

**Comprehensive Annual
Financial Report of the
City of Birmingham, Michigan
as prepared by the
Department of Finance**

Fiscal Year Ended June 30, 2014

City Commission

Scott D. Moore, Mayor
Stuart Lee Sherman, Mayor Pro-Tem
George Dilgard, Commissioner
Rackeline J. Hoff, Commissioner
Thomas McDaniel, Commissioner
Mark Nickita, Commissioner
Gordon Rinschler, Commissioner

City Manager

Joseph A. Valentine

Director of Finance/Treasurer

B. Sharon Ostin

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City of Birmingham, Michigan

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Introductory Section

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November 24, 2014

To the Honorable Mayor and City Commission
City of Birmingham
Birmingham, Michigan 48012

With this letter, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 for the City of Birmingham. This report has been prepared pursuant to, and in compliance with state statutes which require the City to publish within six months of the close of each fiscal year a complete set of financial statements in compliance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America.

The financial statements have been prepared by the City's finance department for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. Management assumes full responsibility for both the completeness and reliability of the information contained in this report including all disclosures based upon a comprehensive frame-work of internal control, which has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Plante & Moran, PLLC. The purpose of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Birmingham's financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP. Plante & Moran, PLLC's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile

The City of Birmingham was incorporated in 1933 as a home-rule city. It is located in the southeastern portion of Oakland County approximately 20 miles north of downtown Detroit. Covering 4.73 square miles and serving a population of 20,920, the community is able to maintain the feel of a small town while offering the recreational and cultural advantages of a prosperous urban area.

The City has operated under the commission-manager form of government since 1917. The seven commission members, one of whom serves as mayor, are elected for four-year overlapping terms on a non-partisan basis. Policy-making and legislative authority are vested in the governing commission. The city commission appoints the city manager and city clerk, who reports, as do all other department heads, to the city manager. The city manager is responsible for carrying out the policies and ordinances of the city commission and overseeing the day-to-day operations of the City.

The City provides a wide range of services, including police and fire protection; the construction and maintenance of roads and other infrastructure; recreational activities and cultural events; community planning, zoning and code enforcement; refuse collection, water-receiving and sewage-disposal services. The Baldwin Public Library, Principal Shopping District, Brownfield Redevelopment Authority and the Corridor Improvement Authority are also included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These four component units are reported within the component unit's column in the combined financial statements. Additional information pertaining to these four component units can be found in the notes to the financial statements (see Note 1).

The City Commission is required to adopt a final budget no later than the second Monday in June. This annual budget provides the foundation for the City of Birmingham's financial planning and control. The budget is prepared by fund, function (e.g., community development), and department (e.g., planning). Upon final adoption, the budget becomes the authority for the various agencies and departments to expend funds, subject to controls established by the city charter and state law. At any meeting after the adoption of the budget, the City Commission may amend the budget by an affirmative vote of the majority.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the environment in which the City operates.

Local Economy - The region, which includes the City of Birmingham and some of the nation's most affluent suburbs, has a labor force of approximately 613,500. The June 2014 unemployment rate of 4.7% for the City is less than last year's rate of 5.8% and remains well below the state's unemployment rate of 7.4% and less than the national rate of 6.1% for the same period. It is anticipated that this area (Oakland County) will gain approximately 10,900 jobs this year and continue to add 14,990 and 17,030 jobs in each of the next two subsequent years respectively. This job growth comes on top of the significant employment gains experienced since 2011, which saw employment gains exceeding 65,000 jobs.

The economic picture for suburban Oakland County, where Birmingham is located, continued to improve over the past year. The local economy is now in its fifth year of recovery since the

recession's low point in 2009. The area's recovery is supported by a U.S. economy that continues to expand, a recovering local housing market, and continued growth in vehicle sales with all three of the area's major auto manufacturers participating. Additionally, the recovery is now more broad-based with improvement in other sectors as well. The area continues to be the premier local economy in Michigan and is among the most prominent county economies in the nation ranking eleventh in aggregate rankings with counties of similar size.

Birmingham is an affluent city, with per capita income of \$68,806 compared to a national per capita income of \$27,319. Educational attainment levels are also well above the national average of 27.9% with 74.9% of City residents completing a bachelor's degree or higher. The City has a vibrant downtown which is continuing to expand with the addition of new mixed-use developments, which combine retail, office and residential space. The downtown is known nationally for its eclectic mix of upscale boutiques, galleries, antique shops and restaurants. The City also has a thriving nightlife with entertainment venues. As of June, retail occupancy in the City's Principal Shopping District was 98% which was an improvement over the 97% from a year ago and the highest recorded since tracking began in 2001. The downtown's office market has also experienced an improvement with a 90% occupancy rate compared to 89% in June 2013.

The State's is now in its fifth year of economic recovery with significant job creation having added over 280,000 jobs over the past four years. Much of the recovery is attributable to growth in the manufacturing sector and the recovery of the automobile industry. Although Michigan is still a manufacturing intensive state going forward it is projected that the top four job producers over the next two years will be: transportation; trade and utilities; professional and business services; and construction, which will create a more diverse economy for the state. Michigan is fourth in the nation for high-wage job growth and sixth for middle-wage job growth, and home sales and values continue to rise. After a decade of job loss, high unemployment and declining state revenues, the Michigan economy is now in a sustained and broadening recovery. The State's sales tax revenues are expected to increase with constitutional revenue sharing payments for cities, villages and townships increasing by 3% based on estimated sales tax collections. Funding to qualified communities that adopt best practices under the State's Economic Vitality Incentive Program will increase by approximately 15% over the prior year. The City believes it will continue to meet the requirements under the Economic Vitality Incentive Program implemented by the State in order to be eligible to receive its percentage of the statutory revenue sharing appropriated. Approximately 6% of the City's total General Fund revenues come from constitutional and statutory revenue sharing payments received from the State.

The City's taxable value declined by approximately 16% during the severe real estate market downturn. However during the past two years taxable values increased by 2.81% and 2.71%, respectively. This improvement in the real estate market is also evidenced by continued strong building activity primarily for new residential construction. New residential construction increased by 17% from the prior fiscal year. Total building permit revenues increased by 54% during the year. Additionally, there are currently 33 new house permits in various phases of review for approval.

The City has developed and maintains a strong financial position. The City's strong financial position is attributable to continued good financial performance, maintenance of fund balance levels, and prudent proactive management of the City's operations supported by conservative budgeting. The City continues to maintain its AAA bond rating, which is the highest rating

achievable. This rating places the City of Birmingham in an elite group of communities throughout the country.

Long-term Financial Planning – The City remains proactive and strategically plans well into the future. Annually a five-year financial forecast is prepared. The forecast provides a financial framework from which to evaluate the ongoing financial condition of the City. It also provides a rational basis for identifying areas of greatest concern and devising fiscal strategy.

Because the City is at a mature stage in its life cycle, it continues to be important to maintain and invest in our infrastructure such as roads, water and sewer improvements and repairs, parking facilities, and the City's recreational facilities. To facilitate planning to meet the City's capital improvement needs, each year a six-year capital improvements program is developed. The capital improvements program is a financial plan that details all planned projects and improvements for the current and subsequent five years. In addition to estimated expenditures, funding sources and total annual operating costs are also detailed.

Because of the limitations placed on taxable values by Proposal A, the ability of governmental units in the State to recover from a downturn is significantly curtailed. As a result, the City has experienced decreases in property tax revenues in addition to decreases in investment income. In order to address revenue reductions and expenditure increases, the City has reduced staffing levels by 27%. Employees are also making increased health-care contributions. Additionally, all new hires now participate in defined-contribution plans for both retirement and retiree health-care. Revenue enhancements such as consolidated dispatch services with the Village of Beverly Hills and an increase in service revenue for fire department medical transports have been put in place.

Major Initiatives – The City continues increased levels of funding for road improvements (\$3.2 million) as support from the State in such critical areas as Act 51 street funds has failed to keep up with needs for improvements. Funding has been provided for resurfacing and maintenance projects and the reconstruction of Oak Street between Glenhurst and Lakepark Drive, Henrietta Street between Northlawn and Fourteen Mile Road, Southlawn between Bastes and Pierce Street, Maryland between Southlawn and Fourteen Mile Road and Mansfield between Sheffield and Bradford Road as well as for concrete repairs and Phase II of the Multi-Modal Transportation Plan. Also approved is \$275,000 for sidewalk and alley improvements, \$150,000 for Woodward Avenue Median improvements, \$1.3 million for improvements to the Automobile Parking System including repairs and waterproofing to the Chester Street and Peabody Street Parking Structures and new LED lights at the North Old Woodward Parking Structure. Additionally \$2.7 million in sewer system and water-main improvements and repairs have been funded.

These projects are significant because efficient transportation networks and modern infrastructure are increasingly important in an economic environment. Well maintained and efficient transportation systems provide the backbone for economic activity.

Technology Plan – Improvements have shifted from building the computer infrastructure established in the Information Systems Strategic Plan to maintaining the City's technology infrastructure and providing improvements where it makes solid business sense. As a result of the high level of dependence on technology, the City continues to provide the needed resources to enable all municipal employees to work more efficiently. Projects which have been approved for funding include:

- Upgrades to the City's network
- Workstation upgrades and tablets
- Replacement of monitors, scanners and printers

Legislation – Legislation has and will continue to impact the City of Birmingham well into the future. Through its involvement with the Michigan Municipal League, the Michigan Government Finance Officers Association and other organizations, the City is actively involved in legislative proposals affecting the financial activities of municipalities.

Pension and Other Postemployment Benefits - The City of Birmingham Employees' Retirement System is a single-employer defined-benefit pension plan, which covers eligible full-time employees of the City. A seven-member board of trustees manages this fund under the provisions of the City of Birmingham's defined-benefit pension ordinance. The plan is now closed to all new hires of the City. The City instead makes contributions into a defined-contribution plan for employees. As a result of improved investment performance, the funding status of the pension fund increased to a funding level of 85.4% compared to 82.7% in the prior year. As a matter of policy, the City of Birmingham fully funds each year's annual required contribution to the pension plan, which for the fiscal year ending June 30, 2014 totaled \$2,863,410.

The City of Birmingham also provides retiree health-care benefits to qualifying full-time employees under a single-employer defined-benefit health-care plan in accordance with labor contracts. The City is required to contribute at a rate equivalent to the annual required contribution, which is 42.98% of payroll, or \$3.5 million. The plan is now closed to all employee groups. A defined-contribution plan for employees not eligible to participate in the defined-benefit plan has been established. The defined-contribution plan funding rate for the various employee groups is detailed in Note 13 on page 66.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Birmingham for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2013. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report was made possible by the dedicated service of the entire staff of the Finance Department. Each of these individuals has our sincere appreciation for the contributions made in the preparation of this report, as well as all additional individuals who assisted in this effort. Appreciation is also expressed to the City Commission for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph A. Valentine". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joseph A. Valentine
City Manager

A handwritten signature in black ink, appearing to read "B. Sharon Ostin". The signature is cursive and compact, with a distinct loop at the end.

B. Sharon Ostin
Director of Finance/Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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**City of Birmingham
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

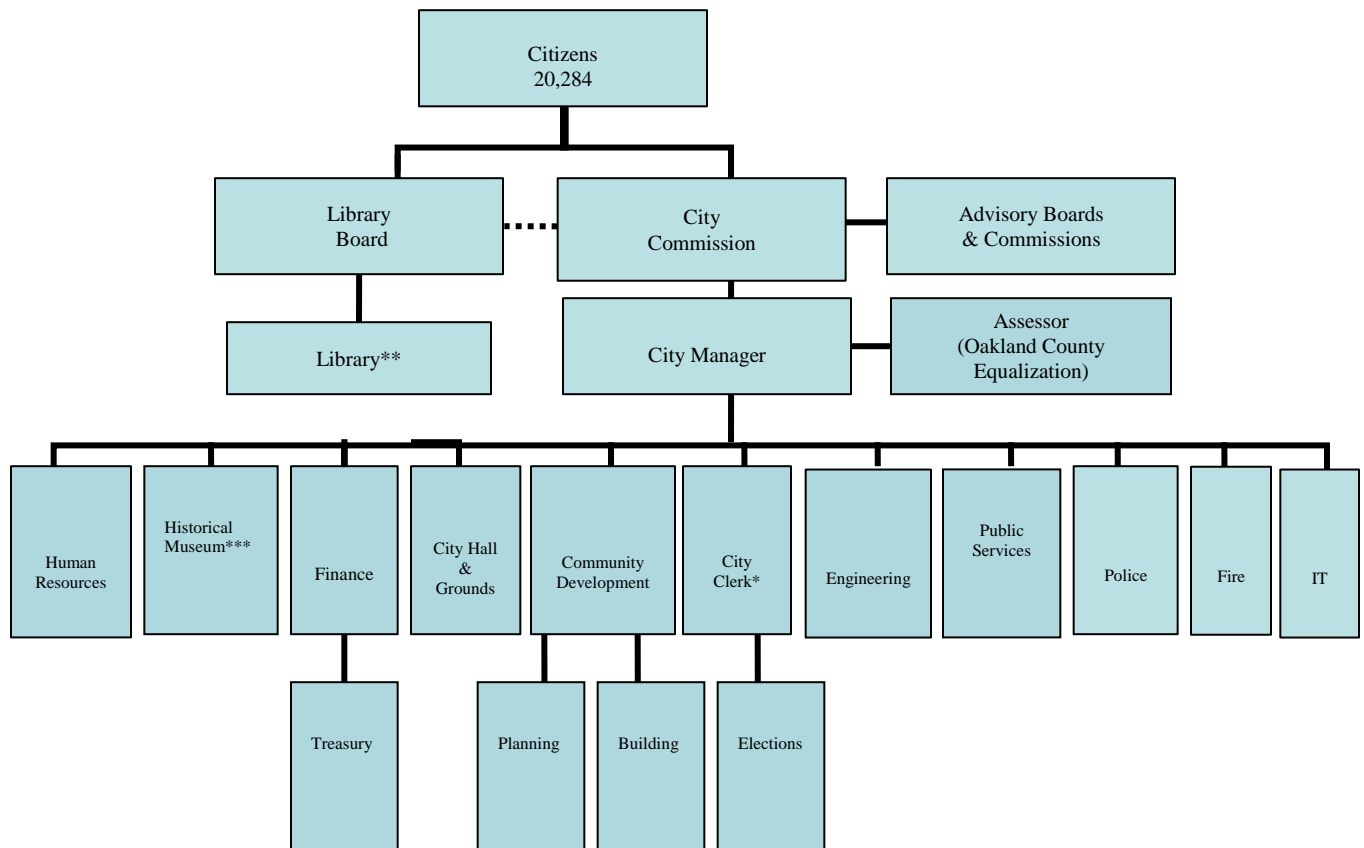
June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

Birmingham

2013-2014 Organization Chart



- * Appointed by the City Commission; reports to the City Manager.
- * * The City shall provide tax levy of not less than ½ mill and not more than 1 ¾ mills.
- * ** Birmingham Historical Museum is a non-departmental activity that reports to the City Manager.

Financial Section

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Independent Auditor's Report

To the Honorable Mayor and City Commission
City of Birmingham, Michigan

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Birmingham, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan as of June 30, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in 2014, the City adopted the new accounting guidance of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

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To the Honorable Mayor and City Commission
City of Birmingham, Michigan

As discussed in Note 1 to the basic financial statements, in 2014, the City reported Major and Local Street Fund activities in the General Fund. The Major and Local Street Funds no longer met the requirements of Governmental Accounting Standards Board No. 54 to be presented as special revenue funds, as the majority of the funding for these activities was operating transfers from the General Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

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

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

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

Plante & Moran, PLLC

November 17, 2014

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Management's Discussion and Analysis

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City of Birmingham, Michigan

Management's Discussion and Analysis

The City of Birmingham's management's discussion and analysis (MD&A) is designed to provide an objective and easy-to-read analysis of the City's financial activities based on current information and facts. The MD&A is intended to serve as an introduction to the City's basic financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget and identify fund issues.

The information contained within this MD&A is only a component of the entire financial statements. Readers are encouraged to read it in conjunction with the transmittal letter, which can be found on pages i-vi of this report and the City's financial statements, which follow this section.

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, 2014:

- The City's total revenues were \$52.4 million, while expenses totaled \$47 million.
 - Governmental activities generated \$32.6 million in revenue and \$31.1 million in expenses.
 - Business-type activities generated \$19.8 million in revenue and \$15.9 million in expenses.
- Total net position of the City increased by \$5.4 million this year.
 - Total net position related to the City's governmental activities increased by approximately \$1.5 million. Of that amount, investment in capital assets decreased by \$.9 million, restricted net position increased by \$.3 million, and unrestricted net position increased by \$2.1 million.
 - Net position of our business-type activities increased overall by \$3.9 million. Of the \$3.9 million increase in business-type activities, \$4.9 million was invested in capital assets while unrestricted net position decreased by \$1 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11.9 million, or 39.9 percent, of total General Fund expenditures and transfers out. The total unassigned fund balance of \$11.9 million has remained unchanged from the prior year.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

In addition to the MD&A (this section), the City's annual report consists of three other parts: (1) basic financial statements, (2) required supplemental information, and (3) an optional section that presents combining statements for nonmajor governmental, enterprise, internal service, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City:

Government-wide Financial Statements - These statements provide readers with a broad overview of the City's finances, in a manner similar to a private sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the City's finances and whether taxpayers have funded the full cost of providing governmental services. The first two statements are government-wide financial statements and include the following:

- The statement of net position presents information pertaining to all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Birmingham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include water and sewer disposal systems, automobile parking, and municipal golf courses.

The government-wide financial statements include not only the City of Birmingham itself (known as the primary government), but also the legally separate Baldwin Public Library, Principal Shopping District, Corridor Improvement Authority, and the Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements – The remaining statements are fund financial statements. The City of Birmingham, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the City's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. The City's three fund financial statements include the following:

- **Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, offer short- and long-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City also utilizes internal service funds (the other type of proprietary fund) to report activities that provide supplies and services to the City's other programs and activities, such as the City's equipment fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.
- **Fiduciary Funds** - Fiduciary funds provide information about resources held for the benefit of parties outside the government - like the retirement plan for the City's employees - in which the City acts solely as a trustee or agent. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to the Financial Statements – The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. This information includes budgetary comparisons for the City's General Fund and major special revenue funds. It also includes combining statements for the City's nonmajor governmental funds, internal service funds and fiduciary funds. Immediately following the supplemental information is a statistical section, which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, and demographic and other statistical data.

Financial Analysis of the City as a Whole

Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Birmingham, combined net position increased 3.0 percent from last year to \$184.4 million (See Table A-1). The following table shows, in a condensed format, the net position of the City as of June 30, 2013 and 2014:

Table A-1
City of Birmingham's Net Position
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|---------------------------------------|----------------------------|----------------|-----------------------------|----------------|-----------------|-----------------|-------------------------------|
| | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013-2014</u> |
| Assets | | | | | | | |
| Current and other assets | \$ 41.3 | \$ 42.1 | \$ 20.1 | \$ 18.8 | \$ 61.4 | \$ 60.9 | (0.8) |
| Capital assets | <u>76.4</u> | <u>75.0</u> | <u>83.4</u> | <u>85.5</u> | <u>159.8</u> | <u>160.5</u> | 0.4 |
| Total assets | 117.7 | 117.1 | 103.5 | 104.3 | 221.2 | 221.4 | 0.1 |
| Deferred Outflows of Resources | - | 0.3 | - | 0.4 | - | 0.7 | - |
| Liabilities | | | | | | | |
| Current liabilities | 3.3 | 2.1 | 2.8 | 2.8 | 6.1 | 4.9 | (19.7) |
| Long-term liabilities | <u>17.6</u> | <u>17.1</u> | <u>18.5</u> | <u>15.7</u> | <u>36.1</u> | <u>32.8</u> | (9.1) |
| Total liabilities | 20.9 | 19.2 | 21.3 | 18.5 | 42.2 | 37.7 | (10.7) |
| Net Position | | | | | | | |
| Invested in capital assets - | | | | | | | |
| Net of related debt | 61.2 | 60.3 | 64.9 | 69.8 | 126.1 | 130.1 | 3.2 |
| Restricted | 1.2 | 1.5 | - | - | 1.2 | 1.5 | 25.0 |
| Unrestricted | <u>34.4</u> | <u>36.5</u> | <u>17.3</u> | <u>16.3</u> | <u>51.7</u> | <u>52.8</u> | 2.1 |
| Total net position | <u>\$ 96.8</u> | <u>\$ 98.3</u> | <u>\$ 82.2</u> | <u>\$ 86.1</u> | <u>\$ 179.0</u> | <u>\$ 184.4</u> | 3.0 |

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

The City's net position related to governmental activities increased \$1.5 million, or 1.6 percent, and net position related to business-type activities increased \$3.9 million, or 4.7 percent over the 2013 fiscal year. Of the City's total net position 70.6 percent is made up of its investment in capital assets, less any related debt used to acquire those assets. The City's net position related to investment in capital assets for governmental activities decreased by \$.9 million, or 1.5 percent resulting from depreciation being greater than additions in capital assets during the year. Continued improvements to the City's water-mains, sanitary sewers and parking structures (business-type activities) resulted in an increase of \$4.9 million in capital asset investment. The City uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

Restricted net position of the City totaled \$1.5 million at June 30, 2014 and increased by 25 percent from the prior year. The increase is a result of construction code activity which is restricted by state law for that purpose. Restricted net position reported in governmental activities has limits on its use that are externally imposed by restrictions such as enabling legislation or bond covenants. These resources can only be used for the specific purpose for which they were intended, such as expenditures for solid waste disposal or debt-service requirements. The remaining unrestricted net position may be used to meet the City's ongoing operations. Unrestricted net position decreased by \$1 million, or 5.8 percent, in the City's business-type activities and increased by \$2.1 million, or 6.1 percent, in the governmental activities.

Changes in Net Position - The City's combined total revenue increased \$2 million, or 4 percent from 2013 to 2014 as shown in Table A-2. The City's revenue comes from two major sources: property taxes and charges for services. Approximately half of the City's total revenue comes from property taxes (50.4 percent in 2013 and 48.7 percent in 2014). Charges for services represented 42.9 percent of the total revenue in 2013 and 43.1 percent in 2014. The balance of the revenue is derived mainly from state and federal sources.

The City's combined total expenses increased \$1.5 million, or 3.3 percent, from 2013 to 2014. The City's expenses cover a wide range of services, with public safety and public works representing approximately 46 percent of total expenses. For both fiscal years, the City had revenue in excess of expenses for both governmental and business-type activities.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Table A-2 below and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2
Changes in City of Birmingham's Net Position
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--|----------------------------|----------------|-----------------------------|----------------|-----------------|-----------------|-------------------------------|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013-2014 |
| Revenues | | | | | | | |
| Program revenue: | | | | | | | |
| Charges for services | \$ 5.0 | \$ 6.4 | \$ 16.6 | \$ 16.2 | \$ 21.6 | \$ 22.6 | 4.6 |
| Operating grants and contributions | 1.5 | 1.8 | - | - | 1.5 | 1.8 | 20.0 |
| Capital grants and contributions | 0.1 | 0.1 | - | - | 0.1 | 0.1 | - |
| General revenue: | | | | | | | |
| Property taxes | 22.1 | 22.1 | 3.3 | 3.4 | 25.4 | 25.5 | 0.4 |
| State-shared revenue | 1.7 | 1.7 | - | - | 1.7 | 1.7 | - |
| Unrestricted investment earnings | 0.1 | 0.5 | - | 0.2 | 0.1 | 0.7 | 600.0 |
| Total revenues | 30.5 | 32.6 | 19.9 | 19.8 | 50.4 | 52.4 | 4.0 |
| Program Expenses | | | | | | | |
| General government | 4.4 | 4.6 | - | - | 4.4 | 4.6 | 4.5 |
| Public safety | 12.3 | 13.3 | - | - | 12.3 | 13.3 | 8.1 |
| Public works | 7.9 | 8.3 | - | - | 7.9 | 8.3 | 5.1 |
| Community and economic development | 1.9 | 1.9 | - | - | 1.9 | 1.9 | - |
| Recreation and culture | 2.2 | 2.2 | - | - | 2.2 | 2.2 | - |
| Interest on long-term debt | 0.6 | 0.8 | - | - | 0.6 | 0.8 | 33.3 |
| Water and sewer | - | - | 11.7 | 12.0 | 11.7 | 12.0 | 2.6 |
| Parking | - | - | 3.5 | 2.9 | 3.5 | 2.9 | (17.1) |
| Golf courses | - | - | 1.0 | 1.0 | 1.0 | 1.0 | - |
| Total expenses | 29.3 | 31.1 | 16.2 | 15.9 | 45.5 | 47.0 | 3.3 |
| Increase in Net Position Before Transfers | 1.2 | 1.5 | 3.7 | 3.9 | 4.9 | 5.4 | 10.2 |
| Transfers | (0.1) | - | 0.1 | - | - | - | - |
| Increase in Net Position | 1.1 | 1.5 | 3.8 | 3.9 | 4.9 | 5.4 | 10.2 |
| Net Position - Beginning of year | 95.7 | 96.8 | 78.4 | 82.2 | 174.1 | 179.0 | 2.8 |
| Net Position - End of year | <u>\$ 96.8</u> | <u>\$ 98.3</u> | <u>\$ 82.2</u> | <u>\$ 86.1</u> | <u>\$ 179.0</u> | <u>\$ 184.4</u> | 3.0 |

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities - Total revenue for governmental activities increased \$2.1 million, or 6.9 percent. This was attributable to an increase of \$1.4 million in revenue received from charges for services, \$.3 million increase in grants, and a \$.4 million increase in revenue received from investment income.

The increase in charges for services (\$1.4 million) is primarily attributable to improvement in building activity resulting in an increase in licenses and permits (\$.8 million). Also, revenue received from dispatch services provided by the City to the Village of Beverly Hills through an inter-local agreement increased (\$.1 million) and EMS transport service revenue increased (\$.1 million). Additionally, the City received increased revenue from the 48th District Court resulting from an increase in the City's caseload (\$.3 million).

Total expenses increased \$1.8 million or 6.1 percent. The increase in expenses was primarily attributable to an increase in public safety (\$1 million) and public works (\$.4 million). The increase in public safety results primarily from increased costs for salary adjustments, increases in retirement, retiree health care and health care costs for police and fire. The increase in public works results from increased personnel and related costs such as retirement and retiree health care expenses. Additionally, interest on long-term debt increased by \$.2 million.

Business-type Activities - Total revenue for business-type activities decreased by \$.1 million, or .5 percent. The increase in property tax revenue (\$.1 million) required to meet debt service requirements and the increase in investment earnings (\$.2 million) was off-set by a reduction in charges for services of \$.4 million. The decrease in charges for services resulted from a decrease in water consumption during the year.

Total expenses for business-type activities for fiscal year 2013-2014 totaled \$15.9 million, which is \$.3 million less than fiscal year 2012-2013. Parking system expenses decreased by \$.6 million while expenses for the water and sewer systems increased by \$.3 million. The increase in the water and sewer system expenses relate to an increase in depreciation expense (\$.1 million) and increase in personnel, utility, and maintenance costs (\$.2 million). The decrease in parking system expenses results from a reduction in depreciation expense.

Financial Analysis of the City's Funds

Governmental Funds - The analysis of the City's major funds begins on page 18, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. As noted earlier, the City of Birmingham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as to show accountability for certain activities, such as special property tax millages. The City has six governmental funds, categorized into four fund types. Based on criteria set forth by the Governmental Accounting Standards Board, the City's major funds for fiscal year 2013-2014 include the General Fund and the Capital Projects Fund.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

As of June 30, 2014, the governmental funds of the City of Birmingham reported a combined fund balance of \$25 million. This represents an increase of \$.7 million in comparison with the prior year. Approximately \$11.9 million of total fund balance, or 47.6 percent, constitutes unassigned fund balance, which is reported in the General Fund, the principal operating fund of the City. Unassigned fund balance is available for appropriation and may be used to meet the City's ongoing obligations to citizens and creditors without external or internal limitation. The remaining \$13.1 million of fund balance is categorized into four components: nonspendable, restricted, committed, and assigned fund balance. Additional information pertaining to the components of fund balance can be found in Note 1 on page 40 of this report.

The fund balance of the City's General Fund represents 77.6 percent, or \$19.4 million, of total governmental fund balances. The General Fund's fund balance increased by \$.7 million from the prior year. The increase was primarily attributable to expenditures being less than planned. A total of \$11.9 million of the General Fund's fund balance is unassigned while \$4 million is committed for major and local street projects and \$3 million is assigned, also, primarily for streets.

Fund balance of the Capital Projects Fund represents 19.9 percent, or \$5 million, of total governmental fund balances. The net increase in fund balance during the current year in the Capital Projects Fund was \$52,272. Of the total fund balance in the Capital Projects Fund approximately \$3.8 million has been assigned for future projects such as construction of a new fire station (\$2.6 million) public service facility roof replacement (\$.2 million), Woodward crossing improvements (\$.2 million), various park projects (\$.4 million), and ice arena improvements (\$.1 million). Committed funds at the end of the fiscal year totaling \$1.2 million are primarily for improvements to the Kenning Park parking lot. The Solid Waste Disposal Fund's fund balance of \$.4 million is an increase of \$35,257 from the prior year and is restricted and therefore can only be used for refuse collection and disposal purposes. The Law and Drug Forfeiture Fund's fund balance of \$.2 million is also restricted and can be utilized only for law-enforcement expenditures. The Debt Service Fund has a total fund balance of \$17,962, all of which is restricted for the payment of parks and recreation bonded debt.

Proprietary Funds - In addition to governmental funds the City uses proprietary funds, which provide similar type of information as that contained in the government-wide financial statements, but in more detail. The Water and Sewage Disposal Funds, Automobile Parking System Fund, Municipal Golf Courses Fund and Internal Service Funds make up the City's proprietary funds.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Unrestricted net position for the Water and Sewage Disposal Funds total \$1.1 million and \$8.7 million, respectively, and \$5.7 million for the Automobile Parking System. Total net position for the Sewage Disposal System increased by \$2.5 million primarily as a result of a reduction in long-term debt. Total net position for the Automobile Parking System increased by \$1.5 million with an increase of \$.8 million invested in capital assets and unrestricted net position increasing by \$.7 million.

General Fund Budgetary Highlights

Actual revenues for the year ended June 30, 2014 exceeded the amended budget by \$.5 million, or 2 percent. The difference was primarily attributable to actual revenues received for licenses and permits, fines and forfeitures and investment income being more than budgeted by \$.5 million. City departments overall stayed below budget as a result of reduced expenditures for: public safety resulting from retirements and personnel costs being less than budgeted (\$.4 million); sidewalks and public services operation and maintenance of parks (\$.3 million); and encumbrances (\$.3 million) carried forward to the subsequent year's budget. This resulted in total expenditures being lower than the amended budget by \$1.1 million, or 3.7 percent. The additional revenues received combined with reduced expenditures resulted in a positive budget variance of \$1.7 million.

Differences between original revenues budgeted and the final amended budget totaled \$.9 million. The increase was primarily attributable to the budget being amended, as approved by the City Commission, for anticipated increases in revenues for licenses and permits (\$.5 million) resulting from improvement in building activity and fines and forfeitures (\$.4 million) resulting from additional revenue received from the 48th District Court.

The expenditure budget was increased by \$1.6 million primarily to provide additional funding of \$.4 million to the 48th District Court, \$.3 million for major and local street improvements, \$.3 million to the Retirement System, \$.2 million for Kenning Park parking lot renovations, \$.3 million for encumbrances from the prior year, and \$.1 million which included maintenance at Quarton Lake, master planning consultation services, and Allen House improvements.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

The City of Birmingham had a total of \$160.5 million invested in capital assets (net of accumulated depreciation) at the end of the fiscal year (see Table A-3). This was a net increase of .4 percent over last year. The City's investment in capital assets includes land, buildings, water and sewer lines, roads, highways and bridges, park facilities, and machinery and equipment.

Table A-3
City of Birmingham Capital Assets
(net of depreciation – in millions)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|----------------------------|----------------------------|----------------|-----------------------------|----------------|-----------------|-----------------|-------------------------------|
| | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013-2014</u> |
| Land | \$ 10.3 | \$ 10.3 | \$ 1.6 | \$ 1.6 | \$ 11.9 | \$ 11.9 | - |
| Art and historic treasures | 0.8 | 0.8 | - | - | 0.8 | 0.8 | - |
| Buildings and improvements | 25.7 | 25.5 | 18.4 | 19.1 | 44.1 | 44.6 | 1.1 |
| Equipment | 7.3 | 6.9 | 0.5 | 0.5 | 7.8 | 7.4 | (5.1) |
| Infrastructure | 31.5 | 31.2 | 61.7 | 62.5 | 93.2 | 93.7 | 0.5 |
| Construction in progress | 0.8 | 0.3 | 1.2 | 1.8 | 2.0 | 2.1 | 5.0 |
| Total | <u>\$ 76.4</u> | <u>\$ 75.0</u> | <u>\$ 83.4</u> | <u>\$ 85.5</u> | <u>\$ 159.8</u> | <u>\$ 160.5</u> | 0.4 |

Governmental capital assets decreased \$1.4 million or 1.8 percent over last year. The decrease in buildings (\$.2 million), equipment (\$.4 million), and infrastructure (\$.3 million), which includes roads and sidewalks, is the result of depreciation being greater than additions during the year. Also, construction in progress decreased by \$.5 million from the prior year.

Total business-type capital assets of \$85.5 million increased from the prior year by \$2.1 million. The increase in buildings and improvements of \$.7 million is attributable to improvements to the City's parking structures during the year. Water and sewer improvements totaling \$3.1 million for the year, off-set by accumulated depreciation for the system of \$2.3 million, resulted in an increase in infrastructure of \$.8 million. Construction in progress at June 30, 2014 totals \$1.8 million, which is an increase of \$.6 million from the prior year. Additional information pertaining to capital assets can be found in Note 6 on pages 46 to 48 of this report.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Long-term debt - The City's total indebtedness as of June 30, 2014 is \$30.4 million. Of this amount, \$21.3 million is general-obligation bonds, which is an amount considerably below the debt limit of \$199 million. In addition, the City has contractual obligations totaling \$9 million. This amount represents the City's portion of Oakland County bonds related to three CSO abatement projects, the George W. Kuhn retention/treatment facility, and the North Arm Drain Project.

The City of Birmingham maintains an "AAA" rating from Standard & Poor's and Fitch and an "Aa1" rating from Moody's for general obligation debt. Additional information on the City's long-term debt can be found in Note 7 on pages 49 through 51 of this report.

Economic Factors and Next Year's Budgets and Rates

Revenue constraints with increased costs combined to present a challenge in developing the fiscal year 2014-2015 budget. On the revenue side, property tax revenues account for 67.4 percent of the City's total General Fund revenues and 44.3 percent of all City revenues. As a result of continued improvement in the real estate market, the taxable value increase for fiscal year 2014-2015 is 2.7 percent. This will result in an increase in operating property tax revenues for the year of \$574,990. State-shared taxes provide revenue to the City of about \$3 million a year in the form of revenue sharing payments and gas and weight taxes. State-shared revenue is the City's second largest revenue source. As a result of improvements in the State's economy and the City meeting the requirements of the performance-based statutory revenue sharing program, state-shared revenues were budgeted to increase by approximately 2 percent from the prior fiscal year's budget. As a result of improvements in the economy and building activity, revenues generated from licenses and permits were budgeted to increase by \$590,000, or 27.6 percent. The City is expecting investment earnings to begin to improve resulting from higher rates of return. In 2008 the City earned more than \$2.1 million in investment income, while for 2014-2015 \$468,080 in investment income has been budgeted. The City, like other governmental entities, continues to experience pressure from increasing expenditures primarily attributable to legacy costs. Legacy costs are budgeted to increase by approximately \$524,480 and \$47,690 in fiscal year 2014-2015 and 2015-2016, respectively and then decline in subsequent years. The decline in costs is attributable to the City's plans being closed to new hires and improvement in investment performance. Additionally, costs were expected to increase for fuel, utilities, health insurance and other expenses.

In response to these budget challenges, the City has developed a proactive multi-faceted strategy. This was primarily achieved by reducing full-time positions. Staffing levels have been reduced by 27 percent and the City has maintained a policy of not creating new positions or filling existing openings whenever possible. Employees are also making increased contributions to their health care. Revenue enhancements such as consolidated dispatch services with the Village of Beverly Hills and an increase in service revenue for fire department medical transports have been put in place. The City continues to pursue service-sharing agreements with surrounding communities and achieve efficiencies through technological improvements and implement limited revenue enhancement measures.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

The City's total levy, which includes the operating, refuse, library and debt service levies, totaled 15.0862 mills, which represents an increase from the prior year's levy of 15.0735 mills. The increase in millage rate resulted from an increase in the City's refuse levy for increased contractual services.

During the 2013-2014 fiscal year, fund balance in the General Fund increased by \$.7 million to \$19.4 million. The increase in fund balance during the year was primarily attributable to additional building permit fees resulting from improved building activity and expenditures for major street improvements being less than expected. For fiscal year 2014-2015 the City adopted a budget requiring the use of \$1 million in fund balance to provide funding for street improvements. Fund balance will continue to be maintained at a minimum of 17 percent of the current year's expenditures established to provide for unforeseen emergencies. General Fund property tax revenue is estimated at \$19.7 million for 2014-2015.

Request for Information

This financial information is designed to provide a general overview of the City of Birmingham's finances to the City's citizens, customers, investors, creditors and others who are interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Birmingham's Finance Department, P.O. Box 3001, Birmingham, MI 48012.

Basic Financial Statements

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City of Birmingham, Michigan

Statement of Net Position June 30, 2014

| | Primary Government | | | Component |
|--|----------------------|----------------------|-----------------------|---------------------|
| | Governmental | Business-type | Total | Units |
| | Activities | Activities | | |
| Assets | | | | |
| Cash and investments (Note 5) | \$ 34,706,744 | \$ 14,420,898 | \$ 49,127,642 | \$ 4,373,195 |
| Receivables - Net: | | | | |
| Customers | 220,864 | 3,838,217 | 4,059,081 | - |
| Special Assessments | 315,507 | 348,521 | 664,028 | 57,641 |
| Delinquent personal property taxes | 15,737 | - | 15,737 | - |
| Inventories | 100,450 | 9,928 | 110,378 | - |
| Prepaid costs and other assets (Note 1) | 5,463,924 | 124,388 | 5,588,312 | 134,648 |
| Due from other governmental units | 804,779 | - | 804,779 | 63,629 |
| Restricted assets (Note 8) | 486,142 | - | 486,142 | - |
| Capital assets - Net (Note 6) | | | | |
| Assets subject to depreciation | 63,549,620 | 82,098,957 | 145,648,577 | 2,322,621 |
| Assets not subject to depreciation | 11,495,333 | 3,420,606 | 14,915,939 | 107,918 |
| Total assets | 117,159,100 | 104,261,515 | 221,420,615 | 7,059,652 |
| Deferred Outflows of Resources | | | | |
| Deferred amount on debt refunding | 301,338 | 411,863 | 713,201 | - |
| Liabilities | | | | |
| Accounts payable | 860,957 | 2,291,158 | 3,152,115 | 83,740 |
| Accrued and other liabilities | 961,443 | 441,551 | 1,402,994 | 64,967 |
| Unearned revenue (Note 10) | 23,840 | 82,875 | 106,715 | - |
| Provision for uninsured losses and liabilities (Note 11) | 205,058 | - | 205,058 | - |
| Noncurrent liabilities (Note 7): | | | | |
| Due within one year | 2,422,968 | 2,908,235 | 5,331,203 | 123,890 |
| Due in more than one year | 14,663,533 | 12,837,204 | 27,500,737 | 1,198 |
| Total liabilities | 19,137,799 | 18,561,023 | 37,698,822 | 273,795 |
| Deferred Inflows of Resources | | | | |
| Deferred amount on debt refunding | - | 269 | 269 | - |
| Net Position | | | | |
| Net investment in capital assets | 60,326,290 | 69,787,491 | 130,113,781 | 2,430,539 |
| Restricted: | | | | |
| Solid waste | 417,477 | - | 417,477 | - |
| Debt service | 17,962 | - | 17,962 | - |
| Law and drug enforcement | 192,955 | - | 192,955 | - |
| Construction code activities (Note 4) | 386,189 | - | 386,189 | - |
| Park improvements | 10,380 | - | 10,380 | - |
| Other | 519,122 | - | 519,122 | - |
| Corridor improvement authority | - | - | - | 48,198 |
| Brownfield redevelopment authority | - | - | - | 540,268 |
| Library donations | - | - | - | 1,227,687 |
| Unrestricted | 36,452,264 | 16,324,595 | 52,776,859 | 2,539,165 |
| Total net position | \$ 98,322,639 | \$ 86,112,086 | \$ 184,434,725 | \$ 6,785,857 |

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

City of Birmingham, Michigan

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,591,157 | \$ 350,647 | \$ 363,372 | \$ - |
| Public safety | 13,331,879 | 2,313,167 | 61,496 | - |
| Public works | 8,343,679 | 512,638 | 1,237,740 | 105,262 |
| Community and economic development | 1,865,348 | 2,520,303 | 72,100 | - |
| Recreation and culture | 2,237,603 | 761,138 | 36,331 | 9,160 |
| Interest on long-term debt | 768,992 | - | 2,749 | - |
| Total governmental activities | 31,138,658 | 6,457,893 | 1,773,788 | 114,422 |
| Business-type activities: | | | | |
| Water and sewer | 11,972,959 | 10,824,681 | - | - |
| Automobile parking | 2,884,360 | 4,323,808 | - | - |
| Golf courses | 976,578 | 1,076,745 | - | - |
| Total business-type activities | 15,833,897 | 16,225,234 | - | - |
| Total primary government | <u>\$ 46,972,555</u> | <u>\$ 22,683,127</u> | <u>\$ 1,773,788</u> | <u>\$ 114,422</u> |
| Component units: | | | | |
| Baldwin Public Library | \$ 3,199,990 | \$ 928,696 | \$ 143,190 | - |
| Brownfield Redevelopment Authority | 36,234 | 1,870 | 20,450 | - |
| Corridor Improvement Authority | 328 | - | 10,000 | - |
| Principal Shopping District | 1,080,405 | 1,378 | 1,077,786 | - |
| Total component units | <u>\$ 4,316,957</u> | <u>\$ 931,944</u> | <u>\$ 1,251,426</u> | <u>\$ -</u> |
| Unrestricted general revenues: | | | | |
| Property taxes | | | | |
| State-shared revenues | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| Total general revenues and transfers | | | | |
| Change in Net Position | | | | |
| Net Position - Beginning of Year | | | | |
| Net Position - End of Year | | | | |

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

Statement of Activities Year Ended June 30, 2014

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|---------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (3,877,138) | \$ - | \$ (3,877,138) | \$ - |
| (10,957,216) | - | (10,957,216) | - |
| (6,488,039) | - | (6,488,039) | - |
| 727,055 | - | 727,055 | - |
| (1,430,974) | - | (1,430,974) | - |
| (766,243) | - | (766,243) | - |
| (22,792,555) | - | (22,792,555) | - |
| - | (1,148,278) | (1,148,278) | - |
| - | 1,439,448 | 1,439,448 | - |
| - | 100,167 | 100,167 | - |
| - | 391,337 | 391,337 | - |
| (22,792,555) | 391,337 | (22,401,218) | - |
| - | - | - | (2,128,104) |
| - | - | - | (13,914) |
| - | - | - | 9,672 |
| - | - | - | (1,241) |
| - | - | - | (2,133,587) |
| 22,050,256 | 3,353,599 | 25,403,855 | 2,224,497 |
| 1,737,507 | - | 1,737,507 | 20,835 |
| 496,571 | 164,319 | 660,890 | 275,619 |
| 15,024 | - | 15,024 | (473) |
| 24,299,358 | 3,517,918 | 27,817,276 | 2,520,478 |
| 1,506,803 | 3,909,255 | 5,416,058 | 386,891 |
| 96,815,836 | 82,202,831 | 179,018,667 | 6,398,966 |
| \$ 98,322,639 | \$ 86,112,086 | \$ 184,434,725 | \$ 6,785,857 |

City of Birmingham, Michigan

Governmental Funds Balance Sheet June 30, 2014

| | General Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--|--------------------------------|
| Assets | | | | |
| Cash and investments (Note 5) | \$ 19,557,270 | \$ 4,997,383 | \$ 701,154 | \$ 25,255,807 |
| Receivables - Net: | | | | |
| Customers | 220,924 | - | - | 220,924 |
| Special assessments | 254,881 | 60,625 | - | 315,506 |
| Delinquent personal property taxes | 15,737 | - | - | 15,737 |
| Prepaid items and other assets | 23,027 | - | - | 23,027 |
| Due from other governmental units | 802,801 | - | 1,979 | 804,780 |
| Inventories | 100,383 | - | - | 100,383 |
| Total assets | \$ 20,975,023 | \$ 5,058,008 | \$ 703,133 | \$ 26,736,164 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 726,838 | \$ 17,405 | \$ 69,677 | \$ 813,920 |
| Accrued and other liabilities | 516,766 | - | 5,062 | 521,828 |
| Unearned revenue (Note 10) | 23,840 | - | - | 23,840 |
| Total liabilities | 1,267,444 | 17,405 | 74,739 | 1,359,588 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - Special assessments and property taxes | 233,663 | \$ 57,709 | - | 291,372 |
| Unavailable revenue - Parking tickets and charges for services | 93,105 | - | - | 93,105 |
| Total deferred inflows of resources | 326,768 | 57,709 | - | 384,477 |
| Fund Balances (Notes 1, 4, 9) | | | | |
| Nonspendable | 123,410 | - | - | 123,410 |
| Restricted | 386,189 | 43,360 | 628,394 | 1,057,943 |
| Committed | 3,948,210 | 1,158,216 | - | 5,106,426 |
| Assigned | 3,032,596 | 3,781,318 | - | 6,813,914 |
| Unassigned | 11,890,406 | - | - | 11,890,406 |
| Total fund balances | 19,380,811 | 4,982,894 | 628,394 | 24,992,099 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 20,975,023 | \$ 5,058,008 | \$ 703,133 | \$ 26,736,164 |

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

City of Birmingham, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Position June 30, 2014

| | |
|---|-----------------------------|
| Fund Balance - Total Governmental Funds | \$ 24,992,099 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds | 75,044,953 |
| Special assessment, parking fines, and other miscellaneous receivables are expected to be collected over several years and are not available to pay for current year expenditures | 384,417 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds, including related accrued interest | (16,160,849) |
| Deferred outflows related to debt refunding activities | 301,338 |
| Retiree health care benefit contributions made in excess of actuarially determined amounts reduce future year contributions | 3,217,410 |
| Retirement contributions made in excess of actuarially-determined amounts reduce future year contributions | 1,902,038 |
| Internal Service Funds are included as part of governmental activities, net of amounts included above as capital assets | <u>8,641,233</u> |
| Net Position - Governmental Activities | <u>\$ 98,322,639</u> |

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

City of Birmingham, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

| | General Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--|--------------------------------|
| Revenues | | | | |
| Property taxes | \$ 19,062,024 | \$ - | \$ 3,118,628 | \$ 22,180,652 |
| Licenses and permits | 2,886,950 | - | - | 2,886,950 |
| Federal grants | 17,470 | - | 103,631 | 121,101 |
| State sources | 3,215,410 | - | - | 3,215,410 |
| Charges for services | 2,666,921 | - | 23,312 | 2,690,233 |
| Fines and forfeitures | 1,784,432 | - | - | 1,784,432 |
| Use of money and property | 335,326 | 52,184 | 14,888 | 402,398 |
| Other | 534,347 | 36,550 | - | 570,897 |
| Total revenues | 30,502,880 | 88,734 | 3,260,459 | 33,852,073 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,126,508 | - | - | 5,126,508 |
| Public safety | 12,895,888 | - | 82,725 | 12,978,613 |
| Public works | 3,780,627 | - | - | 3,780,627 |
| Highway and streets | 2,695,251 | - | - | 2,695,251 |
| Community and economic development | 1,880,715 | - | 72,100 | 1,952,815 |
| Solid waste disposal | - | - | 1,679,168 | 1,679,168 |
| 48th District Court | 1,239,132 | - | - | 1,239,132 |
| Capital outlay | 1,905,625 | 471,462 | - | 2,377,087 |
| Debt service | - | - | 1,439,278 | 1,439,278 |
| Total expenditures | 29,523,746 | 471,462 | 3,273,271 | 33,268,479 |
| Excess of Revenues Over (Under) Expenditures | 979,134 | (382,728) | (12,812) | 583,594 |
| Other Financing Sources (Uses) | | | | |
| Transfers in (Note 3) | - | 435,000 | - | 435,000 |
| Transfers out (Note 3) | (280,000) | - | - | (280,000) |
| Total other financing (uses) sources | (280,000) | 435,000 | - | 155,000 |
| Net Change in Fund Balance | 699,134 | 52,272 | (12,812) | 738,594 |
| Fund Balances - Beginning of year (Note 1) | 18,681,677 | 4,930,622 | 641,206 | 24,253,505 |
| Fund Balances - End of year | <u>\$ 19,380,811</u> | <u>\$ 4,982,894</u> | <u>\$ 628,394</u> | <u>\$ 24,992,099</u> |

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

City of Birmingham, 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, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ 738,594**

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (Note 2) (1,107,748)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (55,793)

Accrued interest on long-term liabilities (22,055)

Amortization of bond issuance costs (157,660)

Bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 850,000

Retiree health care contributions in excess of actuarially determined amounts are not reported as expense on the statement of activities 224,935

Retirement contributions in excess of actuarially determined amounts are not reported as expense on the statement of activities 1,311,452

Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (45,239)

Governmental funds report proceeds from sale; in the statement of activities, only the respective gain or loss is recognized (2,367)

Internal Service Funds are also included as governmental activities (227,316)

Change in Net Position of Governmental Activities **\$ 1,506,803**

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

City of Birmingham, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

| | Water Supply System Receiving | Sewage Disposal System | Automobile Parking Fund | Golf Courses (Other Nonmajor Enterprise Fund) | Total | Internal Service Funds |
|--|-------------------------------------|------------------------------|-------------------------------|--|----------------------|------------------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and investments (Note 5) | \$ 651,719 | \$ 7,474,870 | \$ 5,516,138 | \$ 778,171 | \$ 14,420,898 | \$ 9,451,928 |
| Receivables - Net - Customers | 1,150,272 | 2,677,701 | 358,765 | - | 4,186,738 | - |
| Inventories | - | - | 9,928 | - | 9,928 | 68 |
| Total current assets | 1,801,991 | 10,152,571 | 5,884,831 | 778,171 | 18,617,564 | 9,451,996 |
| Noncurrent assets: | | | | | | |
| Other assets | 56,023 | 18,035 | 15,707 | 34,623 | 124,388 | 321,448 |
| Restricted assets (Note 8) | - | - | - | - | - | 486,142 |
| Capital assets (Note 6) | 19,770,713 | 44,413,334 | 19,345,373 | 1,990,143 | 85,519,563 | 4,846,569 |
| Total noncurrent assets | 19,826,736 | 44,431,369 | 19,361,080 | 2,024,766 | 85,643,951 | 5,654,159 |
| Total assets | 21,628,727 | 54,583,940 | 25,245,911 | 2,802,937 | 104,261,515 | 15,106,155 |
| Deferred Outflows of Resources | | | | | | |
| Deferred amount on debt refunding | - | 411,863 | - | - | 411,863 | - |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 657,780 | 1,448,821 | 162,370 | 22,187 | 2,291,158 | 48,026 |
| Provision for uninsured losses and liabilities (Note 11) | - | - | - | - | - | 205,058 |
| Accrued and other liabilities | 94,874 | 319,965 | 8,730 | 17,982 | 441,551 | 372,724 |
| Unearned revenue (Note 10) | - | 80,638 | - | 2,237 | 82,875 | - |
| Current portion of long-term debt and employee benefits (Note 7) | 12,958 | 2,895,277 | - | - | 2,908,235 | 78,180 |
| Total current liabilities | 765,612 | 4,744,701 | 171,100 | 42,406 | 5,723,819 | 703,988 |
| Noncurrent liabilities: | | | | | | |
| Provision for employee benefits | 409 | - | - | - | 409 | 914,365 |
| Long-term debt - Net of current portion (Note 7) | - | 12,836,795 | - | - | 12,836,795 | - |
| Total noncurrent liabilities | 409 | 12,836,795 | - | - | 12,837,204 | 914,365 |
| Total liabilities | 766,021 | 17,581,496 | 171,100 | 42,406 | 18,561,023 | 1,618,353 |
| Deferred Inflows of Resources | | | | | | |
| Deferred amount on debt refunding | - | 269 | - | - | 269 | - |
| Net Position | | | | | | |
| Net investment in capital assets | 19,770,713 | 28,681,262 | 19,345,373 | 1,990,143 | 69,787,491 | 4,846,569 |
| Restricted - Employee benefits (Note 8) | - | - | - | - | - | 486,142 |
| Unrestricted | 1,091,993 | 8,732,776 | 5,729,438 | 770,388 | 16,324,595 | 8,155,091 |
| Total net position | <u>\$ 20,862,706</u> | <u>\$ 37,414,038</u> | <u>\$ 25,074,811</u> | <u>\$ 2,760,531</u> | <u>\$ 86,112,086</u> | <u>\$ 13,487,802</u> |

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

City of Birmingham, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2014

| | Water Supply System Receiving | Sewage Disposal System | Automobile Parking Fund | Golf Courses (Other Nonmajor Enterprise Fund) | Total | Internal Service Funds |
|--|-------------------------------------|------------------------------|-------------------------------|--|----------------------|------------------------------|
| Operating Revenues | | | | | | |
| Sale of water | \$ 3,735,446 | \$ - | \$ - | \$ - | \$ 3,735,446 | \$ - |
| Sewage disposal charges | - | 7,089,235 | - | - | 7,089,235 | - |
| Golf course fees and charges | - | - | - | 1,076,745 | 1,076,745 | - |
| Charges for services | - | - | - | - | - | 5,020,972 |
| Automobile parking system fees and charges | - | - | 4,323,808 | - | 4,323,808 | - |
| Total operating revenues | 3,735,446 | 7,089,235 | 4,323,808 | 1,076,745 | 16,225,234 | 5,020,972 |
| Operating Expenses | | | | | | |
| Cost of water produced/purchased | 1,643,550 | - | - | - | 1,643,550 | - |
| Cost of sewage treatment | - | 5,007,988 | - | - | 5,007,988 | - |
| Operation and maintenance | 1,326,449 | 559,209 | 2,183,686 | 834,198 | 4,903,542 | 1,228,958 |
| General and administrative | 195,875 | 223,325 | 115,778 | 35,729 | 570,707 | 3,077,593 |
| Depreciation (Note 6) | 768,351 | 1,553,313 | 584,896 | 106,651 | 3,013,211 | 924,187 |
| Total operating expenses | 3,934,225 | 7,343,835 | 2,884,360 | 976,578 | 15,138,998 | 5,230,738 |
| Operating (Loss) Income | (198,779) | (254,600) | 1,439,448 | 100,167 | 1,086,236 | (209,766) |
| Nonoperating Revenue (Expenses) | | | | | | |
| Investment income | 16,107 | 79,728 | 54,080 | 14,404 | 164,319 | 96,582 |
| Interest expense | - | (571,567) | - | - | (571,567) | - |
| Loss on disposal of assets | - | - | - | - | - | (14,687) |
| Amortization of bond costs | - | (123,332) | - | - | (123,332) | - |
| Property taxes | - | 3,353,599 | - | - | 3,353,599 | - |
| Total nonoperating revenue | 16,107 | 2,738,428 | 54,080 | 14,404 | 2,823,019 | 81,895 |
| (Loss) Income - Before transfers | (182,672) | 2,483,828 | 1,493,528 | 114,571 | 3,909,255 | (127,871) |
| Capital Contributions | - | - | - | - | - | 55,555 |
| Transfers to Other Funds (Note 3) | - | - | - | - | - | (155,000) |
| Change in Net Position | (182,672) | 2,483,828 | 1,493,528 | 114,571 | 3,909,255 | (227,316) |
| Net Position - Beginning of year | 21,045,378 | 34,930,210 | 23,581,283 | 2,645,960 | 82,202,831 | 13,715,118 |
| Net Position - End of year | <u>\$ 20,862,706</u> | <u>\$ 37,414,038</u> | <u>\$ 25,074,811</u> | <u>\$ 2,760,531</u> | <u>\$ 86,112,086</u> | <u>\$ 13,487,802</u> |

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

City of Birmingham, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

| | Water Supply System Receiving | Sewage Disposal System | Automobile Parking Fund | Golf Courses (Other Nonmajor Enterprise Fund) | Total | Internal Service Funds |
|--|-------------------------------------|------------------------------|-------------------------------|--|----------------------|------------------------------|
| Cash Flows from Operating Activities | | | | | | |
| Receipts from customers and others | \$ 3,787,455 | \$ 7,458,552 | \$ 4,116,023 | \$ 1,083,668 | \$ 16,445,698 | \$ 5,020,972 |
| Payments to suppliers | (2,132,777) | (5,564,382) | (1,913,292) | (329,974) | (9,940,425) | (4,245,473) |
| Payments to employees | (969,546) | (477,150) | (419,759) | (549,064) | (2,415,519) | (534,310) |
| Net cash provided by operating activities | 685,132 | 1,417,020 | 1,782,972 | 204,630 | 4,089,754 | 241,189 |
| Cash Flows from Noncapital Financing Activities | | | | | | |
| Property taxes | - | 2,293,882 | - | - | 2,293,882 | - |
| Net cash provided by noncapital financing activities | - | 2,293,882 | - | - | 2,293,882 | - |
| Cash Flows from Capital and Related Financing Activities | | | | | | |
| Principal and interest paid on capital debt | - | (3,389,058) | - | - | (3,389,058) | - |
| Purchase of capital assets | (2,607,295) | (1,099,369) | (1,427,018) | (27,578) | (5,161,260) | (733,898) |
| Transfers to other funds | - | - | - | - | - | (155,000) |
| Federal grants | - | - | - | - | - | 55,555 |
| Proceeds from sale of capital assets | - | - | - | - | - | 60,833 |
| Property taxes - Restricted for capital debt | - | 1,039,070 | - | - | 1,039,070 | - |
| Net cash used in capital and related financing activities | (2,607,295) | (3,449,357) | (1,427,018) | (27,578) | (7,511,248) | (772,510) |
| Cash Flows from Investing Activities - | | | | | | |
| Interest received on investments | 16,107 | 79,728 | 54,080 | 14,404 | 164,319 | 96,582 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (1,906,056) | 341,273 | 410,034 | 191,456 | (963,293) | (434,739) |
| Cash and Cash Equivalents - Beginning of year | <u>2,557,775</u> | <u>7,133,597</u> | <u>5,106,104</u> | <u>586,715</u> | <u>15,384,191</u> | <u>10,372,809</u> |
| Cash and Cash Equivalents - End of year | <u>\$ 651,719</u> | <u>\$ 7,474,870</u> | <u>\$ 5,516,138</u> | <u>\$ 778,171</u> | <u>\$ 14,420,898</u> | <u>\$ 9,938,070</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | | | |
| Cash and investments | \$ 651,719 | \$ 7,474,870 | \$ 5,516,138 | \$ 778,171 | \$ 14,420,898 | \$ 9,451,928 |
| Restricted investments (Note 8) | - | - | - | - | - | 486,142 |
| Total cash and cash equivalents | <u>\$ 651,719</u> | <u>\$ 7,474,870</u> | <u>\$ 5,516,138</u> | <u>\$ 778,171</u> | <u>\$ 14,420,898</u> | <u>\$ 9,938,070</u> |

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

City of Birmingham, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2014

| | Water Supply System Receiving | Sewage Disposal System | Automobile Parking Fund | Golf Courses (Other Nonmajor Enterprise Fund) | Total | Internal Service Funds |
|---|-------------------------------------|------------------------------|-------------------------------|--|---------------------|------------------------------|
| Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities | | | | | | |
| Operating (loss) income | \$ (198,779) | \$ (254,600) | \$ 1,439,448 | \$ 100,167 | \$ 1,086,236 | \$ (209,766) |
| Adjustments to reconcile operating (loss) income to net cash from operating activities: | | | | | | |
| Depreciation | 768,351 | 1,553,313 | 584,896 | 106,651 | 3,013,211 | 924,188 |
| Changes in assets and liabilities: | | | | | | |
| Receivables | 52,009 | 93,898 | (207,784) | 6,619 | (55,258) | - |
| Other assets | (3,917) | 2,085 | 7,552 | 1,094 | 6,814 | (235,404) |
| Accounts payable | 68,419 | 80,500 | (41,944) | 4,087 | 111,062 | (267,770) |
| Accrued and other liabilities | (951) | (58,176) | 804 | (13,988) | (72,311) | 29,941 |
| Net cash provided by operating activities | <u>\$ 685,132</u> | <u>\$ 1,417,020</u> | <u>\$ 1,782,972</u> | <u>\$ 204,630</u> | <u>\$ 4,089,754</u> | <u>\$ 241,189</u> |

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

City of Birmingham, Michigan

Fiduciary Fund Statement of Fiduciary Net Position June 30, 2014

| | Pension and Other Employee Benefits | Agency Fund |
|--|--|----------------------------|
| Assets | | |
| Cash and cash equivalents (Note 5) | \$ 3,901,706 | \$ 2,070,111 |
| Investments: | | |
| U.S. government securities | 10,486,391 | - |
| Stocks | 100,655,494 | - |
| Bonds | 20,602,189 | - |
| Receivables and accrued interest | 270,219 | - |
| Other assets | <u>48,645</u> | <u>4,100</u> |
| Total assets | 135,964,644 | <u><u>\$ 2,074,211</u></u> |
| Liabilities | | |
| Accounts payable | 22,884 | \$ 101,503 |
| Accrued and other liabilities | <u>814,583</u> | <u>1,972,708</u> |
| Total liabilities | <u>837,467</u> | <u><u>\$ 2,074,211</u></u> |
| Net Position - Held in trust for pension and other employee benefits | <u><u>\$ 135,127,177</u></u> | |

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

City of Birmingham, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2014

| | <u>Pension and Other Employee Benefits</u> |
|---|--|
| Additions | |
| Investment income: | |
| Interest and dividends | \$ 2,905,704 |
| Net increase in fair value of investments | 16,978,753 |
| Less investment expenses | <u>(716,693)</u> |
| Net investment income | 19,167,764 |
| Contributions: | |
| Employer | 7,669,884 |
| Plan members | <u>512,275</u> |
| Total contributions | 8,182,159 |
| Other revenue | <u>119,564</u> |
| Total net additions | 27,469,487 |
| Deductions | |
| Benefit payments | 8,940,725 |
| Refunds of contributions | 487,870 |
| Administrative expenses and other | <u>216,561</u> |
| Total deductions | <u>9,645,156</u> |
| Net Increase | 17,824,331 |
| Net Position - Held in Trust for Pension and Other Employee Benefits | |
| Beginning of year | <u>117,302,846</u> |
| End of year | <u><u>\$ 135,127,177</u></u> |

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

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City of Birmingham, Michigan

Component Units Statement of Net Position June 30, 2014

| | Baldwin Public Library | Brownfield Redevelopment Authority | Corridor Improvement Authority | Principal Shopping District | Totals |
|------------------------------------|------------------------------|--|--------------------------------------|-----------------------------------|--------------|
| Assets | | | | | |
| Cash and investments (Note 5) | \$ 2,891,112 | \$ 540,188 | \$ 48,526 | \$ 893,369 | \$ 4,373,195 |
| Receivables | - | 1,080 | - | 56,561 | 57,641 |
| Due from other governmental units | 63,629 | - | - | - | 63,629 |
| Capital assets (Note 6) | 2,429,971 | - | - | 568 | 2,430,539 |
| Other | 93,417 | - | - | 41,231 | 134,648 |
| Total assets | 5,478,129 | 541,268 | 48,526 | 991,729 | 7,059,652 |
| Liabilities | | | | | |
| Accounts payable | 65,245 | 1,000 | 328 | 17,167 | 83,740 |
| Accrued and other liabilities | 53,514 | - | - | 11,453 | 64,967 |
| Noncurrent liabilities (Note 7): | | | | | |
| Due within one year | 101,178 | - | - | 22,712 | 123,890 |
| Due in more than one year | 762 | - | - | 436 | 1,198 |
| Total liabilities | 220,699 | 1,000 | 328 | 51,768 | 273,795 |
| Net Position | | | | | |
| Net investment in capital assets | 2,429,971 | - | - | 568 | 2,430,539 |
| Restricted: | | | | | |
| Corridor improvement authority | | | 48,198 | | 48,198 |
| Brownfield redevelopment authority | | 540,268 | | | 540,268 |
| Library donations | 1,227,687 | | | | 1,227,687 |
| Unrestricted | 1,599,772 | - | - | 939,393 | 2,539,165 |
| Total net position | \$ 5,257,430 | \$ 540,268 | \$ 48,198 | \$ 939,961 | \$ 6,785,857 |

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

City of Birmingham, Michigan

| | | Program Revenues | |
|---|----------------------------|--------------------------|------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Baldwin Public Library - Culture and recreation | \$ 3,199,990 | \$ 928,696 | \$ 143,190 |
| Brownfield Redevelopment Authority - Community development | 36,234 | 1,870 | 20,450 |
| Corridor Improvement Authority - Community development | 328 | - | 10,000 |
| Principal Shopping District - Community development | <u>1,080,405</u> | <u>1,378</u> | <u>1,077,786</u> |
| Total governmental activities | <u>\$ 4,316,957</u> | <u>\$ 931,944</u> | <u>\$ 1,251,426</u> |

General revenues:

Taxes
State sources
Investment earnings
Miscellaneous

Total general revenues

Increase in Net Position

Net Position - Beginning of year

Net Position - End of year

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

**Component Units
Statement of Activities
Year Ended June 30, 2014**

| Net (Expense) Revenue and Changes in Net Position | | | | |
|--|--|--------------------------------------|--------------------------------|---------------------|
| Baldwin Public Library | Brownfield Redevelopment Authority | Corridor Improvement Authority | Principal Shopping District | Total |
| \$ (2,128,104) | \$ - | \$ - | \$ - | \$ (2,128,104) |
| - | (13,914) | - | - | (13,914) |
| - | - | 9,672 | - | 9,672 |
| - | - | - | (1,241) | (1,241) |
| (2,128,104) | (13,914) | 9,672 | (1,241) | (2,133,587) |
| 1,997,853 | 226,644 | - | - | 2,224,497 |
| 20,835 | - | - | - | 20,835 |
| 260,898 | 5,281 | 441 | 8,999 | 275,619 |
| (473) | - | - | - | (473) |
| 2,279,113 | 231,925 | 441 | 8,999 | 2,520,478 |
| 151,009 | 218,011 | 10,113 | 7,758 | 386,891 |
| 5,106,421 | 322,257 | 38,085 | 932,203 | 6,398,966 |
| \$ 5,257,430 | \$ 540,268 | \$ 48,198 | \$ 939,961 | \$ 6,785,857 |

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Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Birmingham (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 Birmingham:

Reporting Entity

The City is governed by an elected seven-member commission. As required by generally accepted accounting principles, these financial statements present the City of Birmingham and its component units.

Discretely Presented Component Units – The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. The Baldwin Public Library is governed by a six-member board elected directly by the citizens of Birmingham and funded by a specially voted property tax levy. However, the City Commission approves the Library's annual budget, levies the Library millage, and provides the Library facilities. In addition, the Library is not able to issue its own debt. As a result, the Library is fiscally dependent on the City.
- b. The Principal Shopping District was created to promote economic activity within the principal shopping districts of the City by conducting market research and public relations campaigns, developing, coordinating, and conducting retail and institutional promotions, and sponsoring special events and related activities. Its board consists of eight to 12 members appointed by the city manager with the concurrence of the City Commission. The City Commission is responsible for approving the District's budget and setting the amount of its annual assessment.
- c. The Brownfield Redevelopment Authority was created under Act 381 of the Public Acts of the State of Michigan of 1996, to identify and treat distressed areas of the City in order to promote revitalization. The authority is governed by a five-member board which is appointed by the mayor of the City subject to the approval of the City Commission. The City Commission is responsible for approving the Authority's budget.

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

- d. The Corridor Improvement Authority was created under Act 280 of the Public Acts of the State of Michigan of 2005 to redevelop its commercial corridors and promote economic growth in identified areas. The authority is governed by a seven member board which is appointed by the mayor of the City subject to the approval of the City Commission. The City Commission is responsible for approving the Authority's budget as well as any master plans for improvements.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation, whose governing body was selected by the City Commission, transferred its remaining assets to the Principal Shopping District during the year ended June 30, 1994 and is currently inactive. Therefore, there are no financial assets or operations to be reported.

Complete financial statements of the active component units can be obtained from their respective administrative offices at the address below:

Baldwin Public Library
300 West Merrill
Birmingham, MI 48012-3002

Principal Shopping District
151 Martin Street
Birmingham, MI 48009

Brownfield Redevelopment Authority
151 Martin Street
Birmingham, MI 48009

Corridor Improvement Authority
151 Martin Street
Birmingham, MI 48009

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 the payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

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

The government reports the following major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources such as proceeds of bond issues, transfers from other funds, and other revenue necessary for the purpose of constructing or acquiring major capital improvements of the City such as a fire training tower, enhancements to the City's parks, and streetscape improvements. Improvements to the City's roads, water and sewer infrastructure, parking system, golf courses, and those projects financed primarily by special assessments are accounted for in other funds.

The government reports the following major proprietary funds:

Automobile Parking System Fund – The Automobile Parking System Fund accounts for the activities of the parking structures and meters.

Water Supply System Receiving Fund – The Water Supply System Receiving Fund accounts for water sales that finance water purchased from the Southeastern Oakland County Water Authority and the installation and maintenance of meters and mains within the City.

Note 1 - Summary of Significant Accounting Policies (Continued)

Sewage Disposal System Fund – The Sewage Disposal System Fund accounts for the activities of the sewage collection system. The City of Birmingham disposes of sewage through two county-operated facilities. Operating in the north and southeastern sections of the City is the Southeastern Oakland County Sewage Disposal District, and in the southwestern section of the City, sewage and storm disposal is provided by the Evergreen-Farmington System.

Additionally, the government reports the following fund types:

Internal Service Funds – Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Pension Trust and Retiree Health Care Funds – The Pension Trust Fund and Retiree Health Care Fund accounts for the activities of the employees' retirement system, which accumulates resources for pension benefit payments to qualified employees and for health care benefits provided to employees during retirement.

Agency Fund – The Agency Fund accounts for assets held for the benefit of employees, contractors, and other taxing authorities. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

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 government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 our proprietary funds relates to charges to customers for water sales and services, sewage disposal, golf course, and automobile parking system fees and charges. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and 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

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Taxes not received by the end of the fiscal year are added to the county tax rolls. The City's property tax revenue for the fiscal year ended June 30, 2014 is based on the 2013 levy, which was billed July 1, 2013.

The 2013 taxable valuation of the City totaled \$1,842,028,420, on which ad valorem taxes levied consisted of 11.6883 mills for operating purposes. These mills were allocated to the General Fund (10.4141) and the Sewer Fund (1.2742). Additionally, .9253 mills and 1.3599 mills were levied for solid waste disposal and debt service, respectively. This resulted in \$21.5 million for operating expenses, \$1.7 million for refuse services, and \$2.5 million for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Funds financial statements as tax revenue.

Component Unit (Baldwin Public Library) Property Taxes

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Taxes not received by the end of the fiscal year are added to the county tax rolls. The City's property tax revenue for the fiscal year ended June 30, 2014 is based on the 2013 levy, which was billed July 1, 2013.

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2013 taxable value totaled \$1,842,028,420; the Library's millage rate was 1.1000 mills, which resulted in property tax billings of \$2.0 million. The amount recognized as revenue reflects reductions for Board of Review, Michigan Tax Tribunal, and delinquencies, as well as recoveries of prior year delinquencies.

Assets, Liabilities, and Net Position or Fund Equity

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and investments with a maturity of three months or less when acquired. Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments are based on independent appraisals. Investments that do not have an established market are reported at estimated fair value. Pooled investment income is generally allocated to each fund using a weighted average.

Receivables – All customer receivables are shown net of allowances for uncollectible amounts. For the year ended June 30, 2014, there was approximately \$188,000 in allowances for parking fines, \$64,000 in allowances for delinquent personal property taxes, and approximately \$31,000 in allowances for miscellaneous receivables.

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, with the exception of those in the Major and Local Streets Funds, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors are recorded as prepaid items in both government-wide and fund financial statements. Also, contributions in excess of actuarially determined amounts for retirement and retiree health care benefits are recorded as a prepaid expense on the government-wide and proprietary fund-based statements. At June 30, 2014, the accumulated prepaid retirement costs were \$1,902,052, \$61,747, and \$60,774 for governmental activities, business-type activities, and component units respectively. Accumulated prepaid retiree health care benefit costs were \$3,217,410, \$57,297, and \$52,656 for governmental, business-type activities, and component units, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,500 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.

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

| | |
|--------------------------------------|-------------|
| Roads and sidewalks | 15-25 years |
| Buildings and improvements | 10-50 years |
| Improvements other than buildings | 10-50 years |
| Land improvements | 10-50 years |
| Machinery and equipment | 5-10 years |
| Water and sewer distribution systems | 40-50 years |

Compensated Absences (Vacation and Sick Leave) – It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is calculated for the full cost of vacation leave benefits and a portion of the sick leave benefits when accumulated sick leave hours exceed a certain balance. Upon termination or retirement, an employee is entitled to any unused vacation leave benefits. Only upon retirement, however, an employee can be paid a portion of their unused sick leave balance, provided their sick leave balance is over a certain amount. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only for those employees who have terminated as of the end of the year.

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

Deferred Outflows/Inflows of Resources - The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement expands the definition of what to show as deferred inflows and outflows, rather than assets or liabilities. Some of the items under GASB 65 include the deferred charge on bond refunding, property taxes received or receivable before the period for which they have been budgeted, revenue that is unavailable, grant revenue received before time requirements are met, and debt issuance costs. In some instances, the effect of GASB 65 will result in the reclassification of an asset to an expense or expenditure, such as debt issuance costs.

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on a bond refunding reported in the government-wide and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from four sources: property taxes, special assessments, parking tickets, and certain charges for services. These amounts are deferred and recognized as inflows of resources until the period that the amounts become available.

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 on 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.

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 Commission for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Commission.
- Assigned – Intent to spend resources on specific purposes expressed by the City Commission or the Finance Director, who is authorized by resolution approved by the City Commission to make assignments.
- Unassigned – Amounts that are available for any purpose.

The City Commission has adopted a minimum fund balance policy which states that unassigned fund balance in the General Fund can be no less than 17% of the budgeted expenditures in that fund.

Restatement - Starting in fiscal year 2014, the City reported Major and Local Street Fund activities in the General Fund. The Major and Local Street Funds no longer met the requirements of GASB 54 as special revenue funds as the majority of the funding for these activities was coming from operating transfers from the General Fund. The detail for the Major and Local Street Funds can still be found in the Other Supplemental Information section of this report. Beginning fund balance for the General Fund has been restated as follows:

| | Fund Balance <u>June 30, 2013</u> |
|-------------------------------|--------------------------------------|
| General Fund | \$12,279,205 |
| Major Street Fund | 3,319,047 |
| Local Street Fund | <u>3,083,425</u> |
| Restated General Fund Balance | <u>\$18,681,677</u> |

Also, the beginning net position of the Baldwin Public Library was restated by \$38,759 due to an adjustment made to depreciation expense.

Notes to Financial Statements
June 30, 2014

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 - Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Government funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.” The details of this \$1,107,748 difference are as follows:

| | |
|--|-----------------------------|
| Capital outlay | \$ 2,680,794 |
| Depreciation expense | <u>(3,788,542)</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u><u>\$(1,107,748)</u></u> |

Note 3 - Interfund Receivables, Payables, and Transfers

For the year ended June 30, 2014, interfund transfers reported in the fund statements were as follows:

| | Transfers Out | | |
|-----------------------|--------------------|------------------------|-------------------|
| | General Fund | Internal Service Funds | Total |
| Transfers in: | | | |
| Capital Projects Fund | <u>280,000</u> (1) | <u>155,000</u> (1) | <u>435,000</u> |
| Total | <u>\$ 280,000</u> | <u>\$ 155,000</u> | <u>\$ 435,000</u> |

The following describes the nature of significant transfers:

(1) Provide funding for capital projects.

City of Birmingham, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Stewardship, Compliance, and Accountability

State Construction Code Act – 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. Beginning January 1, 2000, 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 cumulative surplus and activity for the year ended June 30, 2014 is as follows:

| | | |
|----------------------------------|---------------|-------------------|
| Deficit as of June 30, 2013 | | \$ (349,418) |
| Building permit revenue | | 2,125,015 |
| Related expenses: | | |
| Direct costs | \$1,289,713 | |
| Estimated indirect costs | <u>99,695</u> | |
| Total construction code expenses | | <u>1,389,408</u> |
| Surplus as of June 30, 2014 | | <u>\$ 386,189</u> |

Local Community Stabilization Authority Act (Act 86 of 2014) – This act created an authority which receives revenue under the use tax law and distributes this funding to local governments to replace in part revenue lost as a result of the elimination of the personal property tax. Under this act, municipalities are required to calculate the percentage of general operating revenues used to fund essential services for the fiscal year ended June 30, 2012. Below is the calculation of the required percentage:

| | |
|---|--------------|
| Cost of Essential Services | \$10,286,892 |
| General Operating Millage Revenue | \$20,882,320 |
| Percentage of Millage Rate used for Essential Services | 49% |

Note 5 - Cash 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 accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications that matures

Note 5 - Cash and Investments (Continued)

not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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. To the extent cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

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

The City has designated two banks for the deposit of local unit funds. The investment policy adopted by the commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to four 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 government's deposits may not be returned to it. The City's investment policy restricts depository accounts to federally insured institutions located within the state of Michigan (consistent with state law). At year end, the City had approximately \$3.2 million in total bank deposits (certificates of deposit, checking and savings accounts). Of that amount, approximately \$2.7 million is considered uninsured and uncollateralized.

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 general investment policy restricts the average maturity of investments to three years. The maximum maturities for investments are: U.S. Treasuries and agencies – five years, certificates of deposits – one year, commercial paper – 270 days, bankers' acceptances – 180 days, and repurchase agreements – 60 days. The City's pension and retiree health care investment policy restricts cash equivalents to a maturity of one year or less. At year end, the City's investments have the following range of maturity dates:

Notes to Financial Statements
June 30, 2014

Note 5 - Cash and Investments (Continued)

| Investment Type | Fair Value | Maturity (Years) | | | |
|---------------------|---------------|------------------|---------------|-----------|-----------|
| | | < 1 | 1 - 5 | 6 - 10 | > 10 |
| U.S. Treasury: | | | | | |
| General investments | \$ 20,609,265 | \$ 6,533,525 | \$ 14,075,740 | \$ - | \$ - |
| Retirement Fund | 3,274,579 | 58,857 | 1,583,450 | 860,215 | 772,057 |
| Retiree Health Care | 1,514,274 | 19,989 | 641,665 | 688,853 | 163,767 |
| U.S. agency: | | | | | |
| General investments | 28,929,254 | 1,858,414 | 27,070,840 | - | - |
| Retirement Fund | 4,501,145 | - | 86,979 | 133,648 | 4,280,518 |
| Retiree Health Care | 1,196,393 | - | 55,002 | 59,013 | 1,082,378 |
| Corporate bonds: | | | | | |
| Retirement Fund | 16,169,523 | 30,863 | 5,525,606 | 5,846,003 | 4,767,051 |
| Retiree Health Care | 4,432,666 | 8,230 | 1,504,287 | 1,650,141 | 1,270,008 |
| Commercial paper: | | | | | |
| General investments | 998,510 | 998,510 | - | - | - |

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's general investment policy further limits investments to: commercial paper to the highest rating (A-1/P-1); bankers' acceptances whose long-term debt rating is at least an A; obligations of this state or its political subdivisions to the highest rating (A-1/P-1); pooled funds with a rating of at least an A. The City's retirement and retiree health care funds' investment policies require the bond portfolio to have at least 80 percent of its holdings in securities rated no less than investment grade. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment Type | Rating | Fair Value | Rating Agency |
|------------------------|---------|--------------|---------------|
| U.S. agency securities | Unrated | \$ 5,098,979 | |
| | AA+ | 29,310,256 | S&P |
| | AA- | 127,422 | S&P |
| Corporate bonds | Unrated | 3,775,984 | |
| | AAA | 1,141,075 | S&P |
| | AA+ | 598,218 | S&P |
| | AA | 771,034 | S&P |
| | AA- | 1,266,856 | S&P |
| | A+ | 1,013,179 | S&P |
| | A | 1,320,071 | S&P |
| | A- | 1,192,997 | S&P |
| | BBB+ | 2,370,061 | S&P |
| | BBB | 2,170,839 | S&P |

City of Birmingham, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Cash and Investments (Continued)

| | | | |
|------------------|---------|-----------|-----|
| | BBB- | 2,341,907 | S&P |
| | BB+ | 918,435 | S&P |
| | BB | 723,624 | S&P |
| | BB- | 449,024 | S&P |
| | B+ | 202,938 | S&P |
| | B | 222,696 | S&P |
| | B- | 84,401 | S&P |
| | CCC+ | 38,850 | S&P |
| Commercial Paper | A-1 | 998,510 | S&P |
| Pooled funds | Unrated | 5,965,273 | |
| | AAA | 1,011,865 | S&P |

Concentration of Credit Risk – At June 30, 2014, the City had investments greater than 5% of its holdings with the following issuers:

| <u>Issuer</u> | <u>General Investments</u> | <u>Retirement Investments</u> | <u>Retiree Health Investments</u> |
|---------------------------------|----------------------------|-------------------------------|-----------------------------------|
| Federal Farm Credit Bank | 13% | - | - |
| Federal Home Loan Mortgage | 11% | - | - |
| Federal National Mortgage Assn. | 15% | - | - |
| Federal Home Loan Bank | 15% | - | - |

The City's General Investment Policy allows investing in U.S. agency securities up to 75% of the total general investment portfolio and up to 25% of the general investment portfolio in any one issuer.

The City's Employees Retirement System and Retiree Health Care Fund Investment Policies do not limit the amount which can be invested in U.S. agency securities.

Notes to Financial Statements
June 30, 2014

Note 6 - Capital Assets

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

| | Balance July 1, 2013 | Additions | Disposals and Adjustments | Balance June 30, 2014 |
|---------------------------------------|-------------------------|--------------|---------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,337,835 | \$ - | \$ - | \$ 10,337,835 |
| Art and historical treasures | 816,324 | - | 875 | 815,449 |
| Construction in progress | 766,240 | 298,312 | 722,503 | 342,049 |
| Subtotal | 11,920,399 | 298,312 | 723,378 | 11,495,333 |
| Capital assets being depreciated: | | | | |
| Road and sidewalks | 55,803,771 | 2,550,190 | 1,382,045 | 56,971,916 |
| Buildings and improvements | 21,557,142 | 170,614 | 5,482 | 21,722,274 |
| Improvements other than buildings | 11,389,224 | 175,881 | - | 11,565,105 |
| Machinery and equipment | 16,545,414 | 942,198 | 914,456 | 16,573,156 |
| Subtotal | 105,295,551 | 3,838,883 | 2,301,983 | 106,832,451 |
| Accumulated depreciation: | | | | |
| Road and sidewalks | 24,310,744 | 2,823,046 | 1,382,045 | 25,751,745 |
| Buildings and improvements | 4,388,872 | 173,561 | 3,990 | 4,558,443 |
| Improvements other than buildings | 2,802,057 | 517,474 | - | 3,319,531 |
| Machinery and equipment | 9,293,399 | 1,198,649 | 838,936 | 9,653,112 |
| Subtotal | 40,795,072 | 4,712,730 | 2,224,971 | 43,282,831 |
| Net capital assets being depreciated | 64,500,479 | (873,847) | 77,012 | 63,549,620 |
| Net capital assets | \$ 76,420,878 | \$ (575,535) | \$ 800,390 | \$ 75,044,953 |

Notes to Financial Statements
June 30, 2014

Note 6 - Capital Assets (Continued)

| | Balance July 1, 2013 | Additions | Disposals and Adjustments | Balance June 30, 2014 |
|---------------------------------------|-------------------------|---------------------|---------------------------------|--------------------------|
| Business-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,597,920 | \$ - | \$ - | \$ 1,597,920 |
| Construction in progress | <u>1,305,372</u> | <u>1,740,597</u> | <u>1,223,283</u> | <u>1,822,686</u> |
| Subtotal | 2,903,292 | 1,740,597 | 1,223,283 | 3,420,606 |
| Capital assets being depreciated: | | | | |
| Water and sewer distribution systems | 87,160,008 | 3,189,350 | (778,132) | 91,127,490 |
| Land improvements | 2,477,611 | 77,407 | - | 2,555,018 |
| Building and building improvements | 36,054,192 | 1,289,796 | - | 37,343,988 |
| Machinery and equipment | <u>3,307,397</u> | <u>87,393</u> | <u>789,877</u> | <u>2,604,913</u> |
| Subtotal | 128,999,208 | 4,643,946 | 11,745 | 133,631,409 |
| Accumulated depreciation: | | | | |
| Water and sewer distribution systems | 25,490,798 | 2,329,182 | (778,132) | 28,598,112 |
| Land improvements | 238,727 | 78,169 | - | 316,896 |
| Building and building improvements | 20,027,959 | 504,659 | - | 20,532,618 |
| Machinery and equipment | <u>2,773,501</u> | <u>101,202</u> | <u>789,877</u> | <u>2,084,826</u> |
| Subtotal | <u>48,530,985</u> | <u>3,013,212</u> | <u>11,745</u> | <u>51,532,452</u> |
| Net capital assets being depreciated | <u>80,468,223</u> | <u>1,630,734</u> | - | <u>82,098,957</u> |
| Net capital assets | <u>\$ 83,371,515</u> | <u>\$ 3,371,331</u> | <u>\$ 1,223,283</u> | <u>\$ 85,519,563</u> |

Capital asset activity for the City's component units was as follows:

| | Balance July 1, 2013 | Additions | Disposals and Adjustments | Balance June 30, 2014 |
|---------------------------------------|-------------------------|---------------------|---------------------------------|--------------------------|
| Component Units | | | | |
| Capital assets not being depreciated: | | | | |
| Fine arts | \$ 107,918 | \$ - | \$ - | \$ 107,918 |
| Capital assets being depreciated: | | | | |
| Equipment and building improvements | 3,219,138 | 10,404 | 35,167 | 3,194,375 |
| Books, periodicals, etc. | <u>10,190,207</u> | <u>313,501</u> | <u>520,682</u> | <u>9,983,026</u> |
| Subtotal | 13,409,345 | 323,905 | 555,849 | 13,177,401 |
| Less accumulated depreciation | <u>10,789,210</u> | <u>659,704</u> | <u>594,134</u> | <u>10,854,780</u> |
| Net capital assets being depreciated | <u>2,620,135</u> | <u>(335,799)</u> | <u>(38,285)</u> | <u>2,322,621</u> |
| Net capital assets | <u>\$ 2,728,053</u> | <u>\$ (335,799)</u> | <u>\$ (38,285)</u> | <u>\$ 2,430,539</u> |

City of Birmingham, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Capital Assets (Continued)

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 229,544 |
| Public safety | 161,735 |
| Public works | 2,766,095 |
| Economic development | 840 |
| Recreation and culture | 630,329 |
| Internal Service Fund depreciation is charged to the various function based on their usage of the asset | <u>924,187</u> |
| Total governmental activities | <u>\$ 4,712,730</u> |
| Business-type activities: | |
| Water and sewer | \$ 2,321,664 |
| Automobile parking system | 584,896 |
| Golf courses | <u>106,651</u> |
| Total business-type activities | <u>\$ 3,013,211</u> |

Construction Commitments – At year end, the City of Birmingham has active construction projects. The City's commitments with contractors are as follows:

| | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|---------------------------|----------------------|-----------------------------|
| Water system improvements | \$ 3,024,545 | \$ 1,332,695 |
| Street/bridge projects | 2,370,648 | 3,778,046 |
| Sewer improvements | 1,736,908 | 1,164,872 |
| Parking deck improvements | 417,755 | 828,039 |
| Sidewalks | 109,723 | 122,623 |
| Park improvements | 2,618 | 1,077,821 |
| Vehicles | - | 200,654 |
| Other | <u>7,540</u> | <u>129,639</u> |
| Total | <u>\$ 7,669,737</u> | <u>\$ 8,634,389</u> |

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt

The City 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 government. County contractual agreements are also general obligations of the government.

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 | | | | | | | |
| General obligation bonds: | | | | | | | |
| 2002 Parks and Recreation Bonds: | | | | | | | |
| Amount of issue - \$15,700,000 | 2.00% - | \$200,000 - | | | | | |
| Maturing through 2025 | 5.00% | \$1,300,000 | \$ 3,200,000 | \$ - | \$ (700,000) | \$ 2,500,000 | \$ 800,000 |
| Unamortized bond premium | | | 13,503 | | (3,376) | 10,127 | |
| 2006 Refunding Bonds: | | | | | | | |
| Amount of issue - \$8,920,000 | 3.75% - | \$40,000 - | | | | | |
| Maturing through 2023 | 4.00% | \$1,285,000 | 8,645,000 | - | (50,000) | 8,595,000 | 55,000 |
| Unamortized bond discount | | | (23,621) | | 2,147 | (21,474) | |
| 2008 Parks and Recreation Bonds: | | | | | | | |
| Amount of issue - \$4,000,000 | 3.00% - | \$100,000 - | | | | | |
| Maturing through 2029 | 4.00% | \$300,000 | 3,600,000 | - | (100,000) | 3,500,000 | 100,000 |
| Unamortized bond discount | | | (20,704) | - | 1,380 | (19,324) | - |
| Total general obligation bonds | | | 15,414,178 | - | (849,849) | 14,564,329 | 955,000 |
| Notes Payable: | | | | | | | |
| MDEQ Brownfield Redevelopment Loan | 2.00% | \$27,398 - | | | | | |
| Amount of loan - \$300,000 | | \$32,743 | | | | | |
| Maturing through 2019 | | | 183,408 | - | (29,075) | 154,333 | 24,466 |
| Total bonds and notes payable | | | 15,597,586 | - | (878,924) | 14,718,662 | 979,466 |
| Accumulated employee benefits | | | 2,305,200 | 224,799 | (162,160) | 2,367,839 | 1,443,502 |
| Total governmental activities | | | <u>\$ 17,902,786</u> | <u>\$ 224,799</u> | <u>\$ (1,041,084)</u> | <u>\$ 17,086,501</u> | <u>\$ 2,422,968</u> |

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$992,545 of internal service funds employee benefit obligations is included in the above amounts. Employee benefit obligations for governmental activities are generally liquidated by the general fund.

Notes to Financial Statements June 30, 2014

Note 7 - 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 bonds: | | | | | | | |
| 2004 Refunding Bonds: | | | | | | | |
| Amount of issue - \$9,930,000 | 2.00% - | \$85,000 - | | | | | |
| Maturing through 2020 | 4.00% | \$1,155,000 | \$ 7,495,000 | \$ - | \$ (775,000) | \$ 6,720,000 | \$ 765,000 |
| Unamortized bond premium | | | 31,709 | | (3,964) | 27,745 | |
| Contractual obligations: | | | | | | | |
| C.S.O. Obligations: | | | | | | | |
| Amount of issue - \$22,706,977 | | | | | | | |
| (Net of 1996, 1999 and | | | | | | | |
| 2008 defeasance) | 2.00% - | \$838,066 - | | | | | |
| Maturing through 2016 | 7.00% | \$1,694,906 | 5,866,007 | - | (1,605,231) | 4,260,776 | 1,658,669 |
| Unamortized bond premium | | | 62,000 | | (15,500) | 46,500 | |
| George W. Kuhn Drain Bonds: | | | | | | | |
| Amount of issue - \$5,834,286 | | | | | | | |
| (Net of 2007 defeasance) | 2.50% - | \$42,654 - | | | | | |
| Maturing through 2028 | 6.00% | \$349,529 | 3,785,650 | - | (303,205) | 3,482,445 | 310,803 |
| North Arm Drain Bonds: | | | | | | | |
| Amount of issue - \$13,877,387 | 1.10% - | \$121,756 - | | | | | |
| Maturing through 2021 | 1.30% | \$174,693 | 1,351,065 | - | (156,459) | 1,194,606 | 160,805 |
| Total contractual obligations | | | 11,064,722 | - | (2,080,395) | 8,984,327 | 2,130,277 |
| Total bonds and contractual obligations | | | 18,591,431 | - | (2,859,359) | 15,732,072 | 2,895,277 |
| Accumulated employee benefits | | | 42,935 | 13,367 | (42,935) | 13,367 | 12,958 |
| Total business-type activities | | | \$ 18,634,366 | \$ 13,367 | \$ (2,902,294) | \$ 15,745,439 | \$ 2,908,235 |

The above contractual obligations to the County and the City of Royal Oak (North Arm Drain) are the result of the County and City of Royal Oak issuance of bonds on the City's behalf. The City has pledged to raise property taxes, to the extent permitted by law, to fund the obligation to repay the County and City of Royal Oak. Proceeds from the County and City of Royal Oak bonds provided financing for the construction of combined sewer overflow retention basins and sewer interceptor lines. The remaining principal and interest to be paid on the County and City of Royal Oak bonds is \$8,460,956 and \$1,290,794, respectively.

Notes to Financial Statements
June 30, 2014

Note 7 - Long-term Debt (Continued)

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

| | Governmental Activities | | | Business-type Activities | | |
|-----------|-------------------------|---------------------|----------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | 979,466 | 556,258 | 1,535,724 | 2,895,277 | 465,785 | 3,361,062 |
| 2016 | 1,079,955 | 516,728 | 1,596,683 | 2,829,497 | 374,741 | 3,204,238 |
| 2017 | 1,180,454 | 472,235 | 1,652,689 | 2,536,319 | 292,697 | 2,829,016 |
| 2018 | 1,380,963 | 422,616 | 1,803,579 | 1,422,471 | 228,335 | 1,650,806 |
| 2019 | 1,366,483 | 371,425 | 1,737,908 | 1,519,886 | 178,498 | 1,698,384 |
| 2020-2024 | 7,262,012 | 1,026,535 | 8,288,547 | 4,316,481 | 249,341 | 4,565,822 |
| 2025-2029 | 1,500,000 | 150,000 | 1,650,000 | 137,896 | 9,395 | 147,291 |
| Total | <u>\$ 14,749,333</u> | <u>\$ 3,515,797</u> | <u>\$ 18,265,130</u> | <u>\$ 15,657,827</u> | <u>\$ 1,798,792</u> | <u>\$ 17,456,619</u> |

Component Units – Long-term debt of the component units consists of an accrual for employee benefits.

Note 8 - Restricted Assets

The balance of the restricted assets in the internal service funds is approximately \$486,000, which represents health reimbursement accounts (HRAs) for full-time employees. Employees participating in the City's health insurance coverage can use these accounts to reimburse themselves for their out-of-pocket deductible and co-insurance payments. If an employee terminates employment before retirement, any unused funds are returned to the City.

City of Birmingham, Michigan

Notes to Financial Statements

June 30, 2014

Note 9 - Governmental Fund Balances

Below are the details regarding the classifications of governmental fund balances:

| | General Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total |
|--|----------------------|-----------------------------|--|----------------------|
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepays and inventory | \$ 123,410 | \$ - | \$ - | \$ 123,410 |
| Advances to other funds | - | - | - | - |
| Restricted for: | | | | |
| Solid waste disposal | - | - | 417,477 | 417,477 |
| Law enforcement | - | - | 192,955 | 192,955 |
| Park improvements | - | 10,380 | - | 10,380 |
| Debt service | - | - | 17,962 | 17,962 |
| Construction Code | 386,189 | - | - | 386,189 |
| Other purposes | - | 32,980 | - | 32,980 |
| Committed to: | | | | |
| Traffic signals | - | - | - | - |
| Street improvements | 3,518,396 | - | - | 3,518,396 |
| Bridge improvements | - | - | - | - |
| Park improvements | 9,324 | - | - | 9,324 |
| Sidewalk improvements | 135,545 | - | - | 135,545 |
| Library HVAC improvements | - | - | - | - |
| Streetlight improvements | - | 65,796 | - | 65,796 |
| Kenning Park parking lot | - | 1,044,453 | - | 1,044,453 |
| Other purposes | 284,945 | 47,967 | - | 332,912 |
| Assigned to: | | | | |
| Highway and street projects | 2,936,347 | - | - | 2,936,347 |
| Fire station renovations and repairs | - | 2,620,897 | - | 2,620,897 |
| Park improvements | 22,572 | 440,245 | - | 462,817 |
| DPS building and property improvement: | 22,213 | 224,484 | - | 246,697 |
| Woodward Ave. crossing improvements | - | 150,000 | - | 150,000 |
| Ice Arena improvements | - | 138,941 | - | 138,941 |
| Downtown streetlights | - | - | - | - |
| Downtown streetscape | - | 85,566 | - | 85,566 |
| Other purposes | 51,464 | 121,185 | - | 172,649 |
| Unassigned | <u>11,890,406</u> | <u>-</u> | <u>-</u> | <u>11,890,406</u> |
| Total fund balances | <u>\$ 19,380,811</u> | <u>\$ 4,982,894</u> | <u>\$ 628,394</u> | <u>\$ 24,992,099</u> |

Notes to Financial Statements June 30, 2014

Note 10 - Unearned Revenue

Unearned revenue in the General Fund represents resources received for the subsequent year's operations.

Unearned revenue in the Sewer Fund reflects prepaid capacity use of a combined sewer overflow retention facility by the Oakland County Water Resources Commissioner. Unearned revenue in the Golf Course Funds represent unredeemed gift cards.

Note 11 - 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 is insured under the Michigan Municipal League for workers' compensation claims, general liability, and property loss and is self-insured for other employee and retiree health and dental claims.

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

The City estimates the liability for general liability and employee health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Risk Management Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|
| Unpaid claims – Beginning of year | \$ 243,793 | \$ 256,194 |
| Incurred claims – Including claims incurred but not reported | 2,070,199 | 2,237,941 |
| Claim payments | <u>(2,108,934)</u> | <u>(2,250,342)</u> |
| Unpaid claims – End of year | <u>\$ 205,058</u> | <u>\$ 243,793</u> |

Note 12 - Retirement Plans

Defined Benefit Plan

Plan Description

Plan administration. The City of Birmingham Employees' Retirement System (the "System") is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to eligible general and public safety employees of the City and their beneficiaries. The plan is administered by the City of Birmingham Employees' Retirement System Pension Board. The Birmingham Employees' Retirement System (BERS) was established on April 3, 1944 under Chapter XIX of the City Charter and may be amended from time to time by ordinance approved by the City Commission subject to collective bargaining as required by state law. The plan issues a publicly available financial report that includes financial and supplementary information for the system. That report may be obtained by writing to the City of Birmingham, 151 Martin Street, P.O. Box 3001, Birmingham, MI 48009

Management of BERS is vested with the Retirement Board, which consists of seven voting members - three elected by plan members, three appointed by the City Commission, which includes a citizen who is an elector of the City and who is not eligible to participate in the retirement system, and the City Manager. In addition, there is one nonvoting ex-officio retired/beneficiary member elected by the retired members and beneficiaries currently receiving benefits from the system.

Plan membership. At June 30, 2014, pension plan membership consisted of the following:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 215 |
| Inactive plan members entitled to but not yet receiving benefits | 17 |
| Active plan members | <u>127</u> |
| Total plan members | 359 |

The pension plan is currently closed to any new members. New Police and Fire hires in a defined contribution plan but eligible for death and disability benefits are included as members in a defined benefit plan.

Benefits provided. BERS provides retirement, disability, and death benefits to plan members and their beneficiaries in accordance with the City's pension ordinance. Postretirement cost of living adjustments are not provided. Retirement benefits for members are calculated as a percent of member's final average compensation (FAC) based on the highest three consecutive years out of the last ten years times the member's years of service. The percentages used for the various groups are as follows:

Note 12 - Retirement Plans (Continued)

General, Library, AFSCME and Police Support: 2.5% of total years of service.

Teamsters: 2.5% of first 30 years of service and 1% of years of service over 30, subject to a maximum of 90% of FAC.

Police Patrol, Fire and Fire Command: 3.0% of first 30 years of service and 1% of years of service over 30, subject to a maximum of 95% of FAC.

Police Officials hired before November 1, 1973: 2.85% of first 30 years of service and 1% of years of service over 30.

Police Command and Police Officials hired after November 1, 1973: 3.0% of first 30 years of service, subject to a maximum of 90% of FAC.

General plan members may retire at any age after 57 with at least 25 years of service except Teamster members may retire at age 55. Public safety plan members may retire at any age after 50 with at least 25 years of service except Police Officials may retire at age 53. Plan members who are vested in the system may receive a deferred retirement if eligibility requirements are met. Eligibility for AFSCME, general, library, police support hired before January 1, 2007 and Teamster employees hired before July 1, 2006 begins after 10 years of service (seven for General members effective September 1, 2000 and Library members effective July 1, 2004) and benefit begins at age 60. Eligibility for Police and Fire is 10 years of service and benefits begin at age 55.

Upon regular retirement, a member may elect to withdraw their accumulated contributions. If this lump sum election is made, the retirement allowance is reduced by the actuarial equivalent of the amount withdrawn. A plan member who leaves City service may withdraw their accumulated contributions plus any accumulated interest.

All plan members, including new Police and Fire hires in the City's defined contribution plan, are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. The annual amount of a duty disability retirement to voluntary retirement age is 60% of FAC. Maximum total disability income, including workers' compensation, is 70% of FAC. Minimum disability benefit after workers' compensation offset is 20% of FAC. Upon attaining voluntary retirement age, additional service credit is granted and benefit is recomputed. Duty disability retirement is payable to general members upon expiration of workers' compensation. The non-duty disability retirement is computed as regular retirement with a maximum benefit, which when added to workers' compensation cannot exceed 70% of FAC. The minimum benefit is 20% of FAC. A multiplier of 2.25% of FAC at the time of disability is used for Teamster members.

Note 12 - Retirement Plans (Continued)

Death benefits are provided to members. For duty death before retirement, the benefit for those members who are covered by Social Security the benefit includes refund of accumulated contributions plus the same amount that was paid by workers' compensation to the widow or dependent widower, unmarried children under 18 and dependent children and parents. For members not covered by Social Security, the benefit includes refund of accumulated contributions plus one-third of final compensation to the widow or dependent widower, plus one-fourth of final compensation to dependent or unmarried children under 18 plus one-sixth of final compensation to dependent parents. Workers' compensation payments are offset. Pensions to widows and parents are paid for life or until remarriage. For non-duty death before retirement, eligibility includes 20 years of service or age 55 with 10 or more years of service. Fire members hired prior to April 1, 2012 are eligible for non-duty death benefit after 15 years of service. The non-duty death retirement is computed as regular retirement actuarially reduced in accordance with a 100% joint and survivor election.

Contributions. Member contribution rate is established by contract and or resolution as approved by the City Commission. Contributions by the City are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2014, the average active member contribution rate was 3.0 percent of annual pay, and the City's average contribution rate was 13.97 percent of annual payroll, plus \$665,103 for the unfunded accrued liability for General members and 17.92 percent of annual payroll, plus \$839,434 for the unfunded accrued liability for Police and Fire members.

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the BERS Board by a majority vote of its members. It is the policy of the BERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014:

**Notes to Financial Statements
June 30, 2014****Note 12 - Retirement Plans (Continued)**

| <u>Asset Class</u> | <u>Target Allocation</u> |
|-------------------------|--------------------------|
| Equities | 35-55% |
| Global Equities | 10-20% |
| Emerging Markets | 4% |
| Fixed Income | |
| Domestic Fixed Income | 20-35% |
| Global Fixed Income | 5% |
| Cash Equivalents | 5-10% |
| Alternative Investments | 10% |

Emerging markets is part of the total allocation to global (international) equities. State law limits total allocation in international equities plus international fixed income to 20 percent of total assets. The total allocation to alternative investments may not exceed 15 percent under the "Small Plan-Basket Clause" provision of Michigan Public Act 314 of 1965, as amended. The pension plan's investment policy was revised during the reporting period to reflect the updated asset allocation policy.

Concentrations. The pension plan did not hold investments other than those issued or explicitly guaranteed by the U.S. government in any one organization that represent 5 percent or more of the pension plan's fiduciary net position.

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.86 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Reserves

State law requires employee contributions to be segregated. As of June 30, 2014, the System's legally required reserves have been fully funded as follows:

| | |
|---|------------------|
| Reserve for employer contributions | \$ 35,800,485 |
| Reserve for employees' contributions | 6,373,555 |
| Reserve for retired benefit payments | 65,712,713 |
| Reserve for deferred retirement option plan benefit payments | <u>1,451,385</u> |
| Total | \$ 109,338,138 |

Note 12 - Retirement Plans (Continued)

Deferred Retirement Option Program

Police and Fire command members who were plan members on January 1, 2005 and at least 50 years old with 30 or more years of service and police official members who were plan members on January 1, 2005 and at least 53 years of age with minimum 30 years of service may elect to participate in a deferred retirement option plan (DROP). Under this plan the member's benefit is deposited into an account that receives 4% compound interest annually while the member remains an active member. No member contributions are made while in the DROP and no additional retirement benefits are earned. Members may remain in the DROP for a maximum of five years at which time they receive their account balance and begin receiving the benefit accrued to the date of entry into the program. The amount of reserves at June 30, 2014 held by the pension plan for the DROP program totaled \$1,451,385.

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2014 were as follows:

| | |
|------------------------------|---------------------|
| Total pension liability | \$ 112,840,052 |
| Plan fiduciary net position | <u>109,338,138</u> |
| City's net pension liability | <u>\$ 3,501,914</u> |

| | |
|--|--------|
| Plan fiduciary net position as a percentage of the total Pension liability | 96.90% |
|--|--------|

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------|
| Price inflation | 3.5 percent |
| Salary increase | 3.5 percent |
| Investment rate of return | 7.0 percent |

Mortality rates were based on the RP-2000 Mortality table projected 20 years (multiplied by 90%), adjusted for mortality improvements to 2020 using projection scale AA.

Rates of retirement were used to measure the probability of eligible members retiring during the next year. Rates of separation and rates of disability among active members were also measured. These assumptions are generally based on past experience, often modified for projected changes in conditions.

Notes to Financial Statements June 30, 2014

Note 12 - Retirement Plans (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012 updated for the June 30, 2013 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant. For each major asset class that is included in the pension plan target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|-------------------------------|--|
| Domestic Equity | 5.22 % |
| Global (International) Equity | 6.51 % |
| Fixed Income | 0.20 % |
| Alternative Investments | 3.70 % |
| Cash | 0.00 % |

**Real rate of return reduced by investment manager inflation rate assumption of 2.5%*

Discount rate. A single discount rate of 7 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements
June 30, 2014

Note 12 - Retirement Plans (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the single discount rate of 7 percent, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Single Discount Rate (7.00%) | 1% Increase (8.00%) |
|-------------------------------|---------------------------|--|---------------------------|
| Total Pension Liability | \$ 124,374,401 | \$ 112,840,052 | \$ 100,734,484 |
| Plan Fiduciary Net Position | <u>109,338,138</u> | <u>109,338,138</u> | <u>109,338,138</u> |
| Net Pension Liability/(Asset) | \$ 15,036,263 | \$ 3,501,914 | \$ (8,603,654) |

Annual Pension Cost – For 2014, the City's annual pension cost of \$2,841,177 was less than the City's actual contributions. The City's three-year trend information is as follows:

| | <u>Fiscal Year Ended June 30</u> | | |
|-------------------------------|----------------------------------|--------------|----------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Employees' Retirement System: | | | |
| Annual pension costs (APC) | \$1,904,912 | \$2,367,862 | \$ 2,841,177 |
| Percentage of APC contributed | 105% | 101% | 146% |
| Net pension obligation | \$ (683,752) | \$ (709,339) | \$ (2,024,573) |

Funding Status and Funding Progress – The City's three-year trend information is as follows:

| | <u>Actuarial Valuation as of June 30</u> | | |
|---|--|---------------|----------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Actuarial value of assets | \$ 91,659,219 | \$ 89,850,235 | \$ 94,113,412 |
| Actuarial Accrued Liability (entry age) | \$106,978,900 | \$108,646,323 | \$ 110,233,144 |
| UAAL | \$ 15,319,681 | \$ 18,796,088 | \$ 16,119,732 |
| Funded ratio | 85.7% | 82.7% | 85.4% |
| Covered payroll | \$ 9,789,046 | \$ 9,204,012 | \$ 8,638,321 |
| UAAL as a percentage of covered payroll | 156.5% | 204.2% | 186.6% |

Notes to Financial Statements
June 30, 2014

Note 12 - Retirement Plans (Continued)

The plan's computed contribution and actual funding are summarized as follows:

| | Governmental Activities | Business-Type Activities | Component Units | Total |
|--|----------------------------|-----------------------------|--------------------|-----------------------|
| Annual required contribution | \$ 2,528,881 | \$ 176,774 | \$ 157,755 | \$ 2,863,410 |
| Interest on prior year net pension obligation | (41,341) | (4,165) | (4,078) | (49,584) |
| Adjustment to the annual required contribution | <u>23,875</u> | <u>1,913</u> | <u>1,562</u> | <u>27,350</u> |
| Annual pension cost | 2,511,415 | 174,522 | 155,239 | 2,841,176 |
| Amounts contributed | <u>(3,822,881)</u> | <u>(176,774)</u> | <u>(157,755)</u> | <u>(4,157,410)</u> |
| Increase in net pension obligation (NPO) | (1,311,466) | (2,252) | (2,516) | (1,316,234) |
| NPO - Beginning of year | <u>(590,586)</u> | <u>(59,495)</u> | <u>(58,258)</u> | <u>(708,339)</u> |
| NPO - End of year | <u>\$ (1,902,052)</u> | <u>\$ (61,747)</u> | <u>\$ (60,774)</u> | <u>\$ (2,024,573)</u> |

Actuarial Methods and Assumptions – The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) additional projected salary increases ranging from 0.0 percent to 3.8 percent per year depending on age, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The underfunded actuarial liability is being amortized as a level dollar amount for both general employees and public safety employees. The remaining amortization period is 25 years open for general employees and 30 years open for public safety employees.

Defined Contribution Plan

Plan description and funding requirements – The City has established a 401(a) defined contribution plan subject to Section 1 of the City Charter. Plan provisions are established and amended by the City Commission either through resolution or union contracts. Department heads, non-union, AFSCME and library employees hired on or after January 1, 2007, Teamster employees hired on or after July 1, 2006, police officers/command hired after July 1, 2011, and firefighters hired on or after April 1, 2012 are eligible for this plan. Library and AFSCME employees hired before January 1, 2007, can also enroll in this plan if they opt out of the defined benefit retirement plan. Contribution funding rates and vesting periods are as follows:

City of Birmingham, Michigan

Notes to Financial Statements June 30, 2014

Note 12 - Retirement Plans (Continued)

| | Department Heads and Non-Union Employees | Library Employees | AFSCME Employees | Teamster Employees | Police/Fire Employees |
|-----------------------|--|----------------------|-----------------------------------|-----------------------------------|--------------------------|
| Employer Contribution | 5% | 6% | \$1.30/hr. \$1.95/overtime hr. | \$1.20/hr. \$1.80/overtime hr. | 12% |
| Employee Contribution | 3% | 3% | \$.65/hr. \$.98/overtime hr. | \$.60/hr. | 5% |
| Vesting Period | 5 years | 3 years | 5 years | 5 years | 7 years |

At June 30, 2014, the following numbers of employees were in the plan along with the respective employer and employee contributions:

| | Department Heads and Non-Union Employees | Library Employees | AFSCME Employees | Teamster Employees | Police/Fire Employees |
|------------------------|--|----------------------|---------------------|-----------------------|--------------------------|
| Number of Employees | 11 | 17 | 4 | 5 | 15 |
| Employer Contributions | \$28,037 | \$25,076 | \$7,637 | \$12,923 | \$64,955 |
| Employee Contributions | \$16,822 | \$12,572 | \$3,818 | \$6,129 | \$27,064 |

Note 13 - Postemployment Benefits

Defined Benefit Retirement Health Care Plan

Plan Description – City of Birmingham Retirement Health Care Fund (RHCF) is a single-employer defined benefit healthcare plan administered by the City. An investment committee consisting of five members is responsible for the investment management and control of fund assets pursuant to an investment policy adopted by the City Commission. The plan covers most full-time general and public safety employees who meet certain age and years of service requirements. At June 30, 2014, the plan had the following plan members:

| | |
|-----------------------------------|------------|
| Active service members: | |
| General employees | 65 |
| Public safety employees | 40 |
| Deferred members | 7 |
| Retired members and beneficiaries | <u>222</u> |
| Total members | 334 |

RHCF provides medical and prescription benefits to eligible retirees and their dependents. The RHCF was established under State of Michigan Public Act 149 of 1999.

Notes to Financial Statements June 30, 2014

Note 13 - Postemployment Benefits (Continued)

Contributions – Public Act 149 authorizes the City Commission to establish and amend contribution requirements of the plan members. Active service members and retired members or their beneficiaries are required to contribute to the plan. Active service members contribute 1.5% - 3% of their compensation. Retirees or their beneficiaries hired prior to January 1, 1993 (July 1, 2002 for Library) contribute the following (some retirees' contributions will differ from the amounts below depending on the terms of the contract when they retired):

| Status | Monthly Premiums | | | | |
|--------------------------|---|------------------------------|----------------------|---------------------------|---------|
| | Police Patrol, Police Support, Police Command | General, Police Officials | Teamsters, AFSCME | Firefighters & Command | Library |
| Single - below age 65 | \$60 | \$30 | \$60 | \$60 | \$40 |
| Single - age 65 and over | 30 | 15 | 30 | 30 | 20 |
| Couple - below age 65 | 120 | 60 | 120 | 120 | 80 |
| Couple - age 65 and over | 60 | 30 | 60 | 60 | 40 |

For all regular full-time General, AFSCME, Teamsters, Library and Police Command employees hired on or after January 1, 1993 (July 1, 2002 for Library), the retiree contributes 50% of the calculated premium.

For the fiscal year ended June 30, 2014, plan members or beneficiaries receiving benefits contributed \$74,164. The City is required to contribute at a rate equivalent to the annual required contribution (ARC) (42.98% or \$3.5 million). Administrative costs of the RHCF are financed by investment earnings.

Funded status and funding progress - The funded status of the plan as of June 30, 2012 (the most recent actuarial valuation date) is as follows:

| Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b-a]/c) |
|--|--|--------------------------------------|----------------------------|---------------------------|---|
| \$17,796,343 | \$66,792,875 | \$48,996,532 | 26.6% | \$8,512,751 | 575.6% |

Notes to Financial Statements
June 30, 2014

Note 13 - Postemployment Benefits (Continued)

The plan's computed contribution and actual funding are summarized as follows:

| | Governmental Activities | Business-Type Activities | Component Units | Total |
|--|----------------------------|-----------------------------|--------------------|-----------------------|
| Annual required contribution | \$ 3,000,011 | \$ 260,884 | \$ 251,579 | \$ 3,512,474 |
| Interest on prior year net OPEB obligation | (209,473) | (3,660) | (3,360) | (216,493) |
| Adjustment to the annual required contribution | <u>35,789</u> | <u>3,112</u> | <u>3,002</u> | <u>41,903</u> |
| Annual OPEB cost | 2,826,327 | 260,336 | 251,221 | 3,337,884 |
| Amounts contributed: | | | | |
| Employer contribution | (3,000,011) | (260,884) | (251,579) | (3,512,474) |
| Medicare subsidies | <u>(51,251)</u> | <u>(4,457)</u> | <u>(4,298)</u> | <u>(60,006)</u> |
| Increase in net OPEB obligation | (224,935) | (5,005) | (4,656) | (234,596) |
| Net OPEB obligation - Beginning of year | <u>(2,992,475)</u> | <u>(52,292)</u> | <u>(48,000)</u> | <u>(3,092,767)</u> |
| Net OPEB obligation - End of year | <u>\$ (3,217,410)</u> | <u>\$ (57,297)</u> | <u>\$ (52,656)</u> | <u>\$ (3,327,363)</u> |

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

| | Fiscal Year Ended June 30 | | |
|--|---------------------------|------|------|
| | 2012 | 2013 | 2014 |

Employees' Retiree Health Care System:

| | | | |
|--------------------------------|---------------|---------------|---------------|
| Annual OPEB costs | \$ 2,453,635 | \$ 2,860,086 | \$ 3,337,884 |
| City percentage contributed | 102.7% | 138.2% | 105.2% |
| Federal percentage contributed | 15.4% | 5.1% | 1.8% |
| Net OPEB obligation | \$(1,854,309) | \$(3,092,767) | \$(3,327,363) |

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. Actuarially determined amounts 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 as required supplemental information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to Financial Statements June 30, 2014

Note 13 - Postemployment Benefits (Continued)

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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.

Actuarial methods and significant assumptions used to determine the ARC for the fiscal year ended June 30, 2014 are as follows:

| | |
|-------------------------------|---|
| Valuation date: | June 30, 2010 |
| Actuarial cost method: | Individual Entry age |
| Amortization method: | General/Fire: Level Dollar Closed Police: Level Percent Open |
| Remaining amortization period | 28 years |
| Asset valuation method | Market |
| Actuarial assumptions: | |
| Investment rate of return | 7% |
| Projected salary increases | 4% |
| Healthcare cost trend rate | 9% initial 4% ultimate |
| Inflation Rate | 4% |

Notes to Financial Statements June 30, 2014

Note 13 - Postemployment Benefits (Continued)

Defined Contribution Retirement Health Care Plan

The City established a defined contribution retirement health savings plan pursuant to section 1 of the City Charter. Plan provisions are established and amended by the City Commission either through resolution or union contracts. The plan covers non-union, library, and Teamster employees hired on or after July 1, 2006, AFSCME employees hired after January 1, 2007, firefighters hired on or after July 1, 2009, police officers/command hired on or after July 1, 2011 and firefighters hired on or after April 1, 2012. In addition, Teamster and AFSCME employees currently eligible for defined benefit health care benefits will also receive a defined contribution benefit. Participation in this plan is optional for non-union employees. Also non-union employees hired before July 1, 2006, may opt out of the defined benefit retirement health care plan and enroll in this plan. Contribution rates and vesting periods are as follows:

| | Hire Date | Department Heads and Non-Union Employees | Library Employees | AFSCME Employees | Teamster Employees | Fire Employees | Police Employees |
|-----------------------|-------------------------------------|--|-------------------|------------------|--------------------|----------------|------------------|
| Employer Contribution | After 7/1/2011 | N/A | N/A | N/A | N/A | N/A | 2% |
| | After 7/1/2009 | N/A | N/A | N/A | N/A | \$50/pay | N/A |
| | After 7/1/2006 ⁽¹⁾ | \$50/pay | \$50/pay | \$50/pay | \$50/pay | N/A | N/A |
| | 1/1/1993 - 6/30/2006 ⁽²⁾ | N/A | N/A | \$60/pay | \$60/pay | N/A | N/A |
| | Prior to 1/1/1993 | N/A | N/A | \$30/pay | \$30/pay | N/A | N/A |
| Employee Contribution | After 7/1/2011 | N/A | N/A | N/A | N/A | N/A | 2% |
| | After 7/1/2009 | N/A | N/A | N/A | N/A | 2% | N/A |
| | After 7/1/2006 | 2% | 2% | 2% | 3% | N/A | N/A |
| | 1/1/1993 - 6/30/2006 | N/A | N/A | None | 1.5% | N/A | N/A |
| | Prior to 1/1/1993 | N/A | N/A | None | None | N/A | N/A |
| Vesting Period | After 7/1/2011 | N/A | N/A | N/A | N/A | N/A | 7 years |
| | After 7/1/2009 | N/A | N/A | N/A | N/A | 7 years | N/A |
| | After 7/1/2006 | 5 years | 5 years | 5 years | 5 years | N/A | N/A |
| | 1/1/1993 - 6/30/2006 | N/A | N/A | Immediate | Immediate | N/A | N/A |
| | Prior to 1/1/1993 | N/A | N/A | Immediate | Immediate | N/A | N/A |

⁽¹⁾ After 7/1/2007 for AFSCME employees

⁽²⁾ 1/1/1993 - 6/30/2007 for AFSCME employees

At June 30, 2014, the following numbers of employees were in the plan along with the respective employer and employee contributions:

| | Department Heads and Non-Union Employees | Library Employees | AFSCME Employees | Teamster Employees | Fire Employees | Police Employees |
|------------------------|--|-------------------|------------------|--------------------|----------------|------------------|
| Number of Employees | 12 | 6 | 23 | 29 | 10 | 7 |
| Employer Contributions | \$12,080 | \$5,600 | \$24,735 | \$37,290 | \$8,600 | \$6,091 |
| Employee Contributions | \$11,215 | \$4,277 | \$5,154 | \$22,402 | \$7,611 | \$6,091 |

Note 14 - Joint Ventures

Birmingham Area Cablecasting Board

The City is a member of the Birmingham Area Cablecasting Board, which provides cable program coordinating services to the residents of Birmingham, Beverly Hills, and Franklin Village. The City receives quarterly checks from Comcast, which consist of revenue related to franchise and use fees. The City then distributes a fixed percentage of the amounts received to the Village of Beverly Hills for administrative services. The City is unaware of any additional benefit or detriment upon dissolution of this joint venture. The City's equity interest in the joint venture is insignificant. Complete financial statements for the Birmingham Area Cablecasting Board can be obtained from the administrative offices at 30400 Telegraph Road, Suite 328, Birmingham, MI 48010.

Southeastern Oakland County Water Authority

The City is a member of the Southeastern Oakland County 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, 2014, the City expensed \$1,643,550 of payments made to the 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 one debt issue totaling approximately \$6,900,000, of which the City has guaranteed approximately \$139,200 at June 30, 2014. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Note 14 - Joint Ventures (Continued)

Southeastern Oakland County Resources Recovery Authority

The City is a member of the Southeastern Oakland County Resource Recovery Authority, which consists of 14 municipalities in Oakland County and provides refuse disposal services for the benefit of member municipalities. 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, 2014, the City expensed \$1,368,742 of payments to the 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 for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

48th Judicial District Court

The City is a participant with Bloomfield Township, the Charter Township of West Bloomfield, and the City of Bloomfield Hills in the operations of the 48th Judicial District Court (the "Court"). The City advances its allocated share of Court expenditures and receives a share of the Court revenue based on relative caseload levels. The City's share of Court expenditures amounted to \$1,143,514 and its share of Court revenue amounted to \$865,589 for the Court's year ended December 31, 2013. Complete audited financial statements for the Court can be obtained from the Court's administrative offices at 4280 Telegraph Road in Bloomfield Township.

Note 15 - Upcoming GASB Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

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City of Birmingham, Michigan

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2014

| | Original Budget | Amended Budget | Actual (Budgetary Basis) (See Note B) | Variance with Amended Budget Favorable (Unfavorable) |
|--|----------------------|----------------------|---|---|
| Revenue | | | | |
| Property taxes | \$ 19,098,970 | \$ 19,042,970 | \$ 19,062,024 | \$ 19,054 |
| Licenses and permits | 2,135,260 | 2,635,260 | 2,886,950 | 251,690 |
| Intergovernmental revenue | 1,854,570 | 1,904,570 | 1,906,034 | 1,464 |
| Charges for services | 2,707,500 | 2,624,500 | 2,666,921 | 42,421 |
| Fines and forfeitures | 1,268,000 | 1,618,000 | 1,784,432 | 166,432 |
| Interest and rent | 257,600 | 190,600 | 254,156 | 63,556 |
| Other | 137,100 | 387,100 | 410,855 | 23,755 |
| Total revenue | 27,459,000 | 28,403,000 | 28,971,372 | 568,372 |
| Expenditures | | | | |
| General government | 5,212,550 | 5,200,527 | 4,972,573 | 227,954 |
| Public safety | 12,296,260 | 12,304,303 | 11,950,856 | 353,447 |
| Community development | 1,860,790 | 1,928,211 | 1,777,599 | 150,612 |
| Engineering and public services | 3,810,960 | 4,005,407 | 3,658,260 | 347,147 |
| Contingency | - | - | - | - |
| Transfers to other funds | 5,070,490 | 6,364,490 | 6,343,582 | 20,908 |
| Total expenditures | 28,251,050 | 29,802,938 | 28,702,870 | 1,100,068 |
| Excess of Revenue Over (Under) Expenditures | (792,050) | (1,399,938) | 268,502 | 1,668,440 |
| Fund Balances - Beginning of year | 12,279,205 | 12,279,205 | 12,279,205 | - |
| Fund Balances - End of year | <u>\$ 11,487,155</u> | <u>\$ 10,879,267</u> | <u>\$ 12,547,707</u> | <u>\$ 1,668,440</u> |

City of Birmingham, Michigan

Fiscal year ending June 30,

| | 2014 | 2013 | 2012 | 2011 |
|--|----------------|----------------|----------------|----------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 1,550,051 | \$ 1,425,969 | \$ 1,551,564 | \$ 1,698,232 |
| Interest on the Total Pension Liability | 7,544,288 | 7,427,615 | 7,321,735 | 6,938,134 |
| Benefit Changes | 7,401 | - | - | - |
| Difference between expected and actual experience of the Total Pension Liability | - | (1,880,744) | (888,950) | 3,555,951 |
| Assumption Changes | - | 1,144,602 | - | - |
| Benefit Payments and Refunds | (6,524,400) | (6,501,053) | (6,316,926) | (6,961,012) |
| Net Change in Total Pension Liability | 2,577,340 | 1,616,389 | 1,667,423 | 5,231,305 |
| Total Pension Liability - Beginning | 110,262,712 | 108,646,323 | 106,978,900 | 101,747,595 |
| Total Pension Liability - Ending (a) | \$ 112,840,052 | \$ 110,262,712 | \$ 108,646,323 | \$ 106,978,900 |
| Plan Fiduciary Net Position | | | | |
| Employer Contributions | \$ 4,157,410 | \$ 2,392,449 | \$ 2,006,765 | \$ 1,706,539 |
| Employee Contributions | 267,282 | 269,829 | 291,456 | 303,939 |
| Pension Plan Net Investment Income* | 15,497,945 | 9,367,741 | (653,250) | 17,899,291 |
| Benefit Payments and Refunds | (6,524,400) | (6,501,053) | (6,316,926) | (6,961,012) |
| Other | 33,033 | - | - | 20,621 |
| Net Change in Plan Fiduciary Net Position | 13,431,270 | 5,528,966 | (4,671,955) | 12,969,378 |
| Plan Fiduciary Net Position - Beginning | 95,906,868 | 90,377,902 | 95,049,857 | 82,080,479 |
| Plan Fiduciary Net Position - Ending (b) | \$ 109,338,138 | \$ 95,906,868 | \$ 90,377,902 | \$ 95,049,857 |
| Net Pension Liability - Ending (a) - (b) | \$ 3,501,914 | \$ 14,355,844 | \$ 18,268,421 | \$ 11,929,043 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 96.90% | 86.98% | 83.19% | 88.85% |
| Covered Employee Payroll | \$ 8,055,081 | \$ 8,638,321 | \$ 9,204,012 | \$ 9,789,046 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 43.47% | 166.19% | 198.48% | 121.86% |

Notes to Schedule:

N/A

*Net of investment and pension plan administrative expenses.

Required Supplemental Information
Pension System
Multiyear Schedule of Changes in the Employers'
Net Pension Liability and Related Ratios
June 30, 2014

| | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | | 2005 |
|-------|-------------|----|--------------|----|-------------|----|--------------|----|-------------|----|-------------|
| \$ | 1,728,674 | \$ | 1,841,032 | \$ | 1,617,472 | \$ | 1,650,115 | \$ | 1,678,647 | \$ | 1,622,148 |
| | 6,832,543 | | 6,657,517 | | 6,188,571 | | 5,906,176 | | 5,604,684 | | 5,132,125 |
| | - | | - | | - | | - | | - | | - |
| | (176,806) | | (106,538) | | 1,988,368 | | 733,046 | | 726,120 | | 3,251,828 |
| | - | | - | | 1,481,131 | | - | | - | | - |
| | (6,760,471) | | (4,910,465) | | (4,465,705) | | (4,011,897) | | (3,364,406) | | (3,202,612) |
| | 1,623,940 | | 3,481,546 | | 6,809,837 | | 4,277,440 | | 4,645,045 | | 6,803,489 |
| | 100,123,655 | | 96,642,109 | | 89,832,272 | | 85,554,832 | | 80,909,787 | | 74,106,298 |
| \$ | 101,747,595 | \$ | 100,123,655 | \$ | 96,642,109 | \$ | 89,832,272 | \$ | 85,554,832 | \$ | 80,909,787 |
| <hr/> | | | | | | | | | | | |
| \$ | 1,757,591 | \$ | 831,629 | \$ | 1,034,106 | \$ | 318,206 | \$ | 28,248 | \$ | - |
| | 336,771 | | 349,690 | | 368,140 | | 360,770 | | 365,436 | | 415,039 |
| | 6,921,670 | | (13,801,550) | | (5,095,426) | | 13,482,899 | | 7,656,955 | | 6,079,647 |
| | (6,760,471) | | (4,910,465) | | (4,465,705) | | (4,011,897) | | (3,364,406) | | (3,202,612) |
| | 26,477 | | 12,531 | | 86,682 | | 159,193 | | 17,606 | | 85,744 |
| | 2,282,038 | | (17,518,165) | | (8,072,203) | | 10,309,171 | | 4,703,839 | | 3,377,818 |
| | 79,798,441 | | 97,316,606 | | 105,388,809 | | 95,079,638 | | 90,375,799 | | 86,997,981 |
| \$ | 82,080,479 | \$ | 79,798,441 | \$ | 97,316,606 | \$ | 105,388,809 | \$ | 95,079,638 | \$ | 90,375,799 |
| \$ | 19,667,116 | \$ | 20,325,214 | \$ | (674,497) | \$ | (15,556,537) | \$ | (9,524,806) | \$ | (9,466,012) |
| | 80.67% | | 79.70% | | 100.70% | | 117.32% | | 111.13% | | 111.70% |
| \$ | 10,714,397 | \$ | 11,059,972 | \$ | 11,756,272 | \$ | 11,561,631 | \$ | 11,761,335 | \$ | 12,007,486 |
| | 183.56% | | 183.77% | | -5.74% | | -134.55% | | -80.98% | | -78.83% |

City of Birmingham, Michigan

Required Supplemental Information Pension System Multiyear Schedule of the Employers' Net Pension Liability June 30, 2014

| FY Ending June 30, | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|-----------------------|-------------------------------|----------------------|--------------------------|---|--------------------|---|
| 2005 | \$ 80,909,787 | \$ 90,375,799 | \$ (9,466,012) | 111.70% | \$ 12,007,486 | -78.83% |
| 2006 | 85,554,832 | 95,079,638 | \$ (9,524,806) | 111.13% | 11,761,335 | -80.98% |
| 2007 | 89,832,272 | 105,388,809 | \$ (15,556,537) | 117.32% | 11,561,631 | -134.55% |
| 2008 | 96,642,109 | 97,316,606 | \$ (674,497) | 100.70% | 11,756,272 | -5.74% |
| 2009 | 100,123,655 | 79,798,441 | \$ 20,325,214 | 79.70% | 11,059,972 | 183.77% |
| 2010 | 101,747,595 | 82,080,479 | \$ 19,667,116 | 80.67% | 10,714,397 | 183.56% |
| 2011 | 106,978,900 | 95,049,857 | \$ 11,929,043 | 88.85% | 9,789,046 | 121.86% |
| 2012 | 108,646,323 | 90,377,902 | \$ 18,268,421 | 83.19% | 9,204,012 | 198.48% |
| 2013 | 110,262,712 | 95,906,868 | \$ 14,355,844 | 86.98% | 8,638,321 | 166.19% |
| 2014 | 112,840,052 | 109,338,138 | \$ 3,501,914 | 96.90% | 8,055,081 | 43.47% |

City of Birmingham, Michigan

Required Supplemental Information Pension System Multiyear Schedule of Contributions June 30, 2014

| FY Ending June 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|---|------------------------|--|--------------------|---|
| 2005 | \$ - | \$ - | \$ - | \$ 12,007,486 | 0.00% |
| 2006 | 26,936 | 28,248 | (1,312) | 11,761,335 | 0.24% |
| 2007 | 294,761 | 318,206 | (23,445) | 11,561,631 | 2.75% |
| 2008 | 1,014,067 | 1,034,106 | (20,039) | 11,756,272 | 8.80% |
| 2009 | 823,031 | 831,629 | (8,598) | 11,059,972 | 7.52% |
| 2010 | 1,336,970 | 1,757,591 | (420,621) | 10,714,397 | 16.40% |
| 2011 | 1,798,758 | 1,706,539 | 92,219 | 9,789,046 | 17.43% |
| 2012 | 2,159,904 | 2,006,765 | 153,139 | 9,204,012 | 21.80% |
| 2013 | 2,600,130 | 2,392,449 | 207,681 | 8,638,321 | 27.70% |
| 2014 | 2,930,506 | 4,157,410 | (1,226,904) | 8,055,081 | 51.61% |

Required Supplemental Information
Pension System
Multiyear Schedule of Investment Returns
June 30, 2014

Last Ten Fiscal Years
(which may be built prospectively starting from 2014)

| FY Ending June 30, | Annual Return^a |
|-------------------------------|--------------------------------------|
| 2014 | 15.86% |

^a Annual money-weighted rate of return, net of investment expenses.

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2014

The schedule of funding progress for the pension system is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Overfunded AAL/ (Unfunded AAL) (UAAL) (a-b) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | Overfunded/ (Unfunded) AAL Percentage of Covered Payroll |
|--------------------------------|--|---|--|---------------------------------------|---------------------------|--|
| 6/30/08 | 102,374,310 | 96,642,109 | 5,732,201 | 105.9 | 11,755,272 | 48.8 |
| 6/30/09 | 99,632,855 | 100,123,655 | (490,800) | 99.5 | 11,059,972 | (4.4) |
| 6/30/10 | 95,403,870 | 101,747,595 | (6,343,725) | 93.8 | 10,714,397 | (59.2) |
| 6/30/11 | 91,659,219 | 106,978,900 | (15,319,681) | 85.7 | 9,789,046 | (156.5) |
| 6/30/12 | 89,850,235 | 108,646,323 | (18,796,088) | 82.7 | 9,204,012 | (204.2) |
| 6/30/13 | 94,113,412 | 110,233,144 | (16,119,732) | 85.4 | 8,638,321 | (186.6) |
| 6/30/14 | * | * | * | * | * | * |

* Information not available

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation date, follows:

Employees' Retirement System

| | |
|-----------------------------------|--|
| Actuarial cost method | Entry age actuarial cost method |
| Amortization method | Police and Fire: Level Dollar General: Level Dollar |
| Remaining amortization period | Police and Fire: 30 years closed General: 25 years closed |
| Asset valuation method | 4-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7.0% |
| Projected salary increases: | |
| General | 3.5% - 6.2% |
| Police and Fire | 3.5% - 5.6% |
| Assumed rate of payroll growth | 3.5% |
| Assumed rate of membership growth | 0.0% |
| Cost of living adjustments | None |

City of Birmingham, Michigan

Required Supplemental Information Retiree Health Care Fund Schedule of Funding Progress June 30, 2014

The schedule of funding progress for the retiree health care fund is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|---------------------------------|---------------------------------------|---------------------------|---|
| 6/30/08 | 13,666,912 | 53,550,081 | 39,883,169 | 25.5 | 11,756,272 | 339.3 |
| 6/30/09 | * | * | * | * | * | * |
| 6/30/10 | 13,918,089 | 54,553,866 | 40,635,777 | 25.5 | 10,714,397 | 379.3 |
| 6/30/11 | * | * | * | * | * | * |
| 6/30/12 | 17,796,343 | 66,792,875 | 48,996,532 | 26.6 | 8,512,751 | 575.6 |
| 6/30/13 | * | * | * | * | * | * |
| 6/30/14 | ** | ** | ** | ** | ** | ** |

* No valuation prepared

** Information not available.

Schedule of Employer Contributions

| Fiscal Year Ended | Actuarial Valuation Date | Annual Required Contribution * | Percentage Contributed |
|-------------------|-----------------------------|-----------------------------------|---------------------------|
| 6/30/10 | 6/30/07 | 1,983,548 | 100.0 |
| 6/30/11 | 6/30/08 | 2,725,219 | 100.0 |
| 6/30/12 | 6/30/08 | 2,519,357 | 100.0 |
| 6/30/13 | 6/30/10 | 2,953,074 | 133.9 |
| 6/30/14 | 6/30/10 | 3,512,474 | 100.0 |

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2012, the latest actuarial valuation date, follows:

Employees' Retirement System

| | |
|-------------------------------|-----------------------|
| Actuarial cost method | Individual entry age |
| Amortization method | Level dollar - closed |
| Remaining amortization period | 26 years |
| Asset valuation method | Market |
| Actuarial assumptions: | |
| Investment rate of return | 7.0% |
| Projected salary increases: | 4.0% |
| Healthcare cost trend rate | 9% initial |

Notes to Required Supplemental Information

June 30, 2014

Note A - Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, except that fund balance appropriations and transfers are budgeted as either revenue or expenditures to balance the budget. All annual appropriations lapse at fiscal year end.

The annual budget is prepared by the City management and adopted by the city commission. The City adopts its General Fund budget and Special Revenue Fund budget by budgetary center (major activity or function), and by fund type for Debt Service Funds. This is in accordance with the State's legal requirement and is the level of classification detail at which, by law, expenditures may not exceed appropriations. The following process is required to amend the City's budget:

- a) The city manager is authorized to transfer budgeted amounts within budgetary centers. This is accomplished by the use of an internal budget adjustment form, initialed and approved by the requesting department head, reviewed and approved by the finance director, and then approved by the city manager. Any revisions that alter the total expenditures of any budgetary center must be approved by the city commission.
- b) At any meeting after the passage of the appropriation resolution, the city commission may amend such resolution so as to authorize the transfer of unused balances appropriated for one purpose to another purpose. A formal budget amendment request is prepared by the finance director and submitted to the city manager for approval, prior to submission to the city commission.

Budgeted amounts of the revenues and expenditures presented for the General, Special Revenue, Debt Service, and Capital Projects Funds are reported as originally adopted or as amended by the city commission. Individual amendments were not material in relation to the original appropriations that were adopted.

Notes to Required Supplemental Information

June 30, 2014

Note A - Compliance and Accountability (Continued)

Unexpended appropriations lapse at year end except for those approved for carryforward by the City Commission. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary procedures. Material encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. During the current year, the budget was amended in a legally permissible manner.

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

Excess of Expenditures Over Appropriations in Budgeted Funds – The City did not have significant expenditure budget variances during the year.

Note B – Explanation of Differences between General Fund Expenditures on a Budgetary Basis and GAAP Basis

Contributions made in excess of actuarially-determined amounts for retirement benefits are recorded as a transfer out on a budgetary basis, but allocated to functional expenses on a modified-accrual GAAP basis for governmental funds. Adjustments to the Governmental Funds' Statement of Revenue, Expenditures, and Changes in Fund Balances (General Fund) to reconcile to the General Fund Budgetary Comparison Schedule are as follows:

| | |
|-----------------------|------------------|
| General government | \$ (153,935) |
| Public safety | (945,032) |
| Public works | (122,367) |
| Community development | (72,666) |
| Transfers out | <u>1,294,000</u> |
| Total adjustments | \$ -0- |

Notes to Required Supplemental Information

June 30, 2014

Note B – Explanation of Differences between General Fund Expenditures on a Budgetary Basis and GAAP Basis (cont.)

Transfers to component units are recorded as a transfer out on a budgetary basis, but allocated to functional expenses on a modified-accrual GAAP basis for governmental funds. Adjustments to the Governmental Funds' Statement of Revenue, Expenditures, and Changes in Fund Balances (General Fund) to reconcile to the General Fund Budgetary Comparison Schedule are as follows:

| | |
|-----------------------|---------------|
| Community development | (30,450) |
| Transfers out | <u>30,450</u> |
| Total adjustments | <u>\$ -0-</u> |

Contributions made to the 48th District Court appear as a functional expense in the Statement of Revenue, Expenditures and Changes in Fund Balance, but as a transfer to other funds on a budgetary basis. Adjustments to the Governmental Funds' Statement of Revenue, Expenditures, and Changes in Fund Balances (General Fund) to reconcile to the General Fund Budgetary Comparison Schedule are as follows:

| | |
|---------------------------------|------------------|
| 48 th District Court | \$(1,239,132) |
| Transfers out | <u>1,239,132</u> |
| Total adjustments | <u>\$ -0-</u> |

Revenue and expenditures from the Major and Local Street Funds are included in the General Fund to comply with GASB 54, but are budgeted on an individual fund basis. Adjustments to the Governmental Funds' Statement of Revenue, Expenditures, and Changes in Fund Balances (General Fund) to reconcile to the General Fund Budgetary Comparison Schedule are as follows:

| | |
|---------------------------|----------------------|
| Revenues: | |
| State sources | \$(1,326,846) |
| Use of money and property | (81,170) |
| Other | <u>(123,492)</u> |
| Total revenue adjustments | <u>\$(1,531,508)</u> |

| | |
|-------------------------------|----------------------|
| Expenditures: | |
| Highway and streets | \$(2,695,251) |
| Capital outlay | (1,905,625) |
| Transfers out | <u>3,500,000</u> |
| Total expenditure adjustments | <u>\$(1,100,876)</u> |

Notes to Required Supplemental Information June 30, 2014

Note C – Notes to Schedule of Pension System Contributions

Valuation Date:

Notes

Actuarially determined contribution amounts are calculated as of June 30 each year, which is one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry-Age Normal |
| Amortization Method | Level Dollar, Closed |
| Remaining Amortization Period | Police and Fire: 30 years, closed General: 25 years closed |
| Asset Valuation Method | 4-year smoothed market |
| Inflation | 3.5%; No explicit price inflation assumption is used in this valuation. |
| Salary Increases | Police and Fire: 3.5% - 5.6% General: 3.5%-6.2% |
| Investment Rate of Return | 7.00% (Net of investment and administrative expenses) |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study of the period 2007-2012. |
| Mortality | RP-2000 Male (90%) and Female (90%) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. |

NOTE D – Excess of Expenditures Over Appropriations in Budgeted Funds

Major Street Funds – While the fund's total expenditures were under the total amended budget by 55%, there were two budgetary line items that incurred expenditures that were in excess of amounts budgeted. The unfavorable variance in the snow and ice removal line item was the result of adjusting the salt inventory at the end of the year. This adjustment resulted in addition expenditures of \$75,000 which was not foreseen at the time of the 4th quarter budget amendment request. In addition, there was a minor unfavorable variance in the administrative line item of \$4.

Local Street Funds – The fund had a minor unfavorable variance in the administrative line item of \$4.

Other Supplemental Information

City of Birmingham, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

| | Nonmajor Special Revenue Funds | | | Nonmajor Debt Service Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------|---|-----------------------------|-------------------------------|--|
| | Solid Waste Disposal | Community Development Block Grant | Law and Drug Forfeitures | Parks and Recreation | |
| Assets | | | | | |
| Cash and investments | \$ 488,483 | \$ - | \$ 192,955 | \$ 19,716 | \$ 701,154 |
| Due from other governmental units | - | 1,979 | - | - | 1,979 |
| Total assets | \$ 488,483 | \$ 1,979 | \$ 192,955 | \$ 19,716 | \$ 703,133 |
| Liabilities, Deferred Inflow of Resources, and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 67,698 | \$ 1,979 | \$ - | \$ - | \$ 69,677 |
| Accrued and other liabilities | 3,308 | - | - | 1,754 | 5,062 |
| Total liabilities | 71,006 | 1,979 | - | 1,754 | 74,739 |
| Fund Balances | | | | | |
| Restricted | | | | | |
| Solid waste disposal | 417,477 | - | - | - | 417,477 |
| Law enforcement | - | - | 192,955 | - | 192,955 |
| Debt service | - | - | - | 17,962 | 17,962 |
| Total fund balances | 417,477 | - | 192,955 | 17,962 | 628,394 |
| Total liabilities and fund balances | \$ 488,483 | \$ 1,979 | \$ 192,955 | \$ 19,716 | \$ 703,133 |

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2014

| | Nonmajor Special Revenue Funds | | | Nonmajor Debt Service Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------|---|-----------------------------|-------------------------------|--|
| | Solid Waste Disposal | Community Development Block Grant | Law and Drug Forfeitures | Parks and Recreation | |
| Revenues | | | | | |
| Property taxes | \$ 1,680,872 | \$ - | \$ - | \$ 1,437,756 | \$ 3,118,628 |
| Federal grants | - | 72,100 | 31,531 | - | 103,631 |
| Charges for services | 23,312 | - | - | - | 23,312 |
| Use of money and property | 10,241 | - | 1,897 | 2,750 | 14,888 |
| Total revenues | 1,714,425 | 72,100 | 33,428 | 1,440,506 | 3,260,459 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public safety | - | - | 82,725 | - | 82,725 |
| Solid waste | 1,679,168 | - | - | - | 1,679,168 |
| Community development | - | 72,100 | - | - | 72,100 |
| Debt service | - | - | - | 1,439,278 | 1,439,278 |
| Total expenditures | 1,679,168 | 72,100 | 82,725 | 1,439,278 | 3,273,271 |
| Excess of Revenues Over (Under) Expenditures | 35,257 | - | (49,297) | 1,228 | (12,812) |
| Fund Balances - Beginning of year | 382,220 | - | 242,252 | 16,734 | 641,206 |
| Fund Balances - End of year | <u>\$ 417,477</u> | <u>\$ -</u> | <u>\$ 192,955</u> | <u>\$ 17,962</u> | <u>\$ 628,394</u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Capital Projects Fund Year Ended June 30, 2014

| | Original Budget (Unaudited) | Amended Budget (Unaudited) | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|-----------------------------------|----------------------------------|---------------------|---|
| Revenue | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - |
| Interest and rent | 49,740 | 38,080 | 52,184 | 14,104 |
| Other revenue | 47,530 | 47,530 | 36,550 | (10,980) |
| Transfers from other funds | 185,000 | 435,000 | 435,000 | - |
| Total revenue | 282,270 | 520,610 | 523,734 | 3,124 |
| Expenditures | 986,500 | 1,984,010 | 471,462 | 1,512,548 |
| Excess of Revenue (Under) Over Expenditures | (704,230) | (1,463,400) | 52,272 | 1,515,672 |
| Fund Balances - Beginning of year | 4,930,622 | 4,930,622 | 4,930,622 | - |
| Fund Balances - End of year | <u>\$ 4,226,392</u> | <u>\$ 3,467,222</u> | <u>\$ 4,982,894</u> | <u>\$ 1,515,672</u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Nonmajor Governmental Funds Year Ended June 30, 2014

Special Revenue Fund - Solid Waste

| | Original Budget (Unaudited) | Amended Budget (Unaudited) | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|-----------------------------------|----------------------------------|-------------------|---|
| Revenue | | | | |
| Taxes | \$ 1,700,000 | \$ 1,680,000 | \$ 1,680,872 | \$ 872 |
| Charges for services | 22,000 | 22,000 | 23,312 | 1,312 |
| Interest | 11,450 | 6,950 | 10,241 | 3,291 |
| Total revenue | 1,733,450 | 1,708,950 | 1,714,425 | 5,475 |
| Expenditures | | | | |
| Refuse pickup | 1,447,390 | 1,422,890 | 1,395,081 | 27,809 |
| Equipment rental | 130,000 | 130,000 | 98,024 | 31,976 |
| Salaries | 198,310 | 198,310 | 166,655 | 31,655 |
| Miscellaneous | 17,660 | 20,137 | 10,648 | 9,489 |
| Capital outlay | 13,000 | 13,000 | 8,760 | 4,240 |
| Total expenditures | 1,806,360 | 1,784,337 | 1,679,168 | 105,169 |
| Excess of Revenue (Under) Over Expenditures | (72,910) | (75,387) | 35,257 | 110,644 |
| Fund Balances - Beginning of year | 382,220 | 382,220 | 382,220 | - |
| Fund Balances - End of year | <u>\$ 309,310</u> | <u>\$ 306,833</u> | <u>\$ 417,477</u> | <u>\$ 110,644</u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Special Revenue Fund - Community Development Block Grant

| | Original Budget (Unaudited) | Amended Budget (Unaudited) | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|-----------------------------------|----------------------------------|--------------------|---|
| Revenue - Intergovernmental | \$ 31,300 | \$ 91,302 | \$ 72,100 | \$ (19,202) |
| Expenditures - Community development | <u>31,300</u> | <u>91,302</u> | <u>72,100</u> | <u>19,202</u> |
| Excess of Revenue Over Expenditures | - | - | - | - |
| Fund Balances - Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances - End of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Special Revenue Fund - Law and Drug Forfeiture Fund

| | Original Budget (Unaudited) | Amended Budget (Unaudited) | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|-----------------------------------|----------------------------------|-------------------|---|
| Revenue | | | | |
| Fines and forfeitures | \$ 55,000 | \$ 31,000 | \$ 31,531 | \$ 531 |
| Interest and other | 3,010 | 3,010 | 1,897 | (1,113) |
| Total revenue | 58,010 | 34,010 | 33,428 | (582) |
| Expenditures | | | | |
| Public safety | 19,300 | 19,140 | 14,994 | 4,146 |
| Capital outlay | 56,460 | 67,803 | 67,731 | 72 |
| Total expenditures | 75,760 | 86,943 | 82,725 | 4,218 |
| Excess of Revenue Under Expenditures | (17,750) | (52,933) | (49,297) | 3,636 |
| Fund Balances - Beginning of year | 242,252 | 242,252 | 242,252 | - |
| Fund Balances - End of year | <u>\$ 224,502</u> | <u>\$ 189,319</u> | <u>\$ 192,955</u> | <u>\$ 3,636</u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Debt Service Fund

| | Original Budget (Unaudited) | Amended Budget (Unaudited) | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|-----------------------------------|----------------------------------|-------------------------|---|
| Revenue | | | | |
| Taxes | \$ 1,454,040 | \$ 1,439,040 | \$ 1,437,756 | \$ (1,284) |
| Interest and other | 1,630 | 1,630 | 2,750 | 1,120 |
| Total revenue | 1,455,670 | 1,440,670 | 1,440,506 | (164) |
| Expenditures | <u>1,439,040</u> | <u>1,439,280</u> | <u>1,439,278</u> | <u>2</u> |
| Excess of Revenue Over Expenditures | 16,630 | 1,390 | 1,228 | (162) |
| Fund Balances - Beginning of year | <u>16,734</u> | <u>16,734</u> | <u>16,734</u> | - |
| Fund Balances - End of year | <u>\$ 33,364</u> | <u>\$ 18,124</u> | <u>\$ 17,962</u> | <u>\$ (162)</u> |

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2014

| | Equipment | Personal Services | Risk Management | Total |
|---|----------------------|----------------------|---------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 6,119,265 | \$ 517,727 | \$ 2,814,936 | \$ 9,451,928 |
| Inventory | 68 | - | - | 68 |
| Total current assets | 6,119,333 | 517,727 | 2,814,936 | 9,451,996 |
| Noncurrent assets: | | | | |
| Prepaid costs and other assets | 15,405 | - | 306,043 | 321,448 |
| Restricted assets (Note 8) | - | - | 486,142 | 486,142 |
| Capital assets | 4,846,569 | - | - | 4,846,569 |
| Total noncurrent assets | 4,861,974 | - | 792,185 | 5,654,159 |
| Total assets | 10,981,307 | 517,727 | 3,607,121 | 15,106,155 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 46,377 | - | 1,649 | 48,026 |
| Accrued liabilities | 10,323 | - | 362,401 | 372,724 |
| Provision for uninsured losses and liabilities | - | - | 205,058 | 205,058 |
| Current portion of long-term debt and employee benefits | 27,861 | - | 50,319 | 78,180 |
| Total current liabilities | 84,561 | - | 619,427 | 703,988 |
| Noncurrent liabilities: | | | | |
| Provision for employee benefits | 462 | 479,580 | 434,323 | 914,365 |
| Total liabilities | 85,023 | 479,580 | 1,053,750 | 1,618,353 |
| Net Position | | | | |
| Net investment in capital assets | 4,846,569 | - | - | 4,846,569 |
| Restricted - Employee benefits | - | - | 486,142 | 486,142 |
| Unrestricted | 6,049,715 | 38,147 | 2,067,229 | 8,155,091 |
| Total net position | <u>\$ 10,896,284</u> | <u>\$ 38,147</u> | <u>\$ 2,553,371</u> | <u>\$ 13,487,802</u> |

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2014

| | Equipment | Personal Services | Risk Management | Total |
|--|-----------------------------|-------------------------|----------------------------|-----------------------------|
| Operating Revenues - Charges to other funds | \$ 2,083,903 | \$ - | \$ 2,937,069 | \$ 5,020,972 |
| Operating Expenses | | | | |
| General and administrative | - | 21,409 | 3,056,184 | 3,077,593 |
| Supplies and other operating expenses | 1,228,958 | - | - | 1,228,958 |
| Depreciation | 924,187 | - | - | 924,187 |
| Total operating expenses | <u>2,153,145</u> | <u>21,409</u> | <u>3,056,184</u> | <u>5,230,738</u> |
| Operating Loss | (69,242) | (21,409) | (119,115) | (209,766) |
| Nonoperating Income (Loss) | | | | |
| Interest earned | 63,049 | 5,569 | 27,964 | 96,582 |
| Loss on sale of capital assets | <u>(14,687)</u> | <u>-</u> | <u>-</u> | <u>(14,687)</u> |
| Net nonoperating income | <u>48,362</u> | <u>5,569</u> | <u>27,964</u> | <u>81,895</u> |
| Loss | (20,880) | (15,840) | (91,151) | (127,871) |
| Capital Contributions | <u>55,555</u> | <u>-</u> | <u>-</u> | <u>55,555</u> |
| Transfers Out | <u>(155,000)</u> | <u>-</u> | <u>-</u> | <u>(155,000)</u> |
| Changes in Net Position | (120,325) | (15,840) | (91,151) | (227,316) |
| Net Position - Beginning of year | <u>11,016,609</u> | <u>53,987</u> | <u>2,644,522</u> | <u>13,715,118</u> |
| Net Position - End of year | <u>\$ 10,896,284</u> | <u>\$ 38,147</u> | <u>\$ 2,553,371</u> | <u>\$ 13,487,802</u> |

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

| | Equipment | Personal Services | Risk Management | Total |
|--|---------------------|----------------------|---------------------|---------------------|
| Cash Flows from Operating Activities | | | | |
| Receipts from customers and others | \$ 2,083,903 | \$ - | \$ 2,937,069 | \$ 5,020,972 |
| Payments to suppliers | (1,003,417) | - | (3,242,056) | (4,245,473) |
| Payments to employees | (504,544) | (29,766) | - | (534,310) |
| Net cash provided by (used in) operating activities | 575,942 | (29,766) | (304,987) | 241,189 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of capital assets | (733,898) | - | - | (733,898) |
| Transfer to other funds | (155,000) | - | - | (155,000) |
| Federal grants | 55,555 | - | - | 55,555 |
| Proceeds from sale of capital assets | 60,833 | - | - | 60,833 |
| Net cash used in capital and related financing activities | (772,510) | - | - | (772,510) |
| Cash Flows from Investing Activities - Interest received on investments | 63,049 | 5,569 | 27,964 | 96,582 |
| Net Decrease in Cash and Cash Equivalents | (133,519) | (24,197) | (277,023) | (434,739) |
| Cash and Cash Equivalents - Beginning of year | 6,252,784 | 541,924 | 3,578,101 | 10,372,809 |
| Cash and Cash Equivalents - End of year | <u>\$ 6,119,265</u> | <u>\$ 517,727</u> | <u>\$ 3,301,078</u> | <u>\$ 9,938,070</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | |
| Cash and investments | \$ 6,119,265 | \$ 517,727 | \$ 2,814,936 | \$ 9,451,928 |
| Restricted investments | - | - | 486,142 | 486,142 |
| Total cash and cash equivalents | <u>\$ 6,119,265</u> | <u>\$ 517,727</u> | <u>\$ 3,301,078</u> | <u>\$ 9,938,070</u> |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | | | |
| Operating loss | \$ (69,242) | \$ (21,409) | \$ (119,115) | \$ (209,766) |
| Adjustment to reconcile operating loss to net cash from operating activities: | | | | |
| Depreciation | 924,188 | - | - | 924,188 |
| Changes in assets and liabilities: | | | | |
| Other assets | (5,670) | - | (229,734) | (235,404) |
| Accounts payable | (269,419) | - | 1,649 | (267,770) |
| Accrued and other liabilities | (3,915) | (8,357) | 42,213 | 29,941 |
| Net cash provided by (used in) operating activities | <u>\$ 575,942</u> | <u>\$ (29,766)</u> | <u>\$ (304,987)</u> | <u>\$ 241,189</u> |

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2014

| | Pension Trust Fund | Retiree Health Care | Total |
|---|-----------------------|------------------------|-----------------------|
| Assets | | | |
| Cash and investments | \$ 2,976,830 | \$ 924,876 | \$ 3,901,706 |
| Investments | | | |
| U.S. government securities | 7,775,724 | 2,710,667 | 10,486,391 |
| Stocks | 82,522,537 | 18,132,957 | 100,655,494 |
| Bonds | 16,169,523 | 4,432,666 | 20,602,189 |
| Receivables and accrued interest | 212,862 | 57,357 | 270,219 |
| Other assets | - | 48,645 | 48,645 |
| | | | |
| Total assets | 109,657,476 | 26,307,168 | 135,964,644 |
| Liabilities | | | |
| Accounts payable | - | 22,884 | 22,884 |
| Accrued and other liabilities | 319,338 | 495,245 | 814,583 |
| | | | |
| Total liabilities | 319,338 | 518,129 | 837,467 |
| Net Position - Held in trust for pension and other employee benefits | \$ 109,338,138 | \$ 25,789,039 | \$ 135,127,177 |

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended June 30, 2014

| | Pension Trust Fund | Retiree Health Care | Total |
|--|-----------------------------|----------------------------|-----------------------------|
| Additions | | | |
| Investment income: | | | |
| Interest and dividends | \$ 2,357,606 | \$ 548,098 | \$ 2,905,704 |
| Net increase in fair value of investments | 13,929,855 | 3,048,898 | 16,978,753 |
| Less investment expenses | <u>(576,473)</u> | <u>(140,220)</u> | <u>(716,693)</u> |
| Net investment income | 15,710,988 | 3,456,776 | 19,167,764 |
| Contributions: | | | |
| Employer | 4,157,410 | 3,512,474 | 7,669,884 |
| Plan members | <u>267,282</u> | <u>244,993</u> | <u>512,275</u> |
| Total contributions | 4,424,692 | 3,757,467 | 8,182,159 |
| Other revenue | <u>33,033</u> | <u>86,531</u> | <u>119,564</u> |
| Total net additions | 20,168,713 | 7,300,774 | 27,469,487 |
| Deductions | | | |
| Benefit payments | 6,036,530 | 2,904,195 | 8,940,725 |
| Refunds of contributions | 487,870 | - | 487,870 |
| Administrative expenses | <u>213,042</u> | <u>3,519</u> | <u>216,561</u> |
| Total deductions | <u>6,737,442</u> | <u>2,907,714</u> | <u>9,645,156</u> |
| Net Increase | 13,431,271 | 4,393,060 | 17,824,331 |
| Net Position - Held in Trust for Pension Benefits | | | |
| Beginning of year | <u>95,906,867</u> | <u>21,395,979</u> | <u>117,302,846</u> |
| End of year | <u>\$109,338,138</u> | <u>\$25,789,039</u> | <u>\$135,127,177</u> |

City of Birmingham, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2014

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 |
|----------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Assets | | | | |
| Cash and investments | \$ 1,805,572 | \$ 92,454,731 | \$ 92,190,192 | \$ 2,070,111 |
| Receivables - Accrued interest | 4,100 | - | - | 4,100 |
| Total assets | <u>\$ 1,809,672</u> | <u>\$ 92,454,731</u> | <u>\$ 92,190,192</u> | <u>\$ 2,074,211</u> |
| Liabilities | | | | |
| Accounts payable | \$ 58,034 | \$ 1,361,004 | \$ 1,404,473 | \$ 101,503 |
| Accrued liabilities and deposits | 1,751,638 | 150,827,242 | 151,048,312 | 1,972,708 |
| Total liabilities | <u>\$ 1,809,672</u> | <u>\$152,188,246</u> | <u>\$152,452,785</u> | <u>\$ 2,074,211</u> |

Oakway Mutual Aid Hazmat Response Team (included above)

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 |
|----------------------------------|----------------------------|-----------|------------|-----------------------------|
| Assets | | | | |
| Cash and investments | \$ 96,581 | 59,066 | 44,282 | \$ 111,365 |
| Liabilities | | | | |
| Accrued liabilities and deposits | \$ 96,581 | 59,066 | 44,282 | \$ 111,365 |

City of Birmingham, Michigan

Other Supplemental Information Balance Sheet GAAP Based General Fund June 30, 2014

| | General Fund | Major Streets Fund | Local Streets Fund | Total GAAP Based General Fund |
|--|-----------------------------|-----------------------------|-----------------------------|-------------------------------------|
| Assets | | | | |
| Cash and investments (Note 5) | \$ 12,753,954 | \$ 3,726,291 | \$ 3,077,025 | \$ 19,557,270 |
| Receivables - Net: | | | | |
| Customers | 217,984 | - | 2,940 | 220,924 |
| Special assessments | 56,828 | 31,861 | 166,192 | 254,881 |
| Delinquent personal property taxes | 15,737 | - | - | 15,737 |
| Prepaid items and other assets | 23,027 | - | - | 23,027 |
| Due from other governmental units | 599,085 | 144,922 | 58,794 | 802,801 |
| Inventories | - | 71,702 | 28,681 | 100,383 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 13,666,615</u> | <u>\$ 3,974,776</u> | <u>\$ 3,333,632</u> | <u>\$ 20,975,023</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 435,753 | \$ 135,538 | \$ 155,547 | \$ 726,838 |
| Accrued and other liabilities | 498,647 | 5,783 | 12,336 | 516,766 |
| Unearned revenue | 23,840 | - | - | 23,840 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 958,240 | 141,321 | 167,883 | 1,267,444 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - Special assessments and property taxes | 70,503 | 29,735 | 133,425 | 233,663 |
| Unavailable revenue - Parking tickets and charges for services | 90,165 | - | 2,940 | 93,105 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | 160,668 | 29,735 | 136,365 | 326,768 |
| Fund Balances (Notes 4, 9) | | | | |
| Nonspendable | 23,027 | 71,702 | 28,681 | 123,410 |
| Restricted | 386,189 | - | - | 386,189 |
| Committed | 151,836 | 2,250,909 | 1,545,465 | 3,948,210 |
| Assigned | 96,249 | 1,481,109 | 1,455,238 | 3,032,596 |
| Unassigned | 11,890,406 | - | - | 11,890,406 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>12,547,707</u> | <u>3,803,720</u> | <u>3,029,384</u> | <u>19,380,811</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 13,666,615</u> | <u>\$ 3,974,776</u> | <u>\$ 3,333,632</u> | <u>\$ 20,975,023</u> |

City of Birmingham, Michigan

Other Supplemental Information Statement of Revenues, Expenditures, and Changes in Fund Balance GAAP Based General Fund Year Ended June 30, 2014

| | General Fund | Major Streets Fund | Local Streets Fund | Total GAAP Based General Fund |
|---|----------------------|--------------------------|--------------------------|-------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 19,062,024 | \$ - | \$ - | \$ 19,062,024 |
| Licenses and permits | 2,886,950 | - | - | 2,886,950 |
| Federal grants | 17,470 | - | - | 17,470 |
| State sources | 1,888,564 | 969,737 | 357,109 | 3,215,410 |
| Charges for services | 2,666,921 | - | - | 2,666,921 |
| Fines and forfeitures | 1,784,432 | - | - | 1,784,432 |
| Use of money and property | 254,156 | 35,710 | 45,460 | 335,326 |
| Other | 410,855 | 13,084 | 110,408 | 534,347 |
| Total revenues | 28,971,372 | 1,018,531 | 512,977 | 30,502,880 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,126,508 | - | - | 5,126,508 |
| Public safety | 12,895,888 | - | - | 12,895,888 |
| Public works | 3,780,627 | - | - | 3,780,627 |
| Highway and streets | - | 1,336,970 | 1,358,281 | 2,695,251 |
| Community and economic development | 1,880,715 | - | - | 1,880,715 |
| 48th District Court | 1,239,132 | - | - | 1,239,132 |
| Capital outlay | - | 546,888 | 1,358,737 | 1,905,625 |
| Total expenditures | 24,922,870 | 1,883,858 | 2,717,018 | 29,523,746 |
| Excess of Revenues Over (Under) Expenditures | 4,048,502 | (865,327) | (2,204,041) | 979,134 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 1,350,000 | 2,150,000 | 3,500,000 |
| Transfers out | (3,780,000) | - | - | (3,780,000) |
| Total other financing (uses) sources | (3,780,000) | 1,350,000 | 2,150,000 | (280,000) |
| Net Change in Fund Balances | 268,502 | 484,673 | (54,041) | 699,134 |
| Fund Balances - Beginning of year | 12,279,205 | 3,319,047 | 3,083,425 | 18,681,677 |
| Fund Balances - End of year | <u>\$ 12,547,707</u> | <u>\$ 3,803,720</u> | <u>\$ 3,029,384</u> | <u>\$ 19,380,811</u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Major Street Fund Year Ended June 30, 2014

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|----------------------------|----------------------------|----------------------------|---|
| Revenue | | | | |
| Intergovernmental revenue | \$ 878,100 | \$ 878,100 | \$ 969,737 | \$ 91,637 |
| Other revenue | 11,350 | 11,350 | 13,084 | 1,734 |
| Interest and rent | 31,620 | 31,620 | 35,710 | 4,090 |
| Transfers from other funds | <u>1,200,000</u> | <u>1,350,000</u> | <u>1,350,000</u> | <u>-</u> |
| Total revenue | 2,121,070 | 2,271,070 | 2,368,531 | 97,461 |
| Expenditures | | | | |
| Maintenance of streets and bridges | 346,700 | 357,980 | 273,729 | 84,251 |
| Street cleaning | 195,460 | 225,283 | 154,617 | 70,666 |
| Street trees | 264,070 | 264,070 | 231,594 | 32,476 |
| Traffic controls and engineering | 225,050 | 225,050 | 195,874 | 29,176 |
| Snow and ice removal | 340,250 | 405,250 | 472,644 | (67,394) |
| Administrative | 19,870 | 19,870 | 19,874 | (4) |
| Capital outlay - Engineering and construction of roads and bridges | <u>1,523,230</u> | <u>2,687,148</u> | <u>535,526</u> | <u>2,151,622</u> |
| Total expenditures | <u>2,914,630</u> | <u>4,184,651</u> | <u>1,883,858</u> | <u>2,300,793</u> |
| Excess of Revenue (Under) Over Expenditures | (793,560) | (1,913,581) | 484,673 | 2,398,254 |
| Fund Balances - Beginning of year | <u>3,319,047</u> | <u>3,319,047</u> | <u>3,319,047</u> | <u>-</u> |
| Fund Balances - End of year | <u><u>\$ 2,525,487</u></u> | <u><u>\$ 1,405,466</u></u> | <u><u>\$ 3,803,720</u></u> | <u><u>\$ 2,398,254</u></u> |

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Local Street Fund Year Ended June 30, 2014

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|----------------------------|----------------------------|----------------------------|---|
| Revenue | | | | |
| Intergovernmental revenue | \$ 355,520 | \$ 355,520 | \$ 357,109 | \$ 1,589 |
| Other revenue | 69,870 | 69,870 | 110,408 | 40,538 |
| Interest and rent | 31,930 | 31,930 | 45,460 | 13,530 |
| Transfers from other funds | <u>2,000,000</u> | <u>2,150,000</u> | <u>2,150,000</u> | <u>-</u> |
| Total revenue | 2,457,320 | 2,607,320 | 2,662,977 | 55,657 |
| Expenditures | | | | |
| Maintenance of streets and bridges | 550,760 | 637,770 | 310,587 | 327,183 |
| Street cleaning | 204,560 | 234,383 | 200,586 | 33,797 |
| Street trees | 564,760 | 564,760 | 534,983 | 29,777 |
| Traffic controls and engineering | 61,220 | 61,220 | 59,664 | 1,556 |
| Snow and ice removal | 208,810 | 233,810 | 224,207 | 9,603 |
| Administrative | 28,250 | 28,250 | 28,254 | (4) |
| Capital outlay - Engineering and construction of roads and bridges | <u>1,890,840</u> | <u>2,738,957</u> | <u>1,358,737</u> | <u>1,380,220</u> |
| Total expenditures | <u>3,509,200</u> | <u>4,499,150</u> | <u>2,717,018</u> | <u>1,782,132</u> |
| Excess of Revenue Under Expenditures | (1,051,880) | (1,891,830) | (54,041) | 1,837,789 |
| Fund Balances - Beginning of year | <u>3,083,425</u> | <u>3,083,425</u> | <u>3,083,425</u> | <u>-</u> |
| Fund Balances - End of year | <u><u>\$ 2,031,545</u></u> | <u><u>\$ 1,191,595</u></u> | <u><u>\$ 3,029,384</u></u> | <u><u>\$ 1,837,789</u></u> |

Statistical Section

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City of Birmingham, Michigan

Statistical Section

This part of the City of Birmingham's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

| <u>Contents</u> | <u>Pages</u> |
|---|---------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 99-108 |
| Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes. | 109-116 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 117-124 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments. | 125-129 |
| Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. | 130-135 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Birmingham, Michigan

Schedule 1

| | June 30 | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 39,180,462 | \$ 41,143,612 | \$ 49,133,247 | \$ 53,059,163 |
| Restricted | 8,762,794 | 6,882,174 | 10,007,279 | 9,778,799 |
| Unrestricted | <u>18,068,788</u> | <u>22,689,042</u> | <u>20,730,443</u> | <u>25,123,276</u> |
| Total governmental activities net position | <u>\$ 66,012,044</u> | <u>\$ 70,714,828</u> | <u>\$ 79,870,969</u> | <u>\$ 87,961,238</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 35,692,345 | \$ 39,364,423 | \$ 46,265,092 | \$ 50,434,743 |
| Restricted | - | - | - | - |
| Unrestricted | <u>17,948,733</u> | <u>17,954,913</u> | <u>14,518,588</u> | <u>14,599,530</u> |
| Total business-type activities net position | <u>\$ 53,641,078</u> | <u>\$ 57,319,336</u> | <u>\$ 60,783,680</u> | <u>\$ 65,034,273</u> |
| Primary government | | | | |
| Invested in capital assets, net or related debt | \$ 74,872,807 | \$ 80,508,035 | \$ 95,398,339 | \$ 103,493,906 |
| Restricted | 8,762,794 | 6,882,174 | 10,007,279 | 9,778,799 |
| Unrestricted | <u>36,017,521</u> | <u>40,643,955</u> | <u>35,249,031</u> | <u>39,722,806</u> |
| Total primary government net position | <u>\$ 119,653,122</u> | <u>\$ 128,034,164</u> | <u>\$ 140,654,649</u> | <u>\$ 152,995,511</u> |

^(a) Starting in fiscal year June 30, 2011, Major and Local Street net assets were reclassified from restricted to unrestricted.

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| June 30 | | | | | |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <u>2009</u> | <u>2010</u> | <u>2011^(a)</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| \$ 52,819,897 | \$ 54,202,554 | \$ 54,349,065 | \$ 58,469,335 | \$ 61,172,079 | \$ 60,326,290 |
| 10,127,990 | 9,419,471 | 1,679,316 | 1,511,696 | 1,202,425 | 1,544,085 |
| <u>26,672,106</u> | <u>28,448,687</u> | <u>38,398,279</u> | <u>35,739,505</u> | <u>34,441,332</u> | <u>36,452,264</u> |
| <u>\$ 89,619,993</u> | <u>\$ 92,070,712</u> | <u>\$ 94,426,660</u> | <u>\$ 95,720,536</u> | <u>\$ 96,815,836</u> | <u>\$ 98,322,639</u> |
| | | | | | |
| \$ 52,448,072 | \$ 54,829,062 | \$ 57,120,041 | \$ 61,916,894 | \$ 64,889,098 | \$ 69,787,491 |
| - | - | - | - | - | - |
| <u>15,113,010</u> | <u>15,452,069</u> | <u>16,489,930</u> | <u>16,494,696</u> | <u>17,313,733</u> | <u>16,324,595</u> |
| <u>\$ 67,561,082</u> | <u>\$ 70,281,131</u> | <u>\$ 73,609,971</u> | <u>\$ 78,411,590</u> | <u>\$ 82,202,831</u> | <u>\$ 86,112,086</u> |
| | | | | | |
| \$ 105,267,969 | \$ 109,031,616 | \$ 111,469,106 | \$ 120,386,229 | \$ 126,061,177 | \$ 130,113,781 |
| 10,127,990 | 9,419,471 | 1,679,316 | 1,511,696 | 1,202,425 | 1,544,085 |
| <u>41,785,116</u> | <u>43,900,756</u> | <u>54,888,209</u> | <u>52,234,201</u> | <u>51,755,065</u> | <u>52,776,859</u> |
| <u>\$ 157,181,075</u> | <u>\$ 162,351,843</u> | <u>\$ 168,036,631</u> | <u>\$ 174,132,126</u> | <u>\$ 179,018,667</u> | <u>\$ 184,434,725</u> |

City of Birmingham, Michigan

Schedule 2

| | Fiscal Year Ended June 30 | | | |
|--|---------------------------|---------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Governmental activities: | | | | |
| Expenses | | | | |
| General government | \$ 4,185,288 | \$ 4,170,097 | \$ 4,615,465 | \$ 4,685,092 |
| Public safety | 10,548,261 | 10,762,477 | 10,866,289 | 11,273,754 |
| Public works | 6,747,200 | 6,790,761 | 7,091,099 | 7,693,016 |
| Community and economic development | 1,582,068 | 2,403,825 | 1,875,319 | 1,796,065 |
| Recreation and culture | 1,529,228 | 1,731,180 | 1,968,067 | 2,140,253 |
| Interest on long-term debt | <u>811,327</u> | <u>796,230</u> | <u>691,966</u> | <u>734,287</u> |
| Total expenses | 25,403,372 | 26,654,570 | 27,108,205 | 28,322,467 |
| Program Revenues | | | | |
| Charges for services: | | | | |
| General government | 303,151 | 193,288 | 380,921 | 367,640 |
| Public safety | 1,733,626 | 1,753,163 | 1,453,059 | 1,373,662 |
| Public works | 291,266 | 346,660 | 220,857 | 399,405 |
| Community and economic development | 2,076,302 | 2,148,951 | 1,223,222 | 1,028,760 |
| Recreation and culture | 794,978 | 806,742 | 828,184 | 848,171 |
| Operating grants and contributions | 1,404,890 | 1,510,259 | 1,529,347 | 1,391,199 |
| Capital grants and contributions | <u>2,179,561</u> | <u>1,300,424</u> | <u>5,157,018</u> | <u>3,910,855</u> |
| Total program revenues | <u>8,783,774</u> | <u>8,059,487</u> | <u>10,792,608</u> | <u>9,319,692</u> |
| Total Governmental Activities Net Program Expense | 16,619,598 | 18,595,083 | 16,315,597 | 19,002,775 |
| General Revenues and Other Changes in Net Position | | | | |
| Property taxes | 19,463,836 | 20,687,616 | 22,152,298 | 23,279,582 |
| State-shared revenues | 1,799,241 | 1,790,712 | 1,732,302 | 1,747,291 |
| Investment earnings | 526,333 | 845,105 | 1,566,735 | 2,020,505 |
| Miscellaneous | 2,002 | (4,603) | 48,407 | 25,666 |
| Special item - Demolition of building | - | - | - | - |
| Transfers | <u>21,287</u> | <u>(20,963)</u> | <u>(27,470)</u> | <u>20,000</u> |
| Total general revenues and other changes in net position | <u>21,812,699</u> | <u>23,297,867</u> | <u>25,472,272</u> | <u>27,093,044</u> |
| Total Governmental Activities Change in Net Position | <u>\$ 5,193,101</u> | <u>\$ 4,702,784</u> | <u>\$ 9,156,675</u> | <u>\$ 8,090,269</u> |

^a2007 includes \$4.1 million in federal and state grant funds for the Adams Road Bridge Replacement.

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

| Fiscal Year Ended June 30 | | | | | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| \$ 4,650,046 | \$ 4,409,008 | \$ 4,365,192 | \$ 4,585,252 | \$ 4,362,683 | \$ 4,591,157 |
| 11,197,054 | 11,389,356 | 11,214,160 | 11,125,068 | 12,352,387 | 13,331,879 |
| 8,431,979 | 8,165,768 | 8,182,861 | 7,646,906 | 7,907,576 | 8,343,679 |
| 1,635,989 | 1,570,274 | 1,391,438 | 1,540,647 | 1,869,942 | 1,865,348 |
| 2,139,133 | 1,941,500 | 1,995,905 | 2,158,428 | 2,228,181 | 2,237,603 |
| <u>818,203</u> | <u>806,707</u> | <u>742,076</u> | <u>723,494</u> | <u>652,613</u> | <u>768,992</u> |
| 28,872,404 | 28,282,613 | 27,891,632 | 27,779,795 | 29,373,382 | 31,138,658 |
| 386,899 | 528,799 | 415,289 | 422,454 | 346,917 | 350,647 |
| 1,214,959 | 1,369,818 | 1,258,651 | 1,405,229 | 1,649,780 | 2,313,167 |
| 343,905 | 321,013 | 262,024 | 279,041 | 480,797 | 512,638 |
| 1,158,839 | 1,117,689 | 1,357,113 | 1,674,422 | 1,788,165 | 2,520,303 |
| 796,608 | 817,442 | 805,793 | 801,556 | 740,867 | 761,138 |
| 1,741,339 | 1,252,029 | 1,313,530 | 1,486,253 | 1,488,250 | 1,773,788 |
| <u>1,049,066</u> | <u>363,579</u> | <u>426,356</u> | <u>126,507</u> | <u>149,532</u> | <u>114,422</u> |
| 6,691,615 | 5,770,369 | 5,838,756 | 6,195,462 | 6,644,308 | 8,346,103 |
| 22,180,789 | 22,512,244 | 22,052,876 | 21,584,333 | 22,729,074 | 22,792,555 |
| 22,901,101 | 22,677,733 | 22,534,629 | 21,784,190 | 22,069,399 | 22,050,256 |
| 1,675,281 | 1,496,216 | 1,518,034 | 1,649,070 | 1,692,523 | 1,737,507 |
| 1,338,730 | 707,362 | 450,037 | 490,319 | 140,479 | 496,571 |
| 6,894 | 61,652 | 52,124 | (6,924) | 13,573 | 15,024 |
| (2,102,460) | - | - | - | - | - |
| <u>20,000</u> | <u>20,000</u> | <u>(146,000)</u> | <u>(1,038,446)</u> | <u>(91,600)</u> | <u>-</u> |
| 23,839,546 | 24,962,963 | 24,408,824 | 22,878,209 | 23,824,374 | 24,299,358 |
| <u>\$ 1,658,757</u> | <u>\$ 2,450,719</u> | <u>\$ 2,355,948</u> | <u>\$ 1,293,876</u> | <u>\$ 1,095,300</u> | <u>\$ 1,506,803</u> |

City of Birmingham, Michigan

Schedule 2

| | Fiscal Year Ended June 30 | | | |
|--|---------------------------|---------------------|----------------------|----------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Business-type Activities: | | | | |
| Expenses | | | | |
| Water and sewer | \$ 8,854,306 | \$ 9,241,450 | \$ 9,394,229 | \$ 9,547,433 |
| Automobile parking | 3,328,312 | 3,355,063 | 3,330,406 | 3,285,579 |
| Golf courses | <u>1,054,367</u> | <u>1,066,650</u> | <u>1,099,025</u> | <u>1,078,213</u> |
| Total expenses | 13,236,985 | 13,663,163 | 13,823,660 | 13,911,225 |
| Revenues | | | | |
| Charges for services: | | | | |
| Water and sewer | 7,279,784 | 7,858,138 | 7,484,810 | 8,284,887 |
| Automobile parking | 3,773,554 | 3,754,325 | 3,713,506 | 3,754,252 |
| Golf courses | 1,162,190 | 1,152,815 | 974,386 | 985,469 |
| Capital grants and contributions | <u>13,659</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>12,229,187</u> | <u>12,765,278</u> | <u>12,172,702</u> | <u>13,024,608</u> |
| Total Business-type Activities Net Program Expense | 1,007,798 | 897,885 | 1,650,958 | 886,617 |
| General Revenues and Other Changes in Net Position | | | | |
| Property taxes | 4,172,129 | 4,105,169 | 4,253,485 | 4,256,794 |
| Investment earnings | 282,853 | 450,013 | 834,347 | 900,415 |
| Transfers | <u>(21,287)</u> | <u>20,963</u> | <u>27,470</u> | <u>(20,000)</u> |
| Total general revenues and other changes in net position | <u>4,433,695</u> | <u>4,576,145</u> | <u>5,115,302</u> | <u>5,137,209</u> |
| Total Business-type Activities Change in Net Position | <u>\$ 3,425,897</u> | <u>\$ 3,678,260</u> | <u>\$ 3,464,344</u> | <u>\$ 4,250,592</u> |
| Total Primary Government Change in Net Position | <u>\$ 8,618,998</u> | <u>\$ 8,381,044</u> | <u>\$ 12,621,019</u> | <u>\$ 12,340,861</u> |

Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

| Fiscal Year Ended June 30 | | | | | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| \$ 9,602,230 | \$ 10,101,858 | \$ 10,667,174 | \$ 11,778,806 | \$ 11,759,723 | \$ 11,972,959 |
| 3,923,862 | 3,217,660 | 3,255,726 | 3,207,699 | 3,450,244 | 2,884,360 |
| <u>1,104,153</u> | <u>1,070,307</u> | <u>1,150,525</u> | <u>1,119,386</u> | <u>1,043,575</u> | <u>976,578</u> |
| 14,630,245 | 14,389,825 | 15,073,425 | 16,105,891 | 16,253,542 | 15,833,897 |
| | | | | | |
| 7,775,992 | 8,597,161 | 10,031,937 | 11,292,145 | 11,123,065 | 10,824,681 |
| 3,664,014 | 3,570,668 | 3,837,198 | 4,099,706 | 4,257,830 | 4,323,808 |
| 1,021,878 | 946,467 | 881,120 | 1,003,354 | 1,267,239 | 1,076,745 |
| <u>-</u> | <u>-</u> | <u>125,120</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>12,461,884</u> | <u>13,114,296</u> | <u>14,875,375</u> | <u>16,395,205</u> | <u>16,648,134</u> | <u>16,225,234</u> |
| | | | | | |
| 2,168,361 | 1,275,529 | 198,050 | (289,314) | (394,592) | (391,337) |
| | | | | | |
| 4,203,739 | 3,785,008 | 3,251,700 | 3,332,265 | 3,330,208 | 3,353,599 |
| 511,432 | 230,570 | 129,190 | 141,594 | (25,159) | 164,319 |
| <u>(20,000)</u> | <u>(20,000)</u> | <u>146,000</u> | <u>1,038,446</u> | <u>91,600</u> | <u>-</u> |
| <u>4,695,171</u> | <u>3,995,578</u> | <u>3,526,890</u> | <u>4,512,305</u> | <u>3,396,649</u> | <u>3,517,918</u> |
| | | | | | |
| <u>\$ 2,526,810</u> | <u>\$ 2,720,049</u> | <u>\$ 3,328,840</u> | <u>\$ 4,801,619</u> | <u>\$ 3,791,241</u> | <u>\$ 3,909,255</u> |
| | | | | | |
| <u>\$ 4,185,567</u> | <u>\$ 5,170,768</u> | <u>\$ 5,684,788</u> | <u>\$ 6,095,495</u> | <u>\$ 4,886,541</u> | <u>\$ 5,416,058</u> |

City of Birmingham, Michigan

Schedule 3

| | June 30 | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| General Fund | | | | |
| Reserved | \$ 1,362,654 | \$ 1,562,317 | \$ 1,986,891 | \$ 313,408 |
| Designated | - | - | 500,000 | 735,025 |
| Unreserved | 5,982,117 | 7,286,316 | 8,176,854 | 10,430,754 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total General Fund | <u>\$ 7,344,771</u> | <u>\$ 8,848,633</u> | <u>\$ 10,663,745</u> | <u>\$ 11,479,187</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 11,654,051 | \$ 7,250,718 | \$ 7,899,224 | \$ 13,134,471 |
| Designated, reported in: | | | | |
| Capital projects fund | 3,172,187 | 3,245,465 | 1,477,453 | 2,057,504 |
| Unreserved, reported in: | | | | |
| Special revenue funds ^a | - | - | - | - |
| Capital projects fund | 556,673 | 777,328 | 933,555 | 1,058,483 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total all other governmental funds | <u>\$ 15,382,911</u> | <u>\$ 11,273,511</u> | <u>\$ 10,310,232</u> | <u>\$ 16,250,458</u> |

Source: Governmental Funds Balance Sheet.

^a In fiscal year 2004, fund balance in the Solid Waste Disposal Fund was classified as unreserved. Beginning in fiscal year 2005, it was classified as Reserved.

^b Fund balance classifications for fiscal years 2011 through 2014 are in conformance with GASB 54. Prior years have not been restated because all information needed for the new classifications is either not available or not readily available.

^c Starting fiscal year 2014, Major Streets Fund and Local Streets Fund are combined with General Fund.

Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| June 30 | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>2009</u> | <u>2010</u> | <u>2011^b</u> | <u>2012^b</u> | <u>2013^b</u> | <u>2014^{bc}</u> |
| \$ 218,413 | \$ 886,030 | \$ - | \$ - | \$ - | \$ - |
| - | 251,880 | - | - | - | - |
| 11,352,459 | 10,363,888 | - | - | - | - |
| - | - | 799,384 | 14,038 | 18,099 | 123,410 |
| - | - | - | - | - | 386,189 |
| - | - | 2,426 | 102,890 | 230,619 | 3,948,210 |
| - | - | 94,497 | 101,677 | 77,690 | 3,032,596 |
| - | - | 12,187,402 | 13,080,161 | 11,952,797 | 11,890,406 |
| <u>\$ 11,570,872</u> | <u>\$ 11,501,798</u> | <u>\$ 13,083,709</u> | <u>\$ 13,298,766</u> | <u>\$ 12,279,205</u> | <u>\$ 19,380,811</u> |
| | | | | | |
| \$ 12,202,989 | \$ 9,347,952 | \$ - | \$ - | \$ - | \$ - |
| 3,405,744 | 4,395,691 | - | - | - | - |
| - | - | - | - | - | - |
| 889,012 | 917,256 | - | - | - | - |
| - | - | 193,612 | 234,022 | 192,294 | - |
| - | - | 1,335,045 | 1,049,272 | 726,570 | 671,754 |
| - | - | 144,846 | 1,963,812 | 1,597,063 | 1,158,216 |
| - | - | 12,518,147 | 9,269,127 | 9,458,373 | 3,781,318 |
| - | - | (1,330) | - | - | - |
| <u>\$ 16,497,745</u> | <u>\$ 14,660,899</u> | <u>\$ 14,190,320</u> | <u>\$ 12,516,233</u> | <u>\$ 11,974,300</u> | <u>\$ 5,611,288</u> |

City of Birmingham, Michigan

Schedule 4

| | Fiscal Year Ended June 30 | | | | |
|--|---------------------------|-----------------------|-------------------|---------------------|-------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Revenues | | | | | |
| Property taxes | \$ 20,193,516 | \$ 21,225,051 | \$ 22,586,390 | \$ 24,319,277 | \$ 23,722,152 |
| Licenses and permits | 2,325,043 | 2,082,832 | 1,471,868 | 1,306,345 | 1,452,722 |
| Federal grants | 167,152 | 305,584 | 273,887 | 468,915 | 714,029 |
| State sources | 4,085,860 | 3,162,540 | 2,987,264 | 3,021,448 | 2,902,148 |
| Charges for services | 2,170,661 | 2,706,414 | 2,762,206 | 2,288,815 | 2,244,186 |
| Fines and forfeitures | 1,611,650 | 1,480,147 | 1,422,209 | 1,188,631 | 1,060,422 |
| Use of money and property | 509,800 | 871,444 | 1,517,744 | 1,910,769 | 1,270,423 |
| Other revenues ^a | 236,698 | 539,346 | 217,507 | 350,214 | 233,823 |
| Total revenues | <u>31,300,380</u> | <u>32,373,358</u> | <u>33,239,075</u> | <u>34,854,414</u> | <u>33,599,905</u> |
| Expenditures | | | | | |
| General government | 4,975,125 | 5,074,225 | 5,367,207 | 5,429,209 | 5,318,511 |
| Public safety | 9,751,923 | 10,360,896 | 10,602,175 | 11,155,388 | 10,833,054 |
| Public works | 3,266,816 | 3,246,268 | 3,290,440 | 3,514,572 | 3,594,641 |
| Highway and streets | 2,774,938 | 2,528,375 | 2,562,731 | 3,083,656 | 3,681,423 |
| Community and economic development | 1,632,810 | 2,458,714 | 1,908,941 | 1,821,498 | 1,683,326 |
| Solid waste disposal | 1,494,526 | 1,577,262 | 1,588,623 | 1,561,829 | 1,601,925 |
| Contributions | 940,609 | 869,377 | 768,622 | 694,993 | 617,413 |
| Capital outlay | 3,117,195 | 7,605,553 | 4,725,070 | 3,164,577 | 4,211,925 |
| Debt service | | | | | |
| Interest | 825,825 | 812,263 | 684,365 | 701,236 | 787,675 |
| Principal | 525,000 | 725,000 | 900,000 | 965,000 | 1,025,000 |
| Total Expenditures | <u>29,304,767</u> | <u>35,257,933</u> | <u>32,398,174</u> | <u>32,091,958</u> | <u>33,354,893</u> |
| Excess of revenues over (under) expenditures | 1,995,613 | (2,884,575) | 840,901 | 2,762,456 | 245,012 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 4,063,066 | 4,012,561 | 6,089,460 | 5,191,880 | 5,380,640 |
| Transfers out | (3,989,585) | (4,033,524) | (6,116,930) | (5,171,880) | (5,286,680) |
| Loan proceeds | - | 300,000 | - | - | - |
| Bond issuance | - | - | 8,881,348 | 3,973,212 | - |
| Payments to bond escrow agent | - | - | (8,842,409) | - | - |
| Total other financing sources (uses) | <u>73,481</u> | <u>279,037</u> | <u>11,469</u> | <u>3,993,212</u> | <u>93,960</u> |
| Net change in fund balances | <u>\$ 2,069,094</u> | <u>\$ (2,605,538)</u> | <u>\$ 852,370</u> | <u>\$ 6,755,668</u> | <u>\$ 338,972</u> |
| Debt service as a percentage of noncapital expenditures ^b | 5.3% | 5.7% | 5.7% | 5.8% | 6.4% |

NRA=Not readily available

^aBeginning in fiscal year 2012, special assessment revenue is included in "other" revenues on the Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance. In previous years, special assessment revenue was included in "Property Taxes". Years 2005-2011 have been restated to reflect this change.

^bNoncapital expenditures for this ratio are calculated by subtracting capital outlay (to the extent capitalized for the Statement of Net Assets) from current expenditures. Included in the number subtracted are capitalized assets contained within the functional expenditure categories. For years 2008-2014, this capital outlay number can be found in the Notes to the Financial Statements, Note #2. 2008 was the first year in which this footnote was prepared.

Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| Fiscal Year Ended June 30 | | | | |
|---------------------------|---------------------|-----------------------|-----------------------|-------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 23,355,496 | \$ 23,082,343 | \$ 21,915,493 | \$ 22,208,626 | \$ 22,180,652 |
| 1,515,554 | 1,683,426 | 1,997,651 | 2,134,522 | 2,886,950 |
| 236,478 | 186,528 | 141,052 | 68,628 | 121,101 |
| 2,718,412 | 2,676,147 | 2,914,805 | 3,047,133 | 3,215,410 |
| 2,250,830 | 2,108,899 | 2,054,713 | 2,461,171 | 2,690,234 |
| 1,214,127 | 1,036,303 | 1,202,215 | 1,369,078 | 1,784,432 |
| 595,958 | 353,133 | 398,452 | 52,597 | 402,398 |
| 215,301 | 176,241 | 635,681 | 491,043 | 570,898 |
| <u>32,102,156</u> | <u>31,303,020</u> | <u>31,260,062</u> | <u>31,832,798</u> | <u>33,852,075</u> |
| 4,942,453 | 4,772,333 | 4,775,432 | 4,934,254 | 5,126,508 |
| 10,731,549 | 10,699,725 | 10,432,022 | 11,851,735 | 12,978,613 |
| 3,644,733 | 3,229,878 | 3,645,813 | 4,042,009 | 3,780,627 |
| 3,269,797 | 2,906,394 | 2,287,052 | 2,298,758 | 2,695,251 |
| 1,586,976 | 1,427,516 | 1,501,419 | 1,913,016 | 1,952,815 |
| 1,637,880 | 1,643,041 | 1,680,741 | 1,724,849 | 1,679,168 |
| 836,635 | 655,417 | 647,089 | 993,219 | 1,239,132 |
| 5,504,239 | 2,637,088 | 4,608,750 | 3,312,249 | 2,377,087 |
| 773,084 | 729,296 | 684,328 | 632,603 | 589,278 |
| <u>1,245,000</u> | <u>1,345,000</u> | <u>1,475,000</u> | <u>1,600,000</u> | <u>850,000</u> |
| <u>34,172,346</u> | <u>30,045,688</u> | <u>31,737,646</u> | <u>33,302,692</u> | <u>33,268,479</u> |
| (2,070,190) | 1,257,332 | (477,584) | (1,469,894) | 583,596 |
| 5,231,430 | 3,720,000 | 3,885,040 | 3,885,044 | 435,000 |
| (5,067,160) | (3,866,000) | (4,866,486) | (3,976,644) | (280,000) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>164,270</u> | <u>(146,000)</u> | <u>(981,446)</u> | <u>(91,600)</u> | <u>155,000</u> |
| <u>\$ (1,905,920)</u> | <u>\$ 1,111,332</u> | <u>\$ (1,459,030)</u> | <u>\$ (1,561,494)</u> | <u>\$ 738,596</u> |
| 7.2% | 7.5% | 8.1% | 7.6% | 4.7% |

City of Birmingham, Michigan

Schedule 5

| Year Ended June 30 | Taxable Value | | | | Total |
|--------------------------|-------------------------|------------------------|------------------------|----------------------|---------------|
| | Residential Property | Commercial Property | Industrial Property | Personal Property | |
| 2005 | 1,363,676,341 | 282,710,819 | 11,544,590 | 57,255,170 | 1,715,186,920 |
| 2006 | 1,490,523,810 | 293,249,140 | 10,601,220 | 55,691,160 | 1,850,065,330 |
| 2007 | 1,600,709,750 | 303,977,980 | 9,186,970 | 57,873,970 | 1,971,748,670 |
| 2008 | 1,724,269,815 | 322,219,210 | 9,005,450 | 56,736,576 | 2,112,231,051 |
| 2009 | 1,709,739,763 | 330,022,780 | 9,332,730 | 51,291,260 | 2,100,386,533 |
| 2010 | 1,617,415,820 | 341,086,070 | 9,698,800 | 55,942,140 | 2,024,142,830 |
| 2011 | 1,488,863,310 | 325,777,590 | 9,576,870 | 53,902,590 | 1,878,120,360 |
| 2012 | 1,407,917,640 | 318,640,620 | 2,830,890 | 57,211,130 | 1,786,600,280 |
| 2013 | 1,425,457,540 | 304,941,550 | 2,290,130 | 59,031,370 | 1,791,720,590 |
| 2014 | 1,474,714,050 | 303,977,570 | 1,955,450 | 61,381,350 | 1,842,028,420 |

Source: City of Birmingham Finance Department

Note 1: All valuations are taken from the original warrant for each year and do not reflect any supplemental warrants or subsequent Board of Review/Tax Tribunal adjustments.

Note 2: Property in the City of Birmingham is re-assessed annually. On March 15, 1994, the voters of the State of Michigan approved Proposal A, which includes significant changes to Section 3 of Article IX of the State constitution. Starting in 1995, the value against which taxes are spread was changed from assessed value to taxable value. Taxable value represents assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation for as long as the parcel does not change ownership. When ownership is transferred, the taxable value reverts to the assessed value.

^aPer \$1,000 of taxable value.

**Assessed Value and Taxable
Value of Property
Last Ten Fiscal Years**

| Direct Tax Rate^a | Estimated Actual Value | Value as a Percentage of Actual Value | Total Assessed Value | Value as a Percentage of True Value |
|--|---------------------------------------|--|-------------------------------------|--|
| 15.43 | 4,999,228,606 | 34.3% | 2,499,614,303 | 50% |
| 15.07 | 5,310,882,410 | 34.8% | 2,655,441,205 | 50% |
| 14.96 | 5,640,339,340 | 35.0% | 2,820,169,670 | 50% |
| 14.62 | 5,851,521,360 | 36.1% | 2,925,760,680 | 50% |
| 14.09 | 5,415,703,562 | 38.8% | 2,707,851,781 | 50% |
| 14.22 | 4,740,351,530 | 42.7% | 2,370,175,765 | 50% |
| 15.00 | 4,176,535,800 | 45.0% | 2,088,267,900 | 50% |
| 15.60 | 3,795,560,580 | 47.1% | 1,897,780,290 | 50% |
| 15.46 | 3,783,979,380 | 47.4% | 1,891,989,690 | 50% |
| 15.07 | 3,985,280,520 | 46.2% | 1,992,640,260 | 50% |

City of Birmingham, Michigan

Schedule 6

| Fiscal Year Ended June 30 | City Direct Rates | | | | | Overlapping Rates | | | |
|------------------------------------|--|---|------------------------------|-----------------|----------------|----------------------|------------------------------------|-------------------------|------|
| | Basic Charter Operating Rate ^a | Baldwin Public Library ^c | Debt Service ^d | Total Direct | Oakland County | | | Total County Rate | |
| | | | | | County | Community College | Intermediate School District | | |
| | | | | | | | | | |
| 2005 | 11.71 | 0.87 | 1.55 | 1.30 | 15.43 | 4.65 | 1.59 | 3.38 | 9.62 |
| 2006 | 11.44 | 0.82 | 1.52 | 1.29 | 15.07 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2007 | 11.36 | 0.81 | 1.48 | 1.31 | 14.96 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2008 | 11.21 | 0.72 | 1.47 | 1.22 | 14.62 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2009 | 11.07 | 0.72 | 1.00 | 1.30 | 14.09 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2010 | 11.05 | 0.72 | 1.00 | 1.45 | 14.22 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2011 | 11.59 | 0.71 | 1.10 | 1.60 | 15.00 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2012 | 11.69 | 0.84 | 1.32 | 1.75 | 15.60 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2013 | 11.69 | 0.88 | 1.10 | 1.80 | 15.47 | 4.65 | 1.58 | 3.37 | 9.60 |
| 2014 | 11.69 | 0.93 | 1.10 | 1.36 | 15.08 | 4.65 | 1.58 | 3.37 | 9.60 |

Source: City of Birmingham Finance Department

Note: The following State requirements limit the City's ability to increase tax rates:

1) The Headlee constitutional amendment: this amendment to the state constitution approved in 1978 places an upper limit on the annual operating millage rate. The maximum rate is calculated by a formula tied to the rate of inflation and previous years' cumulative "roll-back factor." The Headlee maximum allowable millage rates per \$1,000 of taxable valuation for fiscal year 2013-2014 are as follows: general operating \$12.59, refuse \$1.89, library \$1.49. There is no Headlee limitation on debt service. The Headlee limitation may be waived only by a vote of the electorate.

2) Truth in Assessing Act: this act approved in 1981 requires a rollback in maximum authorized tax rates when the total assessed value of all property in the City is less than the total State Equalized Value. To-date, this has not applied to the City of Birmingham.

^aThe City charter general operating-tax-rate limit is 20.00 mills per \$1,000 of taxable valuation.

^bMichigan law allows the City to levy up to 3.00 mills per \$1,000 of taxable value for refuse collection.

^cThe City charter provides for a tax levy in support of the library (a discretely-presented component unit).

The levy must be no less than 0.50 mills and no more than 1.75 mills per \$1,000 of taxable valuation.

^dCity debt, unless otherwise provided by state law, must be approved by the electorate. The City

Commission shall levy taxes sufficient to pay the annual debt service.

^eSuburban Mobility Authority for Regional Transportation.

**Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years**
*(rate per \$1,000 of taxable value,
rounded to two decimals places)*

| <u>Overlapping Rates</u> | | | | | <u>Total Rates</u> | |
|----------------------------------|----------------------|--------------------------|--------------------------|--|--------------------|----------------------|
| <u>Birmingham Public Schools</u> | | | | | | |
| <u>Homestead</u> | <u>Non-Homestead</u> | <u>SMART^e</u> | <u>Zoo Authority</u> | <u>Art Institute Authority</u> | <u>Homestead</u> | <u>Non-Homestead</u> |
| 18.41 | 26.97 | 0.60 | 0.00 | 0.00 | 44.05 | 52.61 |
| 18.21 | 27.26 | 0.60 | 0.00 | 0.00 | 43.48 | 52.53 |
| 17.82 | 27.24 | 0.59 | 0.00 | 0.00 | 42.97 | 52.39 |
| 17.16 | 27.00 | 0.59 | 0.00 | 0.00 | 41.97 | 51.81 |
| 16.74 | 26.90 | 0.59 | 0.10 | 0.00 | 41.13 | 51.28 |
| 17.38 | 26.90 | 0.59 | 0.10 | 0.00 | 41.89 | 51.41 |
| 18.08 | 26.90 | 0.59 | 0.10 | 0.00 | 43.37 | 52.19 |
| 19.02 | 27.00 | 0.59 | 0.10 | 0.00 | 44.91 | 52.89 |
| 19.46 | 27.42 | 0.59 | 0.10 | 0.20 | 45.42 | 53.38 |
| 19.92 | 27.90 | 0.59 | 0.10 | 0.20 | 45.49 | 53.46 |

City of Birmingham, Michigan

Schedule 7

June 30, 2014

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>Taxable Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Value</u> |
|---|-------------------------------|-------------------------|-------------|---|
| Fuller Central Park Properties | Office, Retail | \$ 29,574,810 | 1 | 1.61% |
| Palladium/Related Retail | Retail | 13,351,990 | 2 | 0.72% |
| DTE Energy | Utility | 12,674,480 | 3 | 0.69% |
| US Reif 325 N Old Woodward MI LLC | Retail/Condominiums | 9,994,080 | 4 | 0.54% |
| Geoff Hockman & Associates | Hotel, Office, Residential | 8,720,350 | 5 | 0.47% |
| James Esshaki, /ESSCO | Office, Retail | 7,682,230 | 6 | 0.42% |
| Rosso Development | Office, Residential, Apts | 5,531,360 | 7 | 0.30% |
| VS Birmingham Limited | Retail, Office | 5,521,150 | 8 | 0.30% |
| Consumers Energy Company | Utility | 5,025,990 | 9 | 0.27% |
| Merrillwood Building LLC | Office, Residential, Apts | 4,839,140 | 10 | 0.26% |
| Paul Johnson | Apartments, Commercial | - | - | - |
| Associates of 555 | Office, Retail, Parking, Apts | - | - | - |
| Comcast Cablevision | Office | - | - | - |
| Heron Development | Apartments | - | - | - |
| Total taxable value of 10 largest taxpayers | | 102,915,580 | | 5.58% |
| Total taxable value of all other taxpayers | | 1,739,112,840 | | 94.42% |
| Total taxable value of all taxpayers | | \$ 1,842,028,420 | | 100.00% |

Source: City of Birmingham

**Principal Property Tax Payers
Current Year and Nine Years Ago**

June 30, 2005

| <u>Taxable Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Value</u> |
|--------------------------------|-------------|---|
| \$ 14,825,340 | 4 | 0.86% |
| 18,617,500 | 1 | 1.09% |
| 9,512,880 | 5 | 0.55% |
| 15,117,280 | 3 | 0.88% |
| 8,154,690 | 6 | 0.48% |
| 5,282,780 | 9 | 0.31% |
| 16,503,990 | 2 | 0.96% |
| 6,453,890 | 7 | 0.38% |
| 6,236,490 | 8 | 0.36% |
| 4,825,090 | 10 | 0.28% |
| 105,529,930 | | 6.15% |
| 1,609,656,990 | | 93.85% |
| <u>\$ 1,715,186,920</u> | | <u>100.00%</u> |

City of Birmingham, Michigan

Schedule 8

| Fiscal | Taxes Levied | | | Collected within the | |
|---------|--------------------------------|-------------|-------------------------|--|---------------|
| Year | for the | | Adjusted | Fiscal Year of the Levy ^{b,d} | |
| Ended | Fiscal Year- | | Levy at | | Percentage of |
| June 30 | Original Levy ^{a,c,g} | Adjustments | Settlement ^f | Amount | Original Levy |
| 2005 | 26,465,501 | (70,295) | 26,395,205 | 26,334,298 | 99.50% |
| 2006 | 27,889,480 | (150,577) | 27,738,903 | 27,725,980 | 99.41% |
| 2007 | 29,514,861 | (42,915) | 29,471,946 | 29,449,126 | 99.78% |
| 2008 | 30,894,721 | (153,017) | 30,741,704 | 30,696,286 | 99.36% |
| 2009 | 29,612,497 | (104,757) | 29,507,740 | 29,469,513 | 99.52% |
| 2010 | 28,798,870 | (38,243) | 28,760,627 | 28,720,517 | 99.73% |
| 2011 | 28,192,503 | (82,454) | 28,110,049 | 28,077,723 | 99.59% |
| 2012 | 27,973,477 | (132,233) | 27,841,244 | 27,810,741 | 99.42% |
| 2013 | 27,831,121 | (143,004) | 27,688,117 | 27,666,416 | 99.41% |
| 2014 | 27,926,594 | (206,210) | 27,720,384 | 27,700,204 | 99.19% |

Source: City of Birmingham Finance Department

NA=Not available

^aIncludes tax levy for the Baldwin Public Library which is a discretely-presented component unit. While legally separate, the library is fiscally dependent on the City.

^bIncludes payment from Oakland County. All unpaid real and personal property taxes (except PA 189) are returned to Oakland County at the end of the collection period. The City is paid in full for delinquent real property at the time of settlement with Oakland County. The City is paid for delinquent personal property taxes as they are collected by Oakland County.

^cFrom fiscal year 2004 through 2007, the *Taxes Levied* includes taxes levied against properties subject to Michigan's Public Act 425 which have been conditionally transferred from Bloomfield Township to the City of Birmingham. The taxes levied represent less than 0.5% of the adjusted levy.

^d*Collected within the Fiscal Year* includes personal property tax payments received subsequent to settlement with Oakland County but prior to the end of the fiscal year.

^eRepresents collections of personal property taxes and PA 189 taxes, if any.

^fRepresents amended levy at time of settlement with Oakland County. It does not reflect subsequent adjustments to the levy which are not readily available.

^gBeginning in 2007, *Taxes Levied* includes the Brownfield Authority, a component unit which is fiscally dependent on the City. Taxes levied are insignificant.

**Property Tax Levies and Collections
Last Ten Fiscal Years**

| Collections in Subsequent Years ^e | <u>Total Collections to Date</u> | |
|--|----------------------------------|-----------------------------------|
| | Amount | Percentage of Adjusted Levy |
| 20,890 | 26,355,188 | 99.85% |
| 58 | 27,726,038 | 99.95% |
| 15,511 | 29,464,637 | 99.98% |
| 30,382 | 30,726,668 | 99.95% |
| 21,134 | 29,490,647 | 99.94% |
| 29,489 | 28,750,006 | 99.96% |
| 27,714 | 28,105,437 | 99.98% |
| 23,537 | 27,834,278 | 99.97% |
| 15,874 | 27,682,290 | 99.98% |
| NA | NA | NA |

City of Birmingham, Michigan

Schedule 9

| Fiscal Year Ended June 30 | Governmental Activities | | Business-Type Activities | | Total Primary Government |
|------------------------------------|---|--------------------------------------|--------------------------------|---|--------------------------------|
| | General Obligation Bonds ^a | Brownfield Redevelopment Loans | General Obligation Bonds | Contractual Obligations ^b | |
| 2005 | 20,105,000 | - | 14,555,000 | 24,801,276 | 59,461,276 |
| 2006 | 19,380,000 | 300,000 | 13,095,000 | 23,343,203 | 56,118,203 |
| 2007 | 18,587,725 | 300,000 | 11,655,000 | 21,821,028 | 52,363,753 |
| 2008 | 21,652,859 | 300,000 | 10,440,000 | 20,206,512 | 52,599,371 |
| 2009 | 20,657,993 | 300,000 | 9,945,000 | 18,857,893 | 49,760,886 |
| 2010 | 19,443,127 | 267,257 | 9,400,000 | 17,005,015 | 46,115,399 |
| 2011 | 18,128,261 | 239,859 | 8,810,000 | 15,080,771 | 42,258,891 |
| 2012 | 16,683,395 | 211,913 | 8,175,000 | 13,043,969 | 38,114,277 |
| 2013 | 15,113,529 | 183,408 | 7,495,000 | 10,987,415 | 33,779,352 |
| 2014 | 14,595,000 | 154,333 | 6,720,000 | 8,937,827 | 30,407,160 |

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

^aIn 2002-2003, general-obligation bonds for parks and recreation were issued in the amount of \$15.7 million.

^bCity of Birmingham's share of general-obligation bonds issued by Oakland County.

^cSee Schedule 5 for property value data. Personal income data is not available.

^dSee Schedule 14 for population data.

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

| Percentage of Actual Taxable Value of <u>Property</u>^c | <u>Per Capita</u>^d |
|--|--|
| 3.47% | 3,073 |
| 3.03% | 2,902 |
| 2.66% | 2,687 |
| 2.49% | 2,690 |
| 2.37% | 2,580 |
| 2.28% | 2,254 |
| 2.25% | 2,102 |
| 2.13% | 1,879 |
| 1.89% | 1,633 |
| 1.65% | 1,453 |

City of Birmingham, Michigan

Schedule 10

| Fiscal Year Ended June 30 | Net General Bonded Debt Outstanding | | | | Total |
|------------------------------------|---|--------------------------------------|---|---|------------|
| | General Obligation Bonds ^a | Brownfield Redevelopment Loans | Contractual Obligations ^a | Less: Funds Restricted to Repayment of Debt ^c | |
| 2005 | 34,660,000 | - | 24,801,276 | (109,458) | 59,351,818 |
| 2006 | 32,475,000 | 300,000 | 23,343,203 | (102,105) | 56,016,098 |
| 2007 | 30,755,000 | 300,000 | 21,821,028 | (107,427) | 52,768,601 |
| 2008 | 32,092,859 | 300,000 | 20,206,512 | (103,268) | 52,496,103 |
| 2009 | 30,602,993 | 300,000 | 18,857,893 | (125,434) | 49,635,452 |
| 2010 | 28,843,127 | 267,257 | 17,005,015 | (115,003) | 46,000,396 |
| 2011 | 26,938,261 | 239,859 | 15,080,771 | (86,541) | 42,172,350 |
| 2012 | 24,858,395 | 211,913 | 13,043,969 | (54,314) | 38,059,963 |
| 2013 | 22,608,529 | 183,408 | 10,987,415 | (27,295) | 33,752,057 |
| 2014 | 21,315,000 | 154,333 | 8,937,827 | (19,716) | 30,387,444 |

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

^aCity of Birmingham's share of general-obligation bonds issued by Oakland County.

^bSee Schedule 5 for property value data.

^cSee Schedule 14 for population data.

**Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years**

| Percentage of Actual Taxable Value of Property^b | Per Capita^c |
|---|-----------------------------------|
| 3.46% | 3,068 |
| 3.03% | 2,897 |
| 2.68% | 2,707 |
| 2.49% | 2,685 |
| 2.36% | 2,574 |
| 2.27% | 2,248 |
| 2.25% | 2,098 |
| 2.13% | 1,876 |
| 1.88% | 1,632 |
| 1.65% | 1,469 |

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City of Birmingham, Michigan

Schedule 11

Direct and Overlapping Governmental Activities Debt As of June 30, 2014

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Debt repaid with property taxes | | | |
| Birmingham School District | \$ 182,795,000 | 43.42% | \$ 79,369,589 |
| Oakland County ^a | 446,858,171 | 3.74% | 16,712,496 |
| Oakland Community College | 3,075,000 | 3.76% | 115,620 |
| Oakland Intermediate School District | 55,625,000 | 3.75% | <u>2,085,938</u> |
| Subtotal, overlapping debt | | | 98,283,643 |
| City direct debt (see schedule 9 for governmental activities) | | | 14,595,000 |
| Total direct and overlapping debt | | | <u><u>\$ 112,878,643</u></u> |

Source: The net tax-supported debt (*debt repaid with property taxes*) information was provided by the Municipal Advisory Council of Michigan. The percentages for each entity are calculated by dividing the City's 2012 taxable value by the taxable value for each entity.

^aIncludes general-obligation (g.o.) building authority and g.o. special assessment debt of the governmental activities and Oakland County's share of Drainage District bonds. The County portion of the drain bonds is identified as general obligation. The Drainage District is a component unit of Oakland County. Not included are various water and/or sewage disposal bonds included in Oakland County's governmental activities. These bonds represent contracts between Oakland County and benefiting municipalities. The County is obligated only upon default of a local municipality.

City of Birmingham, Michigan

Schedule 12

| | Fiscal Year Ended June 30 | | | |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Debt limit | \$ 249,961 | \$ 265,544 | \$ 282,017 | \$ 292,576 |
| Total net debt applicable to limit | <u>42,582</u> | <u>40,330</u> | <u>37,795</u> | <u>39,337</u> |
| Legal debt margin | <u>\$ 207,379</u> | <u>\$ 225,214</u> | <u>\$ 244,222</u> | <u>\$ 253,239</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 17.04% | 15.19% | 13.40% | 13.45% |

Source: City of Birmingham Finance Department

^aThe legal debt limit is set forth in Section 117.4a of Act 279 of 1909 (Home Rule City Act). This act also defines allowed deductions.

^b Act No. 202, P.A. 1943 as amended by Act. No. 42, P.A. 1960 defines assessed valuation.

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2013-2014

| | |
|--|--------------|
| 2013 State Equalized Valuation | \$ 1,992,640 |
| Debt limit ^a (10% of State Equalized Valuation ^b) | 199,264 |
| Debt applicable to limitation: | |
| Total bonded and contractual debt | \$ 30,407 |
| Less deductions allowed by law: | |
| Combined sewer overflow abatement project | 4,261 |
| Total net debt applicable to limit | 26,146 |
| Legal debt margin | \$ 173,118 |

| Fiscal Year Ended June 30 | | | | | |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| \$ 270,785 | \$ 237,018 | \$ 208,827 | \$ 189,778 | \$ 189,199 | \$ 199,264 |
| <u>37,795</u> | <u>35,541</u> | <u>33,183</u> | <u>30,639</u> | <u>27,913</u> | <u>26,146</u> |
| <u>\$ 232,990</u> | <u>\$ 201,477</u> | <u>\$ 175,644</u> | <u>\$ 159,139</u> | <u>\$ 161,286</u> | <u>\$ 173,118</u> |
| 13.96% | 15.00% | 15.89% | 16.14% | 14.75% | 13.12% |

City of Birmingham, Michigan

Schedule 13

Pledged-Revenue Coverage Last Ten Fiscal Years

The City has no pledged-revenue coverage requirements over the past 10 years.

City of Birmingham, Michigan

Schedule 14

Demographic and Economic Statistics Last Ten Calendar Years

| Calendar Year | Population ^a | Number of Households ^a | Median Household Income ^b | Per Capita Income ^c | Median Age ^d | Total School Enrollment K-12 ^e | Public School Enrollment K-12 ^f | Unemployment Rate ^g |
|------------------|-------------------------|---|--|--------------------------------------|----------------------------|--|---|-----------------------------------|
| 2004 | 19,347 | 9,270 | \$ 92,018 | | | | 2,184 | 2.9 |
| 2005 | 19,337 | 9,291 | 106,264 | | | | 2,173 | 3.6 |
| 2006 | 19,490 | 9,385 | 106,523 | | | | 2,271 | 3.5 |
| 2007 | 19,555 | 9,460 | 106,515 | | | | 2,311 | 3.8 |
| 2008 | 19,286 | 9,350 | 85,657 | \$ 70,065 | | | 2,366 | 4.5 |
| 2009 | 20,460 | 8,943 | 86,913 | 70,208 | | | 2,397 | 8.6 |
| 2010 | 20,103 | 9,039 | 101,529 | 69,151 | 41.9 | 3,452 | 2,457 | 8.1 |
| 2011 | 20,284 | 9,062 | 100,473 | 67,580 | 41.6 | 3,464 | 2,617 | 6.4 |
| 2012 | 20,682 | 9,192 | 100,789 | 68,806 | 41.5 | 3,467 | 2,685 | 5.6 |
| 2013 | 20,920 | 9,250 | | | | | 2,717 | 5.1 |

Sources:

^aEstimates for 2004-2009 and 2011-2013 are from SEMCOG, Southeast Michigan Council of Governments.

2004-2006 and 2011-2013 are as of July 1; 2007 - 2009 are as of December 31.

2010 data is from U.S. Census Bureau for 2010.

^b 2004-2009 Estimates are from Oakland County Planning & Economic Development. 2010 and 2012 estimates are from US Census Bureau 5-Yr American Community Survey

^cEstimated per capita income figures for non-census years are not readily available below the county level.

The amount shown for 2008 is an estimate based on revised values for three surrounding communities within Oakland County with a population greater than 20,000.

It is assumed that no significant changes have occurred in the relative values between Birmingham and these larger surrounding communities between the years 2000 and 2008. This estimate was prepared by the Birmingham Finance Department. 2010-2012 estimates are from the Census Bureau 5-Yr American Community Survey.

^d 2010 data is from the U.S. Census Bureau for 2010. 2011-2012 data is from the US Census Bureau 5-Yr American Community Survey.

^eRepresents Birmingham residents enrolled in public and private schools, kindergarten through high school.

2010-2012 data is from the U.S. Census Bureau 5-Yr American Community Survey.

^fPer Birmingham Public Schools. Data reflects enrollment of Birmingham residents at the end of the school year.

^gData is from the Michigan Department of Energy, Labor & Economic Growth (DELEG) and reflects the annual average as of December 31.

City of Birmingham, Michigan

Schedule 15

| <u>Employer</u> | <u>Product or Service</u> | <u>2014^a</u> | | |
|--|-------------------------------|-------------------------|-------------|--|
| | | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment^c</u> |
| Birmingham Public Schools ^d | Primary education | 2,486 | 1 | 14.49% |
| McCann Worldgroup ^f | Advertising and marketing | 450 | 2 | 2.62% |
| The Community House | Community enrichment services | 257 | 3 | 1.50% |
| Townsend Hotel | Hotel/restaurant | 205 | 4 | 1.20% |
| Home Instead Senior Care ^f | In-home care | 155 | 5 | 0.90% |
| City of Birmingham ^e | Government services | 152 | 6 | 0.89% |
| Max Broock Realtors, Inc ^f | Real estate sales | 150 | 7 | 0.87% |
| Birmingham Country Club | Golf club | 150 | 8 | 0.87% |
| Uptown Entertainment | Theater operator | 130 | 9 | 0.76% |
| YMCA of Birmingham | Health & fitness | 120 | 10 | 0.70% |
| Coldwell Banker Weir Manuel | Real estate sales | 116 | 11 | 0.68% |
| UBS Financial Services | Wealth management | 109 | 12 | 0.64% |
| Kroger Co. of Michigan | Supermarket chain | 108 | 13 | 0.63% |
| Sign of the Beefcarver, Inc | Restaurant | - | | |
| Munder Capital Management | Investment counselors | - | | |
| Albans Bottle & Basket | Restaurant | - | | |
| Beanstalk Group, LLC | Advertising and marketing | - | | |
| Siemens Info. Comm. Networks, Inc. | Data Networking | - | | |
| Consumer Pulse of Washington | Market research | - | | |
| Total | | 4,588 | | 26.75% |

^aSources include the 2012 Community Profile prepared by Oakland County Planning & Economic Development; Reference USA, an online data base (<http://www.referenceusa.com>); and previous Top Employer lists used by the Birmingham Finance Dept.

All companies in the top ten for 2014 were contacted directly to obtain or confirm 2014 employment data. Those that did not respond have not been included.

Numbers reported by the employers may include part-time employees; or, in the case of realtors, the numbers may include independent contractors.

^bThe primary source is the 2004 Community Profile prepared by Oakland County Planning & Economic Development as modified by the City Finance Department.

^cThe source for total employment data is SEMCOG (Southeast Michigan Council of Governments).

The number used for 2004 is 22,802 based on an estimate for 2000. The number used for 2014 is 17,152 based on an estimate for 2015 by SEMCOG then adjusted to 2014 by Finance Department. These numbers do not include construction, farming, or military employment. They do include full-time and part-time as well as the self-employed.

^dThe 2014 number represents all school district employees. The 2004 number represents only those employees working within Birmingham city limits. The 2014 number for employees within Birmingham city limits is not readily available.

^eReflects budgeted full-time positions excluding component units.

^fCity used estimate based on prior year results.

^gInformation not available for 2005. The City believes the 2004 information to be comparable to 2005.

**Principal Employers
Current Year and Ten Years Ago⁹**

| 2004^b | | |
|-------------------------|-------------|--|
| Employees | Rank | Percentage of Total City Employment^c |
| 743 | 1 | 3.26% |
| 188 | 6 | 0.82% |
| 200 | 5 | 0.88% |
| 300 | 3 | 1.32% |
| 640 | 2 | 2.81% |
| 200 | 4 | 0.88% |
| 182 | 7 | 0.80% |
| 150 | 8 | 0.66% |
| 125 | 9 | 0.55% |
| 120 | 10 | 0.53% |
| 2,848 | | 12.51% |

City of Birmingham, Michigan

Schedule 16

| <u>Function/Program</u> | <u>Average FTE for the Fiscal Year Ended June 30</u> | | | | |
|--|--|-------------|-------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
| General Government | | | | | |
| Finance | 8.00 | 7.10 | 7.49 | 7.12 | 7.65 |
| Treasury | 6.40 | 6.60 | 6.12 | 5.92 | 6.47 |
| City Manager/Human Resources | 5.30 | 5.30 | 5.01 | 4.90 | 4.88 |
| Assessor | 4.30 | 4.60 | 4.69 | 2.39 | 0.12 |
| Other ^a | 10.70 | 11.10 | 10.53 | 10.50 | 10.58 |
| Public Safety | | | | | |
| Firefighters and officers | 38.14 | 36.87 | 36.48 | 33.99 | 30.86 |
| Police officers and command | 34.30 | 35.10 | 35.35 | 34.07 | 32.88 |
| Police civilians | 19.40 | 19.60 | 19.60 | 18.15 | 17.69 |
| Fire civilians | 1.00 | 0.70 | 0.40 | 0.40 | 0.43 |
| Public Works | | | | | |
| Engineering | 2.90 | 3.50 | 5.87 | 5.04 | 6.35 |
| Public service operations ^b | 22.40 | 21.00 | 21.36 | 23.83 | 22.49 |
| Community and Economic Development | | | | | |
| Building department | 9.80 | 11.10 | 11.00 | 9.57 | 10.18 |
| Planning department | 5.70 | 6.00 | 6.85 | 7.24 | 4.06 |
| Recreation and Culture ^c | 13.40 | 14.20 | 15.27 | 15.96 | 14.24 |
| Water and Sewer | | | | | |
| Water- and sewer-main maintenance | 10.20 | 9.40 | 7.91 | 7.03 | 6.96 |
| Water meter shop | 3.30 | 3.20 | 3.29 | 3.11 | 2.67 |
| Automobile Parking ^d | 3.50 | 4.00 | 3.09 | 3.51 | 3.49 |
| Golf Courses | 13.70 | 12.90 | 13.30 | 13.05 | 13.37 |
| Total Primary Government | 212.44 | 212.27 | 213.61 | 205.78 | 195.37 |
| Component Units | | | | | |
| Library | 37.90 | 37.50 | 38.16 | 39.77 | 39.99 |
| Principal Shopping District | 3.50 | 3.50 | 3.41 | 3.67 | 3.66 |
| Total City | 253.84 | 253.27 | 255.17 | 249.22 | 239.01 |

Source: Finance Department payroll records.

Note: Unless otherwise noted, the FTEs for each function and sub-function were calculated by dividing the total number of payroll hours expensed (includes leave hours but not overtime) by 2,080 (52 weeks X 40 hours).

Department of Public Services functions include public service operations, recreation & culture, water and sewer-main maintenance, and golf course operations and maintenance. Supervisory and clerical employees are allocated to these functions on a percentage basis. All other employees are expensed directly to these functions based on tasks performed.

^aIncludes City Clerk, City Hall and Grounds, and Information Technology.

^bIncludes street cleaning and maintenance, maintenance of street trees and public property (except parks), and vehicle and equipment pool maintenance.

^cIncludes ice arena and museum operations, maintenance of parks and public gardens.

^dCity employees collect money from parking meters, repair/replace meters and maintain the grounds adjacent to the parking structures.

**Full-time Equivalent City Government
Employees by Function/Program
Last Nine Fiscal Years**

| Average FTE for the Fiscal Year Ended June 30 | | | | |
|---|-------------|-------------|-------------|-------------|
| <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| 7.43 | 7.15 | 7.18 | 6.51 | 6.57 |
| 6.36 | 6.38 | 6.41 | 6.37 | 6.32 |
| 4.74 | 4.64 | 4.18 | 3.42 | 3.31 |
| - | - | - | - | - |
| 9.85 | 6.72 | 7.18 | 7.37 | 7.50 |
| 27.65 | 26.04 | 25.75 | 26.46 | 28.15 |
| 32.06 | 29.77 | 28.31 | 26.66 | 28.06 |
| 14.84 | 13.83 | 15.99 | 18.27 | 19.46 |
| 0.40 | - | - | - | - |
| 5.57 | 5.07 | 4.76 | 4.27 | 5.29 |
| 20.19 | 19.75 | 19.41 | 19.56 | 19.26 |
| 9.34 | 8.44 | 9.00 | 10.05 | 10.18 |
| 4.08 | 2.81 | 3.10 | 2.93 | 3.33 |
| 14.12 | 12.27 | 12.59 | 12.19 | 13.17 |
| 7.08 | 5.94 | 6.76 | 5.88 | 5.01 |
| 2.79 | 2.84 | 2.67 | 2.96 | 2.62 |
| 3.48 | 3.78 | 3.28 | 2.63 | 2.92 |
| 12.88 | 12.32 | 12.26 | 10.41 | 11.56 |
| 182.86 | 167.75 | 168.83 | 165.94 | 172.71 |
| 39.54 | 34.42 | 30.23 | 30.29 | 29.86 |
| 3.65 | 3.87 | 4.05 | 3.77 | 4.24 |
| 226.05 | 206.04 | 203.11 | 200.00 | 206.81 |

City of Birmingham, Michigan

Schedule 17

| Function/Program | Fiscal Year Ended June 30 | | | | | | |
|---|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General Government | | | | | | | |
| Registered voters ^a | 15,422 | 14,307 | 14,863 | 15,127 | 15,300 | 15,763 | 15,996 |
| Ballots cast in November election | 12,340 | 3,402 | 10,164 | 3,911 | 12,595 | 2,841 | 9,483 |
| Taxpayers | 11,000 | 11,000(E) | 11,179 | 11,133 | 10,925 | 11,597 | 11,578 |
| Average rate of return on city investments | 2.27% | 3.19% | 4.17% | 4.28% | 3.48% | 2.15% | 1.31% |
| Vendor checks issued | 8,168 | 8,362 | 8,014 | 7,603 | 6,788 | 6,657 | 6,536 |
| Public Safety | | | | | | | |
| Fire Department ^b | | | | | | | |
| Total alarms | 1,689 | 1,719 | 1,696 | 1,855 | 1,854 | 1,634 | 1,896 |
| Fires | 51 | 50 | 36 | 43 | 75 | 40 | 41 |
| Rescues/extrications (medical runs) | 953 | 955 | 980 | 974 | 994 | 926 | 1,074 |
| Other runs | 685 | 714 | 680 | 838 | 785 | 668 | 781 |
| Fire inspections ^c | 825 | 1,844 | 1,674 | 929 | 858 | 610 | 673 |
| Police Department ^b | | | | | | | |
| Responses to calls for service | 20,004 | 20,003 | 19,977 | 18,749 | 20,104 | 16,031 | 17,713 |
| Adult arrests | 578 | 645 | 630 | 510 | 419 | 328 | 257 |
| Parking violations | 49,410 | 44,394 | 45,214 | 40,615 | 34,592 | 33,827 | 27,695 |
| Moving violations | 6,450 | 6,662 | 7,129 | 6,439 | 5,478 | 6,980 | 5,329 |
| Public Works | | | | | | | |
| Tons of municipal solid waste collected | 12,254 | 11,898 | 10,282 | 9,500 | 8,951 | 8,942 | 9,255 |
| City vehicles/equipment serviced per month ^d | NRA | 100 | 100 | 90 | 95 | 45 | 63 |
| Street trees planted | NRA | 240 | 407 | 293 | 226 | 315 | 212 |
| Street trees removed | NRA | 600 | 453 | 230 | 252 | 232 | 187 |
| Community and Economic Development | | | | | | | |
| Building and demolition permits issued | 1,122 | 993 | 766 | 650 | 610 | 611 | 710 |
| Total construction value (in thousands) | \$92,583 | \$81,777 | \$49,353 | \$40,282 | \$46,001 | \$53,457 | \$40,010 |
| Recreation and Culture | | | | | | | |
| Skaters in ice arena basic skills program | 1,501 | 1,217 | 1,000 | 1,200 | 1,200 | 1,100 | 1,100 |
| Mens softball teams | 5 | 6 | 6 | 6 | 6 | 5 | 5 |
| Water and Sewer | | | | | | | |
| Water customers | 8,476 | NRA | 8,594 | 8,617 | 8,617 | 8,634 | 8,598 |
| Water meters in service | 8,533 | 8,602 | 8,646 | 8,672 | 8,688 | 8,693 | 8,702 |
| Automobile Parking | | | | | | | |
| Five parking structures | | | | | | | |
| Active parking permits at June 30 | 3,189 | 3,247 | 3,296 | 3,165 | 2,690 | 2,975 | 3,063 |
| Transient parkers (includes free parkers) | 1,485,487 | 1,377,702 | 1,366,749 | 1,298,284 | 1,188,367 | 1,166,818 | 1,194,026 |
| Free parkers | 882,495 | 849,698 | 881,005 | 827,127 | 730,220 | 750,919 | 777,870 |
| Golf Courses (calendar year) | | | | | | | |
| Rounds played-Lincoln Hills ^e | 28,710 | 29,455 | 21,839 | 27,898 | 25,950 | 21,335 | 21,925 |
| Rounds played-Springdale ^e | 28,560 | 24,546 | 17,986 | 26,674 | 27,716 | 25,782 | 19,668 |
| Business memberships | 180 | 160 | 116 | 127 | 116 | 105 | 84 |
| Non-resident memberships | | | | | | | |
| Individual | 366 | 298 | 258 | 421 | 359 | 365 | 343 |
| Family | NRA | 74 | 70 | 42 | 27 | 26 | 29 |
| Dual (new in 2008) | - | - | - | 143 | 125 | 121 | 111 |
| Junior golf registrations | 238 | 260 | 396 | 378 | 420 | 341 | 457 |

Operating Indicators by Function/Program Last Ten Fiscal Years

| Fiscal Year Ended June 30 | | |
|---------------------------|-------------|-------------|
| <u>2012</u> | <u>2013</u> | <u>2014</u> |
| 16,557 | 16,623 | 16,578 |
| 4,285 | 13,106 | 2,134 |
| 11,488 | 11,451 | 11,035 |
| 0.81% | 0.65% | 0.56% |
| 6,829 | 7,078 | 6,965 |
| 1,761 | 1,799 | 2,023 |
| 26 | 42 | 24 |
| 1,058 | 1,064 | 1,131 |
| 677 | 693 | 868 |
| 492 | 544 | 961 |
| 16,983 | 16,571 | 18,372 |
| 235 | 351 | 483 |
| 31,844 | 30,182 | 31,535 |
| 5,122 | 6,610 | 4,039 |
| 9,511 | 9,202 | 9,435 |
| 62 | 92 | 92 |
| 266 | 199 | 231 |
| 217 | 195 | 243 |
| 770 | 749 | 894 |
| \$44,790 | \$57,311 | \$94,526 |
| 1,100 | 1,100 | 1,300 |
| 6 | 5 | 5 |
| 8,575 | 8,578 | 8,514 |
| 8,714 | 8,711 | 8,662 |
| 3,311 | 3,472 | 3,691 |
| 1,276,274 | 1,215,272 | 985,842 |
| 831,730 | 786,390 | 591,569 |
| 25,240 | 28,397 | 22,005 |
| 28,996 | 24,669 | 17,075 |
| 101 | 99 | 102 |
| 398 | 402 | 406 |
| 60 | 65 | 77 |
| 186 | 184 | 174 |
| 462 | 442 | 430 |

City of Birmingham, Michigan

Schedule 17

| | Fiscal Year Ended June 30 | | | | | | |
|---|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| <u>Function/Program</u> | | | | | | | |
| Component Units: | | | | | | | |
| Library | | | | | | | |
| Registered patrons ^f | 42,213 | 45,237 | 48,113 | 22,245 | 27,104 | 30,904 | 33,989 |
| Book collections | 132,586 | 133,189 | 135,192 | 135,420 | 137,798 | 140,330 | 143,427 |
| Audiovisual collections | 20,240 | 21,896 | 23,357 | 25,208 | 28,156 | 28,764 | 29,675 |
| Items circulated | 520,018 | 586,191 | 662,035 | 698,444 | 736,074 | 752,351 | 721,380 |
| Patron visits | 352,742 | 382,414 | 370,097 | 362,699 | 373,022 | 357,374 | 325,976 |
| Circulation per capita ^g | 17 | 19 | 22 | 22.7 | 23.9 | 24.5 | 22.9 |
| Program attendance | 28,991 | 29,516 | 27,633 | 27,595 | 26,925 | 25,677 | 25,881 |
| Public computer log-ins | N/A | 75,013 | 60,862 | 62,640 | 64,506 | 66,425 | 57,194 |
| Database usage | N/A | 64,502 | 84,544 | 72,345 | 64,383 | 61,421 | 63,122 |
| Principal Shopping District | | | | | | | |
| Retail occupancy rate as of June 30 ^h | 94.9% | 93.0% | 94.3% | 95.7% | 94.9% | 92.6% | 94.7% |
| Sponsored events | 9 | 11 | 11 | 11 | 11 | 12 | 12 |
| PR media impressions (in millions) ⁱ | 37.8 | 41.7 | 46.6 | 48.7 | 49.2 | 50 | 50.2 |
| Website "hits" per month (approximate) ^j | N/A | 148,000 | 348,000 | 345,000 | 157,000 | 264,000 | 270,000 |
| Flower planters/baskets maintained | 124 | 144 | 144 | 144 | 165 | 165 | 205 |

Source: City Department records

Notes:

N/A=Not available

NRA = Not readily available

^aDate of count varies.

^bAll numbers reflect the calendar year ending midway through fiscal year.

^cIn all buildings except single and duplex residential.

^dYears 2003 - 2009 are estimates.

^eNumber for 2013 is through August only.

^fA purge of inactive patron records was completed at the end of fiscal year 2007/2008. This was made possible by new software.

^gBased on the service area of the library which includes Birmingham, Beverly Hills, Bingham Farms and beginning in 2011 Bloomfield Hills.

Years 2003 to 2010 are based on the 2000 census population of 30,758. Year 2011 is based on the 2010 census population of 31,481.

Years 2012 to 2013 are based on 2010 census population of 35,350.

^hRetail occupancy is based on the total number of retail (1st floor) square footage in the PSD, divided by the total square footage of retail space for lease in the same area.

ⁱMedia impressions is an industry-standard formula that tracks "earned" media coverage. This isn't paid advertising; it represents how many people have seen/heard the PSD's message/story in the news media.

^jFor year 2005 to 2012, numbers represent the number of times an individual or search engine scans the PSD web site www.enjoybirmingham.com. From year 2013, numbers represent "monthly unique viewers" captured through a new web analytic.

Operating Indicators by Function/Program (cont.)
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | | |
|---------------------------|-------------|-------------|
| <u>2012</u> | <u>2013</u> | <u>2014</u> |
| | | |
| 33,257 | 40,219 | 42,651 |
| 139,836 | 141,028 | 140,974 |
| 30,730 | 30,932 | 43,241 |
| 666,701 | 642,989 | 633,487 |
| 322,042 | 326,943 | 304,836 |
| 18.9 | 18.2 | 17.9 |
| 24,329 | 25,213 | 26,735 |
| 54,526 | 54,621 | 53,977 |
| 74,679 | 97,710 | 110,030 |
| | | |
| 96.5% | 97.0% | 98.0% |
| 11 | 12 | 12 |
| 50.5 | 50 | 50 |
| 270,000 | 6,200 | 6,500 |
| 225 | 250 | 275 |

City of Birmingham, Michigan

Schedule 18

| | Fiscal Year Ended June 30 | | | | | | |
|---|---------------------------|--------|--------|--------|--------|--------|--------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Function/Program | | | | | | | |
| General Government | | | | | | | |
| City hall (square footage) | 24,282 | 24,282 | 24,282 | 24,282 | 24,282 | 24,282 | 24,282 |
| Library building (square footage) | 30,470 | 30,470 | 30,470 | 30,470 | 30,470 | 30,470 | 30,470 |
| Public Safety | | | | | | | |
| Fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire pumpers | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Other fire vehicles (includes 1 aerial tower) | 9 | 9 | 9 | 8 | 8 | 8 | 8 |
| Police precincts | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works | | | | | | | |
| DPS administrative building and garage (square footage) | 36,365 | 36,365 | 36,365 | 36,365 | 36,365 | 36,365 | 36,365 |
| Major Streets (miles) | 21.87 | 21.87 | 21.87 | 21.87 | 21.87 | 21.87 | 21.87 |
| Local Streets (miles) | 62.58 | 62.58 | 62.58 | 62.58 | 62.58 | 62.58 | 62.66 |
| Sidewalks (miles) | 128.69 | 128.69 | 128.69 | 128.69 | 129.03 | 129.03 | 129.03 |
| Bridges | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Vehicles in city fleet (excluding fire) ^b | NRA | 93 | 93 | 91 | 91 | 85 | 85 |
| Recreation and Culture | | | | | | | |
| Parks | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Park land/public property (acres) | 200+ | 225+ | 225+ | 225+ | 225+ | 225+ | 225+ |
| Trees on park/public land | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Tennis courts | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Baseball diamonds | 1 | 1 | 4 | 1 | 1 | 1 | 1 |
| Softball diamonds | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Little League diamonds | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Ice arena | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Historical museum | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Skate park | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water and Sewer | | | | | | | |
| Water mains (miles) | 100.8 | 100.85 | 100.85 | 100.85 | 100.85 | 100.85 | 100.85 |
| Sanitary sewers (miles) | 117.09 | 116.94 | 116.94 | 116.11 | 115.95 | 115.41 | 115.41 |
| Fire hydrants (city-owned) | 789 | 809 | 819 | 823 | 830 | 825 | 829 |
| Water storage tanks (500,000 gal.) | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Line gate valves | 1,278 | 1,278 | 1,278 | 1,286 | 1,291 | 1,289 | 1,289 |
| Automobile Parking | | | | | | | |
| Parking structures | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Revenue-generating public parking spaces | | | | | | | |
| Metered spaces (streets and surface lots) | 1,270 | 1,270 | 1,288 | 1,304 | 1,313 | 1,311 | 1,309 |
| Parking structure spaces | 3,579 | 3,579 | 3,579 | 3,579 | 3,579 | 3,579 | 3,579 |
| Total | 4,849 | 4,849 | 4,867 | 4,883 | 4,892 | 4,890 | 4,888 |
| Golf Courses (nine-hole) | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Source: City Department records

Notes:

NRA=Not readily available

^aThe City of Birmingham occupies 4.73 square miles.

^bSelf-propelled licensed vehicles. As of 2006, the entire city fleet had increased approximately 10% over the previous ten years.

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Fiscal Year Ended June 30
2012 2013 2014

24,282 24,282 24,282
30,470 30,470 30,470

2 2 2
3 4 4
7 8 8
1 1 1

36,365 36,365 36,365
21.87 21.87 21.87
63 63 63.00
129.03 129.03 129.03
9 9 9
92 83 83

18 18 18
225+ 225+ 225+
25,000 25,000 25,000
16 16 16
1 1 1
1 1 1
6 6 6
1 1 1
1 1 1
1 1 1

100.85 100.85 100.85
115.41 115.41 115.41
828 828 850
2 2 2
1,289 1,289 1,289

5 5 5

1,238 1,238 1,238
3,579 3,579 3,579
4,817 4,817 4,817

2 2 2

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