

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

Fiscal Year Ended June 30, 2010

City Commission

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

City Manager

Thomas M. Markus

Director of Finance/Treasurer

B. Sharon Ostin

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Introductory Section

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November 22, 2010

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, 2010, for the City of Birmingham, Michigan (the "City"). 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 framework 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's financial statements for the year ended June 30, 2010 are fairly presented in conformity with GAAP. Plante & Moran'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 19,527, 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 report, 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 City 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 units' 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'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 611,700. The June 2010 unemployment rate of 8.4% for the City is significantly less than last year's rate of 9.4% and remains well below the state's unemployment rate of 13.2% and less than the national rate of 9.5% for the same period. It is anticipated that this area (Oakland County) will lose approximately 9,880 jobs this year, but begin to turn around in the last quarter of 2010 with jobs being added then. Gains of approximately 2,400 jobs are projected in the subsequent year with jobs being added at an accelerated rate after that. The job gains are anticipated to be in the private sector as employment in the public sector continues to decline through 2012.

Suburban Oakland County, where Birmingham is located, has experienced another difficult year. The very weak economy resulted in the first deflation in local consumer prices since 1949. The economic situation however has seemed to stabilize in recent months and the area is poised for recovery although at a slow pace. The area remains the premier local economy in Michigan and is among the most prominent county economies in the nation ranking sixth in aggregate rankings with counties of similar size.

Birmingham is an affluent city, with per capita income of 268% and 275% above the state and national averages, respectively. Educational attainment levels are also well above the national average of 24% with 67% 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 92.6% slightly less than the 94.9% a year ago. The downtown's office market has also experienced a decline with an 81.9% occupancy rate compared to 82.2% in June 2009. However, it is expected that the occupancy rates for both retail and office will improve by the end of the year as the economy strengthens.

The state's economy has gone through one of the worst periods in its history and continues to struggle with budget problems. During the past nine years, the state has lost jobs in each year and currently has the second highest unemployment rate in the nation. Job and income losses have primarily been attributable to the difficulties faced by the domestic auto industry which is the sector the state has been dependent on. The state has also struggled with the slump in the real estate market which has resulted in continued reduction in building activity. With two of the major domestic auto companies emerging from bankruptcy during the year and profits improving, job losses have begun to significantly decline. The state is beginning to experience modest economic growth, with sales and income tax revenues currently coming in ahead of projections. This should have a positive impact on state-shared revenues from sales tax collections that the state distributes and shares with local units of government. Approximately 6% of the City's total General Fund revenues come from this source.

As the slump in the real estate market has continued, property values have declined, resulting in a decrease in the City's taxable value of 11.08% during the past three years. Building activity as evidenced by the number of building permits issued has also declined as a result of the slump in the real estate market. During the year, both residential and commercial construction permits declined by seven and eleven permits, respectively. However, building permit revenues for commercial development increased during the same period by 15.1% as a result of larger projects being undertaken.

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 on-going 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.

As a result of declining assessed values impacting property tax revenues, declining state-shared revenues, building permits and investment income, the City continues to implement expenditure cuts to avoid structural imbalances. Over the past three fiscal years, staffing levels have been reduced by 30 full-time positions. Additionally, non-essential overtime has been eliminated and salary freezes and wage reductions have been implemented. Plans are underway for additional operational savings.

Major Initiatives - The City has increased its funding for road improvements to \$3.6 million as support from the State in such critical areas as Act 51 street funds have declined. Road reconstruction and resurfacing projects along with maintenance work for the Maple Road Bridge and traffic signal modernization at Adams Road and Bowers Street and Chester Street and Brown Street have been approved. These projects total approximately \$4 million. Completion of renovations to the existing clubhouse at Lincoln Hills Golf Course and relocation of the Education Center (\$988,830) and waterproofing and repair work to the upper two floors of the Pierce Street parking structure (\$750,000) are also planned. Additionally, \$1.4 million in sewer and water-main improvements and repairs have been funded.

The City in conjunction with the City of Troy has received \$9.9 million in federal and state grants to be used toward the construction of a regional transit center. The 2,000 square foot multi-modal transit center will be located south of Maple Road and west of Coolidge Highway. It is anticipated that this project will tie into regional mass transit plans and is expected to enhance development opportunities with the surrounding business area. The City has allocated \$200,000 toward this project in addition to \$80,500 of annual Community Credit funds received from the Suburban Mobility Authority for Regional Transportation (SMART).

These projects are significant because efficient transportation networks and modern infrastructure are becoming increasingly important in a faster-paced 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 identified for funding include:

- Replacement of the City's financial software system
- Continued development of the GIS system
- Replacement of aging network equipment
- Replacement of workstations
- Acquisition of all-in-one copiers, faxes 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 all 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 pension ordinance as amended by the City Commission either through resolution or labor agreements. As a result of conversion of all new hires to the City's defined contribution plan for all groups except police and fire, the plan is considered closed to all general members. The City will instead contribute 5% of an employee's eligible compensation into the defined contribution plan for general employees except for Teamster and AFSCME labor groups. Contributions for these two labor groups are based on a flat rate dollar amount approximating 5%. As a result of this change and market declines during the period, the funding status of the pension fund decreased to a funding level of 99.5% compared to 105.9% 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 fiscal year ended June 30, 2010 totaled \$1,757,591.

The City of Birmingham also provides retiree healthcare benefits to qualifying full-time employees upon retirement, in accordance with labor contracts. The Retiree Health Care Fund is a Trust Fund. Revenues reported this year were based on budgeted actuarial determined contribution rates of 18.10% of payroll. Based on this rate, the City contributed the actuarially determined required contribution of \$1,983,548 to the trust. Expenditures of \$2,155,064 in this fund reflect medical benefit payments for eligible members. With the settlement of the firefighters contract during the fiscal year, the plan is now closed to all employee groups except police. A defined contribution plan for employees not eligible to participate in the defined benefit plan has been established. The City contributes \$50 per pay for employees participating in the defined contribution plan.

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, 2009. This was the twentieth 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, 2009. This was the twentieth 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 as 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,



Thomas M. Markus
City Manager



B. Sharon Ostin
Director of Finance/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Birmingham
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

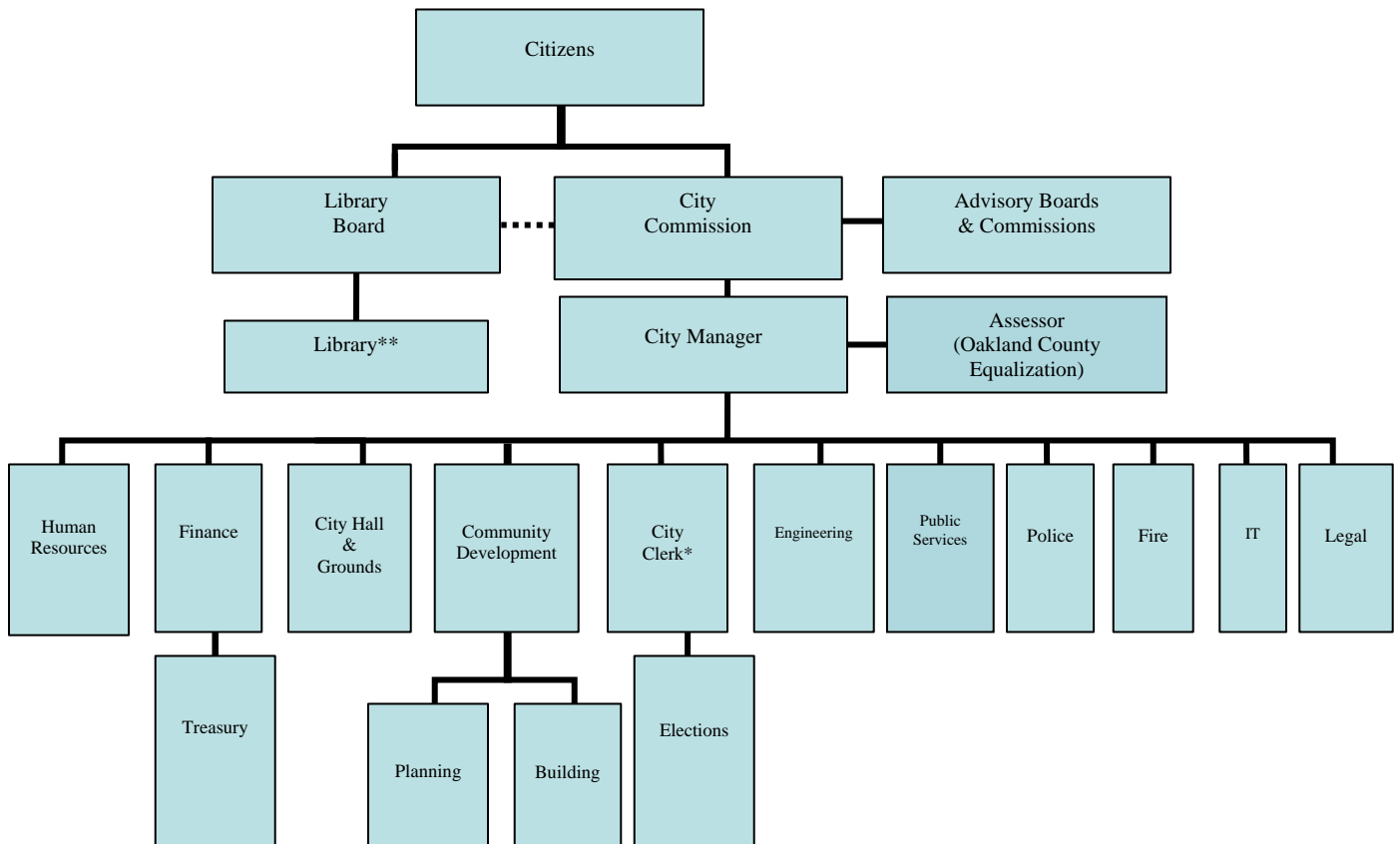
President

A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

Executive Director

Birmingham

2009-2010 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.

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Financial Section

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Birmingham, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis, pension systems and retiree healthcare fund schedules of funding progress, and the major fund budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, 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 budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems and retiree healthcare fund schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

November 12, 2010

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Management's Discussion and Analysis

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Management's Discussion and Analysis

The City of Birmingham's management 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, 2010:

- The City's total revenues were \$47.9 million, while expenses totaled \$42.7 million.
 - Governmental activities generated \$30.8 million in revenue and \$28.3 million in expenses.
 - Business-type activities generated \$17.1 million in revenue and \$14.4 million in expenses.
- Total net assets of the City exceeded its liabilities by \$162.4 million this year.
 - Total net assets related to the City's governmental activities increased by approximately \$2.5 million. Of that amount, investment in capital assets increased by \$1.4 million, restricted assets decreased by \$.7 million primarily resulting from improvements to major and local streets, and unrestricted assets increased by \$1.8 million.
 - Net assets of our business-type activities increased overall by \$2.7 million. Of this amount, \$2.3 million was invested in capital assets with an increase in unrestricted assets totaling \$.4 million.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10.6 million, or 40 percent of total General Fund expenditures and transfers out.

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 assets presents information pertaining to all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 kind 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 predominately 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 statement 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 Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Birmingham, combined net assets increased 3.3 percent from last year to \$162.4 million (see Table A-1). The following table shows, in a condensed format, the net assets of the City as of June 30, 2009 and 2010:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
Assets							
Current and other assets	\$ 44.5	\$ 44.1	\$ 17.6	\$ 17.6	\$ 62.1	\$ 61.7	(0.6)
Capital assets	<u>71.2</u>	<u>73.7</u>	<u>81.3</u>	<u>81.2</u>	<u>152.5</u>	<u>154.9</u>	1.6
Total assets	115.7	117.8	98.9	98.8	214.6	216.6	0.9
Liabilities							
Current liabilities	3.1	3.8	2.4	2.1	5.5	5.9	7.3
Long-term liabilities	<u>23.0</u>	<u>21.9</u>	<u>28.9</u>	<u>26.4</u>	<u>51.9</u>	<u>48.3</u>	(6.9)
Total liabilities	26.1	25.7	31.3	28.5	57.4	54.2	(5.6)
Net Assets							
Invested in capital assets -							
Net of related debt	52.8	54.2	52.5	54.8	105.3	109.0	3.5
Restricted	10.1	9.4	-	-	10.1	9.4	(6.9)
Unrestricted	<u>26.7</u>	<u>28.5</u>	<u>15.1</u>	<u>15.5</u>	<u>41.8</u>	<u>44.0</u>	5.3
Total net assets	<u>\$ 89.6</u>	<u>\$ 92.1</u>	<u>\$ 67.6</u>	<u>\$ 70.3</u>	<u>\$ 157.2</u>	<u>\$ 162.4</u>	3.3

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Of the City's total net assets, 67 percent is made up of its investment in capital assets, less any related debt used to acquire those assets. The City's net assets related to governmental activities increased \$2.5 million, or 2.8 percent, and net assets related to business-type activities increased by \$2.7 million, or 4 percent over the 2009 fiscal year. The City has undertaken several major capital improvement projects. During the year, the redevelopment of Shain Park (governmental activities) and water-main, sanitary sewer and parking system improvements as well as renovation of the Lincoln Hills clubhouse (business-type activities) have primarily resulted in these increases. The City used capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

Restricted net assets of the City totaled \$9.4 million at June 30, 2010, and decreased by 6.9 percent for the year. These net assets are reported in governmental activities and have limits on their use that are externally imposed by restrictions such as enabling legislation or bond covenants. These resources can only be used for the specific purposes for which they were intended, such as expenditures for major and local streets or debt-service requirements. The remaining unrestricted net assets may be used to meet the City's ongoing operations. Unrestricted net assets related to governmental activities increased by \$1.8 million or 6.7 percent.

Changes in Net Assets - The City's combined total revenue increased \$.3 million, or .6 percent from 2009 to 2010 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 (56.9 percent in 2009 and 55.4 percent in 2010). Charges for services represented 34.5 percent of the total revenue in 2009 and 36.1 percent in 2010. The balance of the revenue is derived mainly from state and federal sources.

The City's combined total expenses decreased \$.7 million, or 1.6 percent, from 2009 to 2010. 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 Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
Revenues							
Program revenue:							
Charges for services	\$ 3.9	\$ 4.2	\$ 12.5	\$ 13.1	\$ 16.4	\$ 17.3	5.5
Operating grants and contributions	1.7	1.3	-	-	1.7	1.3	(23.5)
Capital grants and contributions	1.0	0.4	-	-	1.0	0.4	(60.0)
General revenue:							
Property taxes	22.9	22.7	4.2	3.8	27.1	26.5	(2.2)
State-shared revenue	1.7	1.5	-	-	1.7	1.5	(11.8)
Unrestricted investment earnings	1.3	0.7	0.5	0.2	1.8	0.9	(50.0)
Special item - Demolition of building	(2.1)	-	-	-	(2.1)	-	(100.0)
Total revenues	30.4	30.8	17.2	17.1	47.6	47.9	0.6
Program Expenses							
General government	4.7	4.4	-	-	4.7	4.4	(6.4)
Public safety	11.2	11.4	-	-	11.2	11.4	1.8
Public works	8.4	8.2	-	-	8.4	8.2	(2.4)
Community and economic development	1.6	1.6	-	-	1.6	1.6	-
Recreation and culture	2.1	1.9	-	-	2.1	1.9	(9.5)
Interest on long-term debt	0.8	0.8	-	-	0.8	0.8	-
Water and sewer	-	-	9.6	10.1	9.6	10.1	5.2
Parking	-	-	3.9	3.2	3.9	3.2	(17.9)
Golf courses	-	-	1.1	1.1	1.1	1.1	-
Total expenses	28.8	28.3	14.6	14.4	43.4	42.7	(1.6)
Increase in Net Assets	1.6	2.5	2.6	2.7	4.2	5.2	23.8
Net Assets - Beginning of year	88.0	89.6	65.0	67.6	153.0	157.2	2.7
Net Assets - End of year	\$ 89.6	\$ 92.1	\$ 67.6	\$ 70.3	\$ 157.2	\$ 162.4	3.3

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities - Total revenue for governmental activities increased \$.4 million, or 1.3 percent. The increase was primarily attributable to an increase of \$.3 million in charges for services. The decrease in operating grants (\$.4 million) and capital grants and contributions (\$.6 million) resulted from a decrease in federal drug forfeitures, a one-time federal grant payment received for the reconstruction of North Old Woodward Avenue in the prior year and reduction in revenues from special assessments. Revenue from property taxes (\$.2 million), State-shared revenues (\$.2 million), and investment earnings (\$.6 million) also declined from the prior year. Decreases in revenue categories totaled \$2.0 million and were offset by the demolition of the Barnum building (\$2.1 million) in the prior year.

Total expenses decreased \$.5 million or 3.5 percent. The decrease in expenses was primarily attributable to decreases in general government (\$.3 million), public works (\$.2 million) and recreation and culture (\$.2 million). These decreases were partially offset by an increase in public safety (\$.2 million) resulting from required retirement contributions. The \$.3 million decrease in general government is attributable to reductions in liability insurance, other contractual services and legal costs. The decrease in public works is primarily attributable to higher snow removal costs incurred in the prior year as a result of a severe winter. The \$.2 million reduction in expenditures for recreation and culture results from decreased charges for equipment rental, ice arena and other recreational expenditures.

Business-type Activities - Total revenue for business-type activities decreased by \$.1 million, or .6 percent. The decrease is attributable to a decline in property tax revenue (\$.4 million) used to fund water-main improvements and a decrease in revenues received from investment earnings (\$.3 million). These decreases were offset by an increase in charges for services (\$.6 million). Charges for services increased as a result of an 18% increase in the sewer rate resulting from a new sewage disposal billing methodology implemented by the Oakland County Water Resources Commissioner.

Total expenses for business-type activities for fiscal year 2009-2010 totaled \$14.4 million, which is \$.2 million less than fiscal year 2008-2009. Automobile parking system expenses decreased by \$.7 million primarily as a result of expenses related to the parking lot associated with the expansion of Shain Park incurred in the prior year. Costs for sewage treatment increased \$.5 million from the prior year primarily as a result of a new meter-based billing system implemented by the Oakland County Water Resources Commissioner and increased maintenance of the three combined sewer overflow retention facilities.

Financial Analysis of the City's Funds

Government 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 nine governmental funds, categorized into four fund types. Based on criteria set forth by the Government Accounting Standards Board, the City's major funds for fiscal year 2009-2010 include the General Fund, Major and Local Street Funds, and the Capital Projects Fund.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

As of June 30, 2010, the governmental funds of the City of Birmingham reported a combined fund balance of \$26.2 million. This represents a decrease of \$1.9 million in comparison with the prior year. Approximately \$16 million of total fund balance, or 61 percent, constitutes unreserved fund balance. Of this amount, \$10.6 million and \$5.3 million represent unreserved fund balances of the General Fund and Capital Projects Fund, respectively. Unreserved fund balances may be used to meet the City's on-going obligations to citizens and creditors, without legal restriction.

The remaining \$10.2 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: (1) liquidate contracts and purchase orders of the prior period (\$1.8 million); (2) pay debt service (\$.1 million); (3) be used for law and drug enforcement purposes (\$.5 million); (4) fund capital improvement projects such as street, facility and park improvements (\$6 million); (5) provide for solid waste disposal (\$1 million); and (6) advances to other funds (\$.8 million).

The fund balance of the City's General Fund represents 44 percent, or \$11.5 million, of total governmental fund balances. The General Fund's fund balance did not change significantly from the prior year with a decrease of \$69,074.

Fund balance of the Capital Projects Fund represents 24 percent, or \$6.4 million, of total governmental fund balances. The net decrease in fund balance during the current year in the Capital Projects Fund was \$.9 million. The decrease primarily resulted from expenditures for the expansion of Shain Park and related expenditures (\$2.6 million), which was offset by a transfer from the General Fund (\$1.7 million) to complete funding for reconstruction of the Chesