 million to \$24.2 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 13.5 percent from June 30, 2010 due to the City's reducing day-to-day expenses and monthly employee benefit costs.

In reviewing the City's net assets of business-type activities, the net assets invested in capital assets, net of related debt, increased approximately 1.1 percent due to the addition of new business assets in the current year net of disposals. Specifically, the new assets acquired were placed into the City-wide water system including meter replacements for a value of \$236,500. The City also invested in the Ice Arena as well as replacement equipment for a total investment of \$11,500.

In reviewing the City's net assets of government-type activities, the net assets invested in capital assets, net of related debt, increased approximately 7.7 percent due to the addition of new governmental assets net of disposals in the current year. A majority of the increase was spent in major and local roads as well as replacing operating equipment such as police cars and recreation facilities.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended June 30, 2011 and 2010 (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 2.7	\$ 2.7	\$ 5.4	\$ 5.0	\$ 8.1	\$ 7.7
Operating grants and contributions	1.1	1.0	-	-	1.1	1.0
Capital grants and contributions	0.3	-	-	-	0.3	-
General revenue:						
Property taxes	7.0	7.0	-	-	7.0	7.0
State-shared revenue	1.2	1.2	-	-	1.2	1.2
Unrestricted investment earnings	0.1	-	-	-	0.1	-
Franchise fees	0.3	0.3	-	-	0.3	0.3
Transfers and other revenue	0.2	0.3	0.2	-	0.4	0.3
Total revenue	12.9	12.5	5.6	5.0	18.5	17.5
Program Expenses						
General government	3.3	3.1	-	-	3.3	3.1
Public safety	4.8	4.7	-	-	4.8	4.7
Public works	3.0	3.0	-	-	3.0	3.0
Health and welfare	0.2	0.1	-	-	0.2	0.1
Recreation and culture	1.5	1.7	-	-	1.5	1.7
Interest on long-term debt	0.3	0.2	-	-	0.3	0.2
Transfers and other expenses	0.2	-	-	-	0.2	-
Water and sewer	-	-	4.4	3.9	4.4	3.9
Arena	-	-	0.4	0.4	0.4	0.4
Total program expenses	13.3	12.8	4.8	4.3	18.1	17.1
Change in Net Assets	\$ (0.4)	\$ (0.3)	\$ 0.8	\$ 0.7	\$ 0.4	\$ 0.4

Governmental Activities

Overall, the net assets for governmental activities declined by just over \$400,000 in fiscal year 2011 over fiscal year 2010 due to the economic effects as described below:

- The City's total governmental revenue increased by approximately \$400,000 from the prior fiscal year, increasing from \$12.5 million to \$12.9 million.
- Government activities program expenses increased by approximately \$500,000 from the prior fiscal year, increasing from \$12.8 million to \$13.4 million in expenses.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

- The additional \$400,000 in expenses over revenue is due to the continued implementation of capital improvement projects and capital equipment purchases. The City paid for the improvements through the use of fund balance in lieu of current revenue received as mentioned earlier in this report.

Business-type Activities

The City's business-type activities include water and sewer and ice arena operations. 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 an increase in revenue within the Water and Sewer Fund.

The ice arena continues to be a concern for the City. A combined General Fund and Recreation Revolving Fund contribution of \$25,000 along with available net assets balanced the ice arena fund in fiscal year 2010/2011.

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. Staffing has also been kept to a minimum with the recreation manager also acting as the arena manager and the elimination of the skating instructor.

The City of Berkley, Michigan's Funds

The City of Berkley, Michigan's major funds begin on pages 15 and 16, following the statement of net assets and statement of activity 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's major funds for the year ended June 30, 2011 include the General Fund, the Major and Local Streets Funds, the Solid Waste Service Fund, and the Eleven Mile Road Project Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety (police and fire) which incurred expenses of approximately \$4,772,000 or 36 percent of the general government operation. These services are partially supported by two special public safety millages, which are recorded in the General Fund. The first millage is for operations and the second millage is for retirement contribution and legacy costs (PA 345 levy). During the 2010/2011 fiscal year, expenditures recorded in the General Fund directly related to the public safety millages amounted to approximately \$2,080,000. The remaining cost of the police and fire protection is funded by other general revenue sources of the General Fund.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City amended the General Fund budget to take into account events during the year. The total amount of revenue appropriation adjustments was a net increase of \$41,000 spread over multiple accounts. The total amount of expenditure appropriation adjustments was a net decrease of \$15,000.

Capital Asset and Debt Administration

At the end of 2011, the City had a net book value of \$28,639,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in roads within the city of Berkley, Michigan.

Additions to capital assets include the construction in progress on various major and local streets throughout the city, a sewer line relining program, as well as new water meters, sidewalks, patrol cars, various public works equipment, and reinvestment in various city facilities. Additional information regarding the City's capital assets and debt can be found within the notes to the basic financial statements.

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.

The State of Michigan, in an effort to balance its budget and due to the poor Michigan economy, has once again reduced statutory state-shared revenue to the City of Berkley, Michigan by \$200,076. This is 100 percent of the statutory state-shared revenue stream the City received in fiscal year 2010/2011.

As replacement revenue for statutory state-shared revenue, the State introduced the Economic Vitality and Incentive Program (EVIP) for those municipalities that participated in statutory state-shared revenue. The State removed one-third of the total statutory revenue and utilized those funds to balance the state budget. The remaining two-thirds statutory revenue went into the EVIP. The City lost \$66,000 or 33 percent of statutory/EVIP revenue with the one-third program reduction. The City then did not appropriate any statutory/EVIP revenue for fiscal year 2011/2012. The City is working to meet program criteria to obtain EVIP dollars. It is estimated that the City could obtain up to \$134,000 of these dollars if all State of Michigan criteria are met. The \$134,000 is 67 percent of statutory state-shared revenue that came to the City in fiscal year 2010/2011.

City of Berkley, Michigan

Management's Discussion and Analysis (Continued)

The Oakland County Assessor's Office anticipates another 4.8 percent reduction in taxable value within the City of Berkley, Michigan for the July 2011 fiscal year. The County is also anticipating a county-wide 7.78 percent reduction in tax value in July 2011. For July 2012, the City is anticipating a 3.50 percent taxable value reduction and the County is anticipating a 3 percent county-wide taxable value reduction.

The City has obtained wage freezes from all union and non-union employees except for those employees moving within classification for the 2011/2012 and 2012/2013 fiscal years. The City has also obtained health care and prescription drug premium savings for active employees as well as retirees that are estimated to save the City significant dollars in premium payments and GASB 45 liability over this same two-year time period. Through the use of long-term planning, the City will continue to evaluate and monitor its budget. Other adjustments will be made to address changes in economic conditions and other events as these events present themselves.

Contacting the City of Berkley's Management

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

City of Berkley, Michigan

Statement of Net Assets June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 6,329,428	\$ 472,768	\$ 6,802,196	\$ 923,099
Receivables:				
Taxes	52,528	-	52,528	20,342
Customers	191,025	2,319,637	2,510,662	-
Other governmental units	443,364	-	443,364	-
Federal government	38,220	-	38,220	-
Internal balances (Note 5)	345,077	(345,077)	-	-
Inventories	44,188	-	44,188	-
Prepaid costs	239,724	-	239,724	2,405
Restricted assets (Note 7)	769,745	-	769,745	-
Capital assets (Note 4):				
Assets not subject to depreciation	929,164	13,795	942,959	-
Assets subject to depreciation	12,718,301	14,978,108	27,696,409	-
Total assets	22,100,764	17,439,231	39,539,995	945,846
Liabilities				
Accounts payable	1,073,247	527,447	1,600,694	298,347
Due to other governmental units	9,054	-	9,054	-
Accrued liabilities and other	317,815	63,639	381,454	-
Noncurrent liabilities:				
Due within one year (Note 6):				
Compensated absences	292,382	59,232	351,614	-
Current portion of long-term debt	741,454	381,798	1,123,252	-
Due in more than one year:				
Compensated absences (Note 6)	384,668	-	384,668	-
Other postemployment benefit obligations (Note 10)	1,437,294	102,995	1,540,289	-
Long-term debt (Note 6)	4,520,000	5,423,665	9,943,665	-
Total liabilities	8,775,914	6,558,776	15,334,690	298,347
Net Assets				
Invested in capital assets - Net of related debt	8,386,258	8,912,363	17,298,621	-
Restricted for:				
Streets	1,923,411	-	1,923,411	-
Public safety	37,266	-	37,266	-
Community development and promotion	38,533	-	38,533	-
Sanitation	704,148	-	704,148	-
Library	37,622	-	37,622	-
Unrestricted	2,197,612	1,968,092	4,165,704	647,499
Total net assets	<u>\$ 13,324,850</u>	<u>\$ 10,880,455</u>	<u>\$ 24,205,305</u>	<u>\$ 647,499</u>

City of Berkley, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,278,204	\$ 1,635,708	\$ 76,398	\$ -
Public safety	4,771,634	310,971	-	-
Public works	2,995,491	289,504	901,981	306,692
Health and welfare	184,224	-	89,308	-
Recreation and culture	1,538,314	452,580	64,620	2,614
Interest on long-term debt	237,219	-	-	-
Total governmental activities	13,005,086	2,688,763	1,132,307	309,306
Business-type activities:				
Water and Sewer	4,425,206	4,996,086	-	-
Arena	391,151	342,046	-	-
Total business-type activities:	4,816,357	5,338,132	-	-
Total primary government	<u>\$ 17,821,443</u>	<u>\$ 8,026,895</u>	<u>\$ 1,132,307</u>	<u>\$ 309,306</u>
Component Unit - Downtown Development Authority	<u>\$ 343,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenue				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2011

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,566,098)	\$ -	\$ (1,566,098)	\$ -
(4,460,663)	-	(4,460,663)	-
(1,497,314)	-	(1,497,314)	-
(94,916)	-	(94,916)	-
(1,018,500)	-	(1,018,500)	-
(237,219)	-	(237,219)	-
(8,874,710)	-	(8,874,710)	-
-	570,880	570,880	-
-	(49,105)	(49,105)	-
-	521,775	521,775	-
(8,874,710)	521,775	(8,352,935)	-
-	-	-	(343,360)
7,010,324	-	7,010,324	298,279
1,210,027	-	1,210,027	-
54,268	1,997	56,265	5,113
278,640	-	278,640	-
180,325	-	180,325	100
8,733,584	1,997	8,735,581	303,492
(243,379)	243,379	-	-
(384,505)	767,151	382,646	(39,868)
13,709,355	10,113,304	23,822,659	687,367
\$ 13,324,850	\$ 10,880,455	\$ 24,205,305	\$ 647,499

City of Berkley, Michigan

	General Fund	Major Streets Fund	Local Streets Fund
Assets			
Cash and cash equivalents (Note 3)	\$ 2,202,402	\$ 1,059,004	\$ 814,037
Receivables:			
Taxes	25,019	-	-
Customers	35,835	96,241	-
Other governmental units	406,695	-	36,669
Federal government	-	-	-
Interfund advances receivable (Note 5)	125,339	-	-
Inventories	44,188	-	-
Prepaid costs	199,146	-	-
Restricted assets	-	-	-
	<u>\$ 3,038,624</u>	<u>\$ 1,155,245</u>	<u>\$ 850,706</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 119,599	\$ 51,953	\$ 23,183
Due to other governmental units	9,054	-	-
Accrued and other liabilities	241,984	7,404	-
Deferred revenue	14,211	-	-
	<u>384,848</u>	<u>59,357</u>	<u>23,183</u>
Fund Balances			
Nonspendable:			
Inventory and prepaid items	243,334	-	-
Long-term advances receivable	125,339	-	-
Restricted:			
Debt service	-	-	-
Streets	-	1,095,888	827,523
Solid waste service	-	-	-
Public safety	26,852	-	-
Library	37,622	-	-
Community promotion	8,326	-	-
Committed:			
Recreation	-	-	-
Seniors' program	-	-	-
Assigned:			
School land purchase	220,000	-	-
Capital improvement	-	-	-
Unassigned	1,992,303	-	-
	<u>2,653,776</u>	<u>1,095,888</u>	<u>827,523</u>
Total fund balances	<u>2,653,776</u>	<u>1,095,888</u>	<u>827,523</u>
Total liabilities and fund balances	<u>\$ 3,038,624</u>	<u>\$ 1,155,245</u>	<u>\$ 850,706</u>

The Notes to Financial Statements are an Integral Part of this Statement.

**Governmental Funds
Balance Sheet
June 30, 2011**

Solid Waste Service Fund	Eleven Mile Road Project	Nonmajor Funds	Total
\$ 725,571	\$ -	\$ 844,183	\$ 5,645,197
22,580	-	4,929	52,528
58,949	-	-	191,025
-	-	-	443,364
-	-	38,220	38,220
-	-	219,738	345,077
-	-	-	44,188
-	-	40,578	239,724
-	769,745	-	769,745
\$ 807,100	\$ 769,745	\$ 1,147,648	\$ 7,769,068
\$ 75,104	\$ 769,498	\$ 33,910	\$ 1,073,247
-	-	-	9,054
5,268	-	9,636	264,292
22,580	-	21,629	58,420
102,952	769,498	65,175	1,405,013
-	-	40,578	283,912
-	-	219,738	345,077
-	247	17,652	17,899
-	-	-	1,923,411
704,148	-	-	704,148
-	-	10,414	37,266
-	-	-	37,622
-	-	30,207	38,533
-	-	218,742	218,742
-	-	129,473	129,473
-	-	-	220,000
-	-	415,669	415,669
-	-	-	1,992,303
704,148	247	1,082,473	6,364,055
\$ 807,100	\$ 769,745	\$ 1,147,648	\$ 7,769,068

City of Berkley, Michigan

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **June 30, 2011**

Fund Balance Reported in Governmental Funds	\$ 6,364,055
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	13,647,465
Revenue related to receivables is recorded in the statement of net assets at the time it is earned without regard to timeliness of collection	58,420
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,261,454)
Accrued interest payable is not recorded in the funds	(53,523)
The current cost of other postemployment benefits is not due and payable in the current period and is not reported in the funds	(1,437,294)
Internal Service Funds are included as part of governmental activities	<u>7,181</u>
Net Assets of Governmental Activities	<u>\$ 13,324,850</u>

City of Berkley, Michigan

	General Fund	Major Streets Fund	Local Streets Fund
Revenue			
Property taxes	\$ 5,445,150	\$ -	\$ -
Licenses and permits	283,307	-	-
Federal grants	7,465	-	-
State-shared revenue and grants	1,238,205	627,481	223,904
Charges for services	461,154	5,920	-
Fines and forfeitures	1,070,251	-	-
Investment earnings	28,011	6,140	4,804
Franchise fees	278,640	-	-
Other revenue:			
Special assessments	14,957	-	-
Other miscellaneous income	362,244	30,139	7,072
Total revenue	<u>9,189,384</u>	<u>669,680</u>	<u>235,780</u>
Expenditures			
Current:			
General government	2,471,255	13,589	40,303
Public safety	4,711,535	-	-
Public works	505,877	628,738	407,581
Health and welfare	40,946	-	-
Recreation and culture	1,081,464	-	-
Capital outlay	148,275	-	-
Debt service	90,282	-	-
Total expenditures	<u>9,049,634</u>	<u>642,327</u>	<u>447,884</u>
Excess of Revenue Over (Under) Expenditures	139,750	27,353	(212,104)
Other Financing Sources (Uses)			
Transfers in (Note 5)	11,863	-	166,295
Transfers out (Note 5)	(36,795)	(142,000)	-
Total other financing (uses) sources	<u>(24,932)</u>	<u>(142,000)</u>	<u>166,295</u>
Net Change in Fund Balances	114,818	(114,647)	(45,809)
Fund Balances - Beginning of year (as restated) Note 13	<u>2,538,958</u>	<u>1,210,535</u>	<u>873,332</u>
Fund Balances - End of year	<u>\$ 2,653,776</u>	<u>\$ 1,095,888</u>	<u>\$ 827,523</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

Solid Waste Service Fund	Eleven Mile Road Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 902,250	\$ -	\$ 662,924	\$ 7,010,324
-	-	-	283,307
-	-	89,308	96,773
-	-	27,231	2,116,821
284,543	-	429,875	1,181,492
-	-	80,556	1,150,807
5,062	1,516	5,090	50,623
-	-	-	278,640
-	-	-	14,957
4,396	-	3,263	407,114
<u>1,196,251</u>	<u>1,516</u>	<u>1,298,247</u>	<u>12,590,858</u>
-	-	-	2,525,147
-	-	-	4,711,535
1,191,392	-	-	2,733,588
-	-	181,663	222,609
-	-	253,426	1,334,890
4,600	33,930	94,893	281,698
-	-	812,431	902,713
<u>1,195,992</u>	<u>33,930</u>	<u>1,342,413</u>	<u>12,712,180</u>
259	(32,414)	(44,166)	(121,322)
-	46,058	154,050	378,266
-	(218,379)	(224,471)	(621,645)
<u>-</u>	<u>(172,321)</u>	<u>(70,421)</u>	<u>(243,379)</u>
259	(204,735)	(114,587)	(364,701)
<u>703,889</u>	<u>204,982</u>	<u>1,197,060</u>	<u>6,728,756</u>
<u>\$ 704,148</u>	<u>\$ 247</u>	<u>\$ 1,082,473</u>	<u>\$ 6,364,055</u>

City of Berkley, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (364,701)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	745,404
Depreciation expense	(912,437)
Loss on disposal of assets	(9,700)

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(37,234)
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Capital contributions are not reported as revenue in the governmental funds	306,692
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	658,021
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Accrued interest is recorded on debt when incurred in the statement of activities	7,473
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The annual required contribution of other postemployment benefits is recorded when incurred in the statement of activities	(782,840)
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Internal service funds are included as part of governmental activities	<u>4,817</u>
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Change in Net Assets of Governmental Activities \$ (384,505)

City of Berkley, Michigan

Proprietary Funds Statement of Net Assets June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Fund - Water and Sewer Fund	Nonmajor Enterprise - Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 365,088	\$ 107,680	\$ 472,768	\$ 684,231
Receivables - Customers	2,319,637	-	2,319,637	-
Total current assets	2,684,725	107,680	2,792,405	684,231
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	13,795	-	13,795	-
Assets subject to depreciation	14,722,836	255,272	14,978,108	-
Total assets	17,421,356	362,952	17,784,308	684,231
Liabilities				
Current liabilities:				
Accounts payable	521,035	6,412	527,447	-
Accrued and other liabilities	60,796	2,843	63,639	-
Current portion of compensated absences (Note 6)	59,232	-	59,232	292,382
Current portion of long-term debt (Note 6)	381,798	-	381,798	-
Total current liabilities	1,022,861	9,255	1,032,116	292,382
Noncurrent liabilities:				
Advances payable to other funds (Note 5)	-	345,077	345,077	-
Compensated absences	-	-	-	384,668
Other postemployment benefit obligations (Note 10)	102,995	-	102,995	-
Long-term debt - Net of current portion (Note 6)	5,423,665	-	5,423,665	-
Total noncurrent liabilities	5,526,660	345,077	5,871,737	384,668
Total liabilities	6,549,521	354,332	6,903,853	677,050
Net Assets				
Invested in capital assets - Net of related debt	8,931,168	(18,805)	8,912,363	-
Unrestricted	1,940,667	27,425	1,968,092	7,181
Total net assets	<u>\$ 10,871,835</u>	<u>\$ 8,620</u>	<u>\$ 10,880,455</u>	<u>\$ 7,181</u>

City of Berkley, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Fund - Water and Sewer Fund	Nonmajor Enterprise - Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
Operating Revenue				
Sale of water and sewer charges	\$ 4,846,354	\$ -	\$ 4,846,354	\$ -
Other sales to customers	-	342,046	342,046	71,191
Property and equipment rental	38,279	-	38,279	-
Miscellaneous	111,453	-	111,453	-
Total operating revenue	4,996,086	342,046	5,338,132	71,191
Operating Expenses				
Water and sewer operations	3,970,438	-	3,970,438	-
Arena operations	-	325,704	325,704	-
Compensated absences	-	-	-	70,019
Depreciation	295,198	65,447	360,645	-
Total operating expenses	4,265,636	391,151	4,656,787	70,019
Operating Income (Loss)	730,450	(49,105)	681,345	1,172
Nonoperating Revenue (Expenses)				
Investment income	1,721	276	1,997	3,645
Interest expense	(159,570)	-	(159,570)	-
Income (Loss) - Before transfers	572,601	(48,829)	523,772	4,817
Transfers In	218,379	25,000	243,379	-
Change in Net Assets	790,980	(23,829)	767,151	4,817
Net Assets - Beginning of year (as restated) Note 13	10,080,855	32,449	10,113,304	2,364
Net Assets - End of year	\$ 10,871,835	\$ 8,620	\$ 10,880,455	\$ 7,181

City of Berkley, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Fund - Water and Sewer Fund	Nonmajor Enterprise - Arena Fund	Total Enterprise Funds	Internal Service Fund - Fringe Benefits Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 4,821,895	\$ 346,556	\$ 5,168,451	\$ 71,191
Payments to suppliers	(3,140,298)	(152,416)	(3,292,714)	-
Payments to employees	(760,639)	(173,294)	(933,933)	(163,485)
Internal activity - Cash received from other funds	6,945	3,732	10,677	-
Net cash provided by (used in) operating activities	927,903	24,578	952,481	(92,294)
Cash Flows from Noncapital Financing Activities				
Cash received from other funds	218,379	25,000	243,379	-
Repayments of loans from other funds	(233,240)	-	(233,240)	-
Net cash (used in) provided by noncapital financing activities	(14,861)	25,000	10,139	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(46,723)	(11,510)	(58,233)	-
Principal and interest paid on capital debt	(532,546)	-	(532,546)	-
Repayment of advances from other funds	-	(55,000)	(55,000)	-
Net cash used in capital and related financing activities	(579,269)	(66,510)	(645,779)	-
Cash Flows from Investing Activities - Interest received on investments	1,721	276	1,997	3,645
Net Increase (Decrease) in Cash and Cash Equivalents	335,494	(16,656)	318,838	(88,649)
Cash and Cash Equivalents - Beginning of year	29,594	124,336	153,930	772,880
Cash and Cash Equivalents - End of year	<u>\$ 365,088</u>	<u>\$ 107,680</u>	<u>\$ 472,768</u>	<u>\$ 684,231</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 730,450	\$ (49,105)	\$ 681,345	\$ 1,172
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	295,198	65,447	360,645	-
Loss on sale of assets	7,310	-	7,310	-
Changes in assets and liabilities:				
Receivables	(174,191)	4,510	(169,681)	-
Due from other funds	6,945	3,732	10,677	-
Accounts payable	50,236	(331)	49,905	-
Accrued and other liabilities	11,955	325	12,280	(93,466)
Net cash provided by (used in) operating activities	<u>\$ 927,903</u>	<u>\$ 24,578</u>	<u>\$ 952,481</u>	<u>\$ (92,294)</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Berkley, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2011

	Public Safety Pension	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 246,584	\$ 286,935
Investments (Note 3):		
U.S. Treasury bonds	282,441	-
U.S. government agency securities	1,529,150	-
Common and preferred stock	10,449,199	-
Corporate bonds	2,241,626	-
Mortgage-backed securities	624,220	-
Mutual funds	1,612,231	-
Receivables	-	7,007
Due from primary government	-	1,393
Accrued interest	79,715	-
	17,065,166	\$ 295,335
Liabilities		
Accounts payable	31,429	\$ 2,819
Due to other governmental units	-	26,602
Cash bonds and deposits	-	265,914
	31,429	\$ 295,335
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 17,033,737	

City of Berkley, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Public Safety Pension Year Ended June 30, 2011

Additions

Investment income:	
Interest and dividends	\$ 468,448
Net increase in fair value of investments	2,589,753
Investment-related expenses	<u>(124,161)</u>
Net investment income	2,934,040
Contributions:	
Employer	719,836
Employee	<u>4,332</u>
Total contributions	<u>724,168</u>
Total additions - Net	3,658,208

Deductions

Benefit payments	1,463,789
Administrative expenses	<u>38,800</u>
Total deductions	<u>1,502,589</u>

Net Increase in Net Assets Held in Trust 2,155,619

Net Assets Held in Trust for Pension and Other Employee Benefits -
Beginning of year 14,878,118

Net Assets Held in Trust for Pension and Other Employee Benefits -
End of year \$ 17,033,737

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Unit - The City of Berkley, Michigan's Building Authority is governed by a three-member board that is appointed by the City's council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to acquire, furnish, equip, own, improve, enlarge, operate, and maintain the ice arena and horseshoe pit for the use or benefit of the City. The Building Authority was inactive during the year ended June 30, 2011.

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

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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

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

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

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 proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

Agency Fund - The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

Note I - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

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

The City of Berkley's 2010 tax is levied and collectible on July 1, 2010 and is recognized as revenue in the year ended June 30, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2010 taxable valuation of the City of Berkley, Michigan totaled \$488,650,310 (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, 0.10230 mills for community promotion, 2.4762 mills for public safety retirement benefits, and 1.3916 mills for debt service. This resulted in approximately \$3,907,000 for operating and public safety, \$902,000 for sanitation, \$49,000 for community promotion, \$1,179,000 for public safety retirement benefits, and \$663,000 for debt service. These amounts are recognized in the respective General Fund and special revenue and debt service funds financial statements as tax revenue. The taxes levied by the DDA were 1.9216 mills, which resulted in approximately \$40,000 in tax revenue. This amount was recorded as part of the DDA component unit.

Assets, Liabilities, and Net 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.

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Roads and bridges	15 to 20 years
Water and sewer lines	60 to 85 years
Land improvements	20 years
Buildings	15 to 50 years
Building improvements	7 to 20 years
Equipment and books	3 to 15 years
Vehicles	5 to 10 years

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 is accrued when incurred in the internal service fund. Annual leave and sick pay related to the Water and Sewer Fund is accrued when incurred in the Water and Sewer Fund.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City implemented GASB No. 54 during the year.

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

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

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, 2011 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)

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

Shortfall at July 1, 2010		\$	(648,788)
Current year permit revenue			88,214
Related expenses:			
Direct costs	\$	(180,673)	
Estimated indirect costs		(18,067)	(198,740)
Current year shortfall			(110,526)
Cumulative shortfall - June 30, 2011		\$	(759,314)

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:

	Budget	Actual
General Fund		
Public Works - Operations	\$ 213,529	\$ 226,971
Transfers to other funds	17,380	36,795
Solid Waste Service Fund - Operations	1,177,094	1,191,392

Note 3 - Deposits and Investments

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

Note 3 - Deposits and Investments (Continued)

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City and the Downtown Development Authority had \$7,888,396 and \$923,099, respectively, of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 2,241,626	6.84
Mutual fund fixed income	788,192	9.00
Mortgage-backed securities	624,220	25.28
U.S. Treasury bonds	282,442	23.50
Government agency securities	1,529,150	27.39

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

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 273,036	A1	Moody's
Corporate bonds	797,545	A2	Moody's
Corporate bonds	329,894	A3	Moody's
Corporate bonds	164,431	AA2	Moody's
Corporate bonds	223,457	AA3	Moody's
Corporate bonds	273,610	BAA1	Moody's
Corporate bonds	149,788	BAA2	Moody's
Corporate bonds	29,874	BAA3	Moody's
Mutual funds	788,192	Aaa	Moody's
Mortgage-backed securities	624,220	AAA	Moody's

Note 4 - Capital Assets

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

	Balance July 1, 2010	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 318,909	\$ -	\$ -	\$ 7,203	\$ 311,706
Construction in progress	494,475	(501,675)	624,658	-	617,458
Subtotal	813,384	(501,675)	624,658	7,203	929,164
Capital assets being depreciated:					
Roads and bridges	50,631,966	501,675	7	-	51,133,648
Buildings	6,385,314	-	69,120	-	6,454,434
Equipment and books	2,767,634	-	318,914	120,021	2,966,527
Vehicles	1,948,345	-	46,601	94,348	1,900,598
Subtotal	61,733,259	501,675	434,642	214,369	62,455,207
Accumulated depreciation:					
Roads and bridges	42,001,535	-	422,788	-	42,424,323
Buildings	4,116,955	-	133,713	-	4,250,668
Equipment and books	1,900,288	-	236,645	118,294	2,018,639
Vehicles	1,010,362	-	119,291	86,377	1,043,276
Subtotal	49,029,140	-	912,437	204,671	49,736,906
Net capital assets being depreciated	12,704,119	501,675	(477,795)	9,698	12,718,301
Net capital assets	\$ 13,517,503	\$ -	\$ 146,863	\$ 16,901	\$ 13,647,465
Business-type Activities					
Capital assets not being depreciated -					
Land	\$ 13,795	\$ -	\$ -	\$ -	\$ 13,795
Capital assets being depreciated:					
Water and sewer transmission lines	16,636,527	-	37,357	18,354	16,655,530
Buildings	980,254	-	10,945	-	991,199
Building improvements	221,804	-	6,484	-	228,288
Equipment	1,222,548	-	3,450	-	1,225,998
Land improvements	36,474	-	-	-	36,474
Subtotal	19,097,607	-	58,236	18,354	19,137,489
Accumulated depreciation:					
Water and sewer transmission lines	2,111,560	-	183,476	11,041	2,283,995
Buildings	780,597	-	40,591	-	821,188
Building improvements	160,828	-	13,706	-	174,534
Equipment	720,318	-	122,872	-	843,190
Land improvements	36,474	-	-	-	36,474
Subtotal	3,809,777	-	360,645	11,041	4,159,381
Net capital assets being depreciated	15,287,830	-	(302,409)	7,313	14,978,108
Net capital assets	\$ 15,301,625	\$ -	\$ (302,409)	\$ 7,313	\$ 14,991,903

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 191,487
Public safety	163,375
Public works	482,072
Recreation and culture	75,503
Total governmental activities	<u>\$ 912,437</u>

Business-type activities:

Water and sewer	\$ 295,198
Arena	65,447
Total business-type activities	<u>\$ 360,645</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ice Arena Fund	\$ 125,339
Nonmajor governmental funds	Ice Arena Fund	219,738
	Total	<u>\$ 345,077</u>

Interfund balances payable from the General and Recreation Revolving Funds to the Ice Arena Fund as of June 30, 2011 represent advances made to the fund to pay off outstanding bonded debt and to cover various operating expenses of the fund which are not expected to be repaid in the next year and are classified as long-term advances.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

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	Local Streets Fund	\$ 24,295
General Fund	Nonmajor enterprise funds	12,500
Major Streets Fund	Local Streets Fund	142,000
Eleven Mile Road Project Fund	Water and Sewer Fund	218,379
Nonmajor governmental funds	Nonmajor governmental funds	154,050
Nonmajor governmental funds	General Fund	11,863
Nonmajor governmental funds	Eleven Mile Road Project Fund	46,058
Nonmajor governmental funds	Nonmajor enterprise funds	12,500
	Total	<u>\$ 621,645</u>

The transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenue in accordance with Act 51. The transfer from the Eleven Mile Road Fund to the Water and Sewer Fund represents the transfer of unspent bond proceeds to the Water and Sewer Fund for costs related to the Eleven Mile Road construction project completed during the year. This transfer was made due to costs in the Water and Sewer Fund being incurred as part of the project that were not originally planned when the project began. The transfer from a nonmajor governmental fund to the General Fund represents the transfer of discretionary funds to be used for the benefit of the community. Transfers between nonmajor governmental funds represent the transfer of funds for payment of debt.

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, 2011

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
Governmental Activities							
2006 General Obligation 12 Mile Road							
Bonds:							
Amount of issue: \$850,000	3.90% -	\$50,000-					
Maturing through 2016	4.25%	\$150,000	\$ 650,000	\$ -	\$ 75,000	\$ 575,000	\$ 100,000
2006 General Obligation 11 Mile Road							
Bonds:							
Amount of issue: \$2,500,000	3.90% -	\$100,000 -					
Maturing through 2021	4.25%	\$300,000	2,200,000	-	125,000	2,075,000	125,000
2006 General Obligation Other Road							
Bonds:							
Amount of issue: \$2,625,000	3.90% -	\$200,000 -					
Maturing through 2016	4.25%	\$375,000	1,975,000	-	275,000	1,700,000	300,000
Fire Truck Installment Purchase							
Agreement:							
Amount of issue: \$352,867	4.00%	\$66,858 -					
Maturing through 2011		\$75,204	147,516	-	72,312	75,204	75,204
Telephone Installment Purchase							
Agreement:							
Amount of issue: \$51,100	4.93%	\$9,240-					
Maturing through 2012		\$11,250	21,959	-	10,709	11,250	11,250
Contractual obligations with Oakland							
County - 2002 Installment Purchase							
Agreement:							
Amount of issue: \$1,260,000	5.20%	\$50,000 -					
Maturing through 2016		\$200,000	925,000	-	100,000	825,000	130,000
Total bond obligations			5,919,475	-	658,021	5,261,454	741,454
Other long-term obligations -							
Compensated absences			770,516	-	93,466	677,050	292,382
Other long-term obligations - Other							
postemployment benefits			654,454	782,840	-	1,437,294	-
Total governmental activities			\$ 7,344,445	\$ 782,840	\$ 751,487	\$ 7,375,798	\$ 1,033,836

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General Obligation Bond - Contractual obligations with Oakland County - George W. Kuhn Bonds:							
2000-A:							
Amount of issue: \$1,126,053	2.50%	\$47,549 -					
Maturing through 2022		\$70,354	\$ 741,255	\$ -	\$ 53,847	\$ 687,408	\$ 55,106
2001-C:							
Amount of issue: \$5,176,822	2.50%	\$207,829 -					
Maturing through 2024		\$324,025	3,882,302	-	234,909	3,647,393	240,892
2001-D:							
Amount of issue: \$199,641	2.50%	\$7,872 -					
Maturing through 2024		\$13,225	103,453	-	6,613	96,840	6,298
2001-E:							
Amount of issue: \$621,597	4.10% -	\$22,042 -					
Maturing through 2024	5.25%	\$45,346	796,360	-	48,178	748,182	49,753
2005-F:							
Amount of issue: \$103,572	1.625%	\$4,478 -					
Maturing through 2026		\$6,078	79,277	-	4,478	74,799	4,478
2006-G:							
Amount of issue: \$112,919	1.625%	\$4,798 -					
Maturing through 2026		\$6,398	103,323	-	5,118	98,205	5,118
2006-H:							
Amount of issue: \$491,662	2.50%	\$19,193 -					
Maturing through 2029		\$30,709	472,469	-	19,833	452,636	20,153
Total bond obligations			6,178,439	-	372,976	5,805,463	381,798
Other long-term obligations:							
Compensated absences			65,055	-	5,823	59,232	59,232
Other postemployment benefits			84,575	18,420	-	102,995	-
Total business-type activities			\$ 6,328,069	\$ 18,420	\$ 378,799	\$ 5,967,690	\$ 441,030

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 741,454	\$ 214,092	\$ 955,546	\$ 381,798	\$ 157,170	\$ 538,968
2013	725,000	180,647	905,647	393,145	146,746	539,891
2014	735,000	148,409	883,409	402,911	136,075	538,986
2015	860,000	113,527	973,527	413,008	125,137	538,145
2016	925,000	75,426	1,000,426	424,984	113,932	538,916
2017-2021	1,275,000	135,444	1,410,444	2,295,739	389,749	2,685,488
2022-2026	-	-	-	1,390,876	88,328	1,479,204
2027-2029	-	-	-	103,002	4,854	107,856
Total	\$ 5,261,454	\$ 867,545	\$ 6,128,999	\$ 5,805,463	\$ 1,161,991	\$ 6,967,454

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. Proceeds from the County bonds provided financing for the construction of the George W. Kuhn Drain. The remaining principal and interest to be paid on the bonds total \$6,967,454. During the current year, net revenue of the system was \$918,249 compared to annual debt requirements of \$532,546.

Note 7 - Restricted Assets

Restricted assets at June 30, 2011 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 Plan

General Employees' Pension

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

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

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2011, the City's annual pension cost of \$537,833 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, 2008, 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 28 years.

	Fiscal Year Ended June 30		
	2011	2010	2009
Annual pension cost (APC)	\$ 537,833	\$ 438,510	\$ 453,506
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

Actuarial valuation as of December 31 is as follows:

	2010	2009	2008
Actuarial value of assets	\$ 14,601,510	\$ 14,794,854	\$ 15,211,513
Actuarial accrued liability (AAL) (entry age)	\$ 19,040,900	\$ 19,113,973	\$ 18,963,204
Unfunded AAL (UAAL)	\$ 4,439,390	\$ 4,319,119	\$ 3,751,691
Funded ratio	77 %	77 %	80 %
Covered payroll	\$ 2,194,904	\$ 2,540,930	\$ 2,360,645
UAAL as a percentage of covered payroll	202 %	170 %	159 %

Public Safety Pension Trust

Plan Description - The City of Berkley, Michigan's public safety pension is the administrator of a single-employer defined benefit plan that covers all public safety employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2010, the date of the most recent actuarial valuation, membership consisted of 39 retirees and beneficiaries currently receiving benefits and 28 current active employees. The plan does not issue a separate financial report.

Note 9 - Defined Benefit Pension Plan (Continued)

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, 2011, the City's annual pension cost of \$719,836 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, 2010, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 5 percent to 9 percent per year including an inflation component of 5 percent, and (c) no cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis for police and fire employees. The remaining amortization period is 20 years.

	Fiscal Year Ended June 30		
	2011	2010	2009
Annual pension cost (APC)	\$ 719,836	\$ 452,531	\$ 499,877
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

Funding Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, the plan was 76.6 percent funded. The actuarial accrued liability for benefits was approximately \$20.9 million, and the actuarial value of assets was approximately \$16.0 million, resulting in an unfunded actuarial accrued liability of approximately \$4.9 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 272.2 percent.

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

Note 9 - Defined Benefit Pension Plan (Continued)

Reserves - As of June 30, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 627,171
Reserve for retired benefit payments	11,283,440

Note 10 - Other Postemployment Benefits

Plan Description - 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, 92 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 except for reimbursement of expenses incurred for dependents. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

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

Funding Policy - The current collective bargaining agreements do not require contributions from employees except for reimbursement of expenses incurred for dependents. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, at June 30, 2011, the City has assets totaling \$2,079,154 invested with the Municipal Employees' Retirement System of Michigan to be used toward the liability for retiree health benefits.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

Note 10 - Other Postemployment Benefits (Continued)

For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,148,744
Interest on the prior year's net OPEB obligation	<u>55,426</u>
Annual OPEB cost	2,204,170
Amounts contributed:	
Payments of current premiums	(1,279,310)
Employer contributions	<u>(123,600)</u>
Increase in net OPEB obligation	801,260
OPEB obligation - Beginning of year	<u>739,029</u>
OPEB obligation - End of year	<u>\$ 1,540,289</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/09	6/30/06	\$ 2,084,252	95.0 %	\$ 102,719
6/30/10	6/30/06	2,121,925	70.0 %	739,028
6/30/11	6/30/06	2,204,171	63.6 %	1,540,290.0

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/06	\$ 100,000	\$ 21,807,213	\$ 21,707,213	0.5	\$ 3,643,038	595.9
6/30/09	1,035,664	17,655,852	16,620,188	5.9	4,424,609	375.6

Note 10 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2006 was 30 years.

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

Note 11 - Joint Ventures

Southeastern Oakland County Water Authority

The City is a member of the Southeastern Oakland County Water Authority (the "Water Authority"), which provides a water supply system serving 11 member 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, 2011, the City expensed \$706,598 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, 2011 of \$2,650,000, of which the City has guaranteed \$116,865. 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.

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, 2011, the City expensed \$868,059 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.

Note 12 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting components units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

City of Berkley, Michigan

Notes to Financial Statements June 30, 2011

Note 13 - Accounting and Reporting Change

During the year, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, the District Court Building Fund, formerly a special revenue fund, was reclassified as a capital projects fund. In addition, beginning fund balance/net assets was restated to close out the Loss Reserve Fund as follows:

	<u>General Fund</u>	<u>Arena Fund</u>	<u>Water and Sewer Fund</u>	<u>Recreation Revolving Fund</u>	<u>Seniors' Program Fund</u>	<u>Loss Reserve Fund</u>
Fund balance/net assets - June 30, 2010 (as previously reported)	\$ 2,446,852	\$ 28,717	\$ 10,073,910	\$ 465,357	\$ 132,093	\$ 105,645
Reclassifications under GASB 54	<u>92,106</u>	<u>3,732</u>	<u>6,945</u>	<u>445</u>	<u>2,417</u>	<u>(105,645)</u>
Fund balance/net assets - June 30, 2010 (as restated)	<u>\$ 2,538,958</u>	<u>\$ 32,449</u>	<u>\$ 10,080,855</u>	<u>\$ 465,802</u>	<u>\$ 134,510</u>	<u>\$ -</u>

Required Supplemental Information

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,437,055	\$ 5,437,055	\$ 5,445,150	\$ 8,095
Licenses and permits	268,150	277,700	283,307	5,607
Federal grants	7,000	7,000	7,465	465
State-shared revenue and grants	1,211,415	1,211,415	1,238,205	26,790
Charges for services	471,153	466,153	461,154	(4,999)
Fines and forfeitures	1,226,225	1,112,725	1,070,251	(42,474)
Investment earnings	38,632	32,850	28,011	(4,839)
Franchise fees	253,000	268,000	278,640	10,640
Other revenue:				
Special assessments	14,960	14,960	14,957	(3)
Transfers in	31,878	123,984	11,863	(112,121)
Other	328,195	376,593	362,244	(14,349)
Total revenue	9,287,663	9,328,435	9,201,247	(127,188)
Expenditures				
Current:				
General government:				
City Council	14,877	14,877	10,136	4,741
District Court	690,452	690,452	595,746	94,706
Manager	175,964	175,964	171,811	4,153
Elections	176,660	176,660	166,110	10,550
Finance	272,749	274,249	267,785	6,464
Legal	83,000	93,000	87,157	5,843
Clerk/Treasurer	94,960	98,960	105,018	(6,058)
City hall	181,823	185,069	164,129	20,940
Planning	57,342	57,342	48,483	8,859
Inspection	198,982	204,022	180,673	23,349
Insurance	642,579	642,579	569,950	72,629
Community promotion	54,440	58,590	44,960	13,630
Employee benefits	59,297	59,297	59,297	-
Total general government	2,703,125	2,731,061	2,471,255	259,806
Public safety:				
Administration	207,840	207,840	183,740	24,100
Service aides	384,272	383,668	371,028	12,640
Operations	3,584,431	3,544,502	3,502,008	42,494
Insurance	45,000	45,000	39,635	5,365
Pension administration	545,313	545,313	546,109	(796)
Animal control	72,886	73,486	69,015	4,471
Total public safety	4,839,742	4,799,809	4,711,535	88,274

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Current (Continued):				
Public works:				
Operations	\$ 213,411	\$ 213,529	\$ 226,971	\$ (13,442)
Garage	77,387	81,387	90,698	(9,311)
Street programs	183,340	183,340	188,208	(4,868)
Total public works	474,138	478,256	505,877	(27,621)
Health and welfare - Community development	41,244	41,744	40,946	798
Recreation and culture:				
Recreation	364,574	366,030	346,709	19,321
Library	611,340	611,340	598,829	12,511
WBRK	67,131	67,131	67,564	(433)
Communications coordinator	71,386	71,386	68,362	3,024
Total recreation and culture	1,114,431	1,115,887	1,081,464	34,423
Transfers to other funds	12,871	17,380	36,795	(19,415)
Capital outlay	181,506	167,856	148,275	19,581
Debt service - Principal retirement	89,306	89,306	90,282	(976)
Total expenditures	9,456,363	9,441,299	9,086,429	354,870
Excess of Revenue (Under) Over Expenditures	(168,700)	(112,864)	114,818	227,682
Fund Balance - Beginning of year (as restated) (Note 13)	2,538,958	2,538,958	2,538,958	-
Fund Balance - End of year	<u>\$ 2,370,258</u>	<u>\$ 2,426,094</u>	<u>\$ 2,653,776</u>	<u>\$ 227,682</u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 591,074	\$ 591,074	\$ 627,481	\$ 36,407
Charges for services	5,900	5,900	5,920	20
Investment income	9,236	9,236	6,140	(3,096)
Other	32,600	32,600	30,139	(2,461)
Total revenue	<u>638,810</u>	<u>638,810</u>	<u>669,680</u>	<u>30,870</u>
Expenditures				
Finance	12,076	12,076	13,589	(1,513)
Operations	635,252	716,935	628,738	88,197
Transfers out	143,201	143,201	142,000	1,201
Total expenditures	<u>790,529</u>	<u>872,212</u>	<u>784,327</u>	<u>87,885</u>
Net Change in Fund Balance	(151,719)	(233,402)	(114,647)	118,755
Fund Balance - Beginning of year	<u>1,210,535</u>	<u>1,210,535</u>	<u>1,210,535</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,058,816</u></u>	<u><u>\$ 977,133</u></u>	<u><u>\$ 1,095,888</u></u>	<u><u>\$ 118,755</u></u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 216,399	\$ 216,399	\$ 223,904	\$ 7,505
Investment earnings	6,210	6,210	4,804	(1,406)
Transfers in	142,000	160,345	166,295	5,950
Other	4,575	4,575	7,072	2,497
Total revenue	<u>369,184</u>	<u>387,529</u>	<u>402,075</u>	<u>14,546</u>
Expenditures				
Finance	41,098	41,098	40,303	795
Operations	474,483	476,566	407,581	68,985
Transfers out	1,315	1,315	-	1,315
Total expenditures	<u>516,896</u>	<u>518,979</u>	<u>447,884</u>	<u>71,095</u>
Net Change in Fund Balance	(147,712)	(131,450)	(45,809)	85,641
Fund Balance - Beginning of year	<u>873,332</u>	<u>873,332</u>	<u>873,332</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 725,620</u></u>	<u><u>\$ 741,882</u></u>	<u><u>\$ 827,523</u></u>	<u><u>\$ 85,641</u></u>

City of Berkley, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Service Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 900,873	\$ 900,873	\$ 902,250	\$ 1,377
Charges for services	302,200	302,200	284,543	(17,657)
Investment income	5,924	5,924	5,062	(862)
Other	5,500	5,500	4,396	(1,104)
Total revenue	1,214,497	1,214,497	1,196,251	(18,246)
Expenditures				
Operations	1,177,023	1,177,094	1,191,392	(14,298)
Capital outlay	8,000	8,000	4,600	3,400
Net Change in Fund Balance	29,474	29,403	259	(29,144)
Fund Balance - Beginning of year	703,889	703,889	703,889	-
Fund Balance - End of year	<u>\$ 733,363</u>	<u>\$ 733,292</u>	<u>\$ 704,148</u>	<u>\$ (29,144)</u>

City of Berkley, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2011

The schedule of funding progress is as follows:

Public Safety Pension Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/05	\$ 18.1	\$ 17.8	\$ (0.3)	101.7	\$ 1.7	-
6/30/06	17.8	18.5	0.7	96.2	1.8	38.9
6/30/07	18.8	19.4	0.6	96.9	1.8	33.3
6/30/08	19.0	19.5	0.5	97.4	1.6	31.3
6/30/09	16.3	20.4	4.1	79.9	1.7	241.2
6/30/10	16.0	20.9	4.9	76.6	1.8	272.2

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/06	\$ 377,256	100.0
6/30/07	419,560	100.0
6/30/08	506,423	100.0
6/30/09	499,877	100.0
6/30/10	452,531	100.0
6/30/11	719,836	100.0

Additional information as of June 30, 2010, the latest actuarial valuation date, is as follows:

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

Other Supplemental Information

City of Berkley, Michigan

	Special Revenue Funds				Debt Service Funds	
	Community Development Block Grant	Drug Forfeiture Fund	Recreation Revolving Fund	Seniors' Program Fund	1996	
					General Obligation Library Bonds	George Kuhn Drainage Bonds
Assets						
Cash and cash equivalents	\$ 8,480	\$ 12,694	\$ 258,762	\$ 131,584	\$ 8	\$ 13
Receivables:						
Taxes	-	-	-	-	1,011	-
Federal government	37,562	-	-	-	-	-
Advances to other funds	-	-	219,738	-	-	-
Prepaid costs	-	-	3,010	37,568	-	-
Total assets	\$ 46,042	\$ 12,694	\$ 481,510	\$ 169,152	\$ 1,019	\$ 13
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 15,835	\$ 2,280	\$ 15,581	\$ 214	\$ -	\$ -
Accrued and other liabilities	-	-	7,739	1,897	-	-
Deferred revenue	-	-	16,700	-	1,011	-
Total liabilities	15,835	2,280	40,020	2,111	1,011	-
Fund Balances						
Nonspendable:						
Inventory and prepaid items	-	-	3,010	37,568	-	-
Long-term advances receivable	-	-	219,738	-	-	-
Restricted:						
Debt service	-	-	-	-	8	13
Public safety	-	10,414	-	-	-	-
Community promotion	30,207	-	-	-	-	-
Committed:						
Recreation	-	-	218,742	-	-	-
Seniors' program	-	-	-	129,473	-	-
Assigned - Capital improvement	-	-	-	-	-	-
Total fund balances	30,207	10,414	441,490	167,041	8	13
Total liabilities and fund balances	\$ 46,042	\$ 12,694	\$ 481,510	\$ 169,152	\$ 1,019	\$ 13

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

Debt Service Funds				Capital Projects Funds					
2002 Installment Purchase	Major and Local Streets Projects Debt Service	Eleven Mile Road Project Debt Service	Twelve Mile Road Project Debt Service	12 Mile Road and Coolidge	Major and Local Streets Projects	Twelve Mile Road Project	District Court Building Fund	Total Nonmajor Governmental Funds	
\$ 950	\$ 1,146	\$ 9,779	\$ 6,706	\$ 2,418	\$ 929	\$ 27	\$ 410,687	\$ 844,183	
-	3,164	438	316	-	-	-	-	4,929	
-	-	-	-	-	-	-	658	38,220	
-	-	-	-	-	-	-	-	219,738	
-	-	-	-	-	-	-	-	40,578	
\$ 950	\$ 4,310	\$ 10,217	\$ 7,022	\$ 2,418	\$ 929	\$ 27	\$ 411,345	\$ 1,147,648	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,910	
-	-	-	-	-	-	-	-	9,636	
-	3,164	438	316	-	-	-	-	21,629	
-	3,164	438	316	-	-	-	-	65,175	
-	-	-	-	-	-	-	-	40,578	
-	-	-	-	-	-	-	-	219,738	
-	1,146	9,779	6,706	-	-	-	-	17,652	
-	-	-	-	-	-	-	-	10,414	
-	-	-	-	-	-	-	-	30,207	
-	-	-	-	-	-	-	-	218,742	
-	-	-	-	-	-	-	-	129,473	
950	-	-	-	2,418	929	27	411,345	415,669	
950	1,146	9,779	6,706	2,418	929	27	411,345	1,082,473	
\$ 950	\$ 4,310	\$ 10,217	\$ 7,022	\$ 2,418	\$ 929	\$ 27	\$ 411,345	\$ 1,147,648	

City of Berkley, Michigan

	Special Revenue Funds				Debt Service Funds	
	Community Development Block Grant	Drug Forfeiture Fund	Recreation Revolving Fund	Seniors' Program Fund	1996 General Obligation Library Bonds	George Kuhn Drainage Bonds
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	89,308	-	-	-	-	-
State-shared revenue and grants	-	-	-	27,231	-	-
Charges for services	-	-	342,093	87,782	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	-	72	1,168	767	-	-
Other	2,496	-	767	-	-	-
Total revenue	91,804	72	344,028	115,780	-	-
Expenditures						
Current:						
Health and welfare	98,414	-	-	83,249	-	-
Recreation and culture	-	-	253,426	-	-	-
Capital outlay	-	4,342	90,551	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	98,414	4,342	343,977	83,249	-	-
Excess of Revenue (Under) Over Expenditures	(6,610)	(4,270)	51	32,531	-	-
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(24,363)	-	-	-
Total other financing (uses) sources	-	-	(24,363)	-	-	-
Net Change in Fund Balances	(6,610)	(4,270)	(24,312)	32,531	-	-
Fund Balances - Beginning of year (as restated)	36,817	14,684	465,802	134,510	8	13
Fund Balances - End of year	\$ 30,207	\$ 10,414	\$ 441,490	\$ 167,041	\$ 8	\$ 13

**Other Supplemental Information
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011**

Debt Service Funds				Capital Projects Fund				District Court Building Fund	Total Nonmajor Governmental Funds
2002 Installment Purchase	Major and Local Streets Projects Debt Service	Eleven Mile Road Project Debt Service	Twelve Mile Road Project Debt Service	12 Mile Road and Coolidge	Major and Local Streets Projects	Twelve Mile Road Project			
\$ -	\$ 348,053	\$ 212,514	\$ 102,357	\$ -	\$ -	\$ -	\$ -	\$ 662,924	
-	-	-	-	-	-	-	-	89,308	
-	-	-	-	-	-	-	-	27,231	
-	-	-	-	-	-	-	-	429,875	
-	-	-	-	-	-	-	80,556	80,556	
-	74	114	53	440	12	238	2,152	5,090	
-	-	-	-	-	-	-	-	3,263	
-	348,127	212,628	102,410	440	12	238	82,708	1,298,247	
-	-	-	-	-	-	-	-	181,663	
-	-	-	-	-	-	-	-	253,426	
-	-	-	-	-	-	-	-	94,893	
148,100	351,981	211,844	100,506	-	-	-	-	812,431	
148,100	351,981	211,844	100,506	-	-	-	-	1,342,413	
(148,100)	(3,854)	784	1,904	440	12	238	82,708	(44,166)	
149,050	5,000	-	-	-	-	-	-	154,050	
-	-	-	-	(149,050)	(5,000)	(46,058)	-	(224,471)	
149,050	5,000	-	-	(149,050)	(5,000)	(46,058)	-	(70,421)	
950	1,146	784	1,904	(148,610)	(4,988)	(45,820)	82,708	(114,587)	
-	-	8,995	4,802	151,028	5,917	45,847	328,637	1,197,060	
\$ 950	\$ 1,146	\$ 9,779	\$ 6,706	\$ 2,418	\$ 929	\$ 27	\$ 411,345	\$ 1,082,473	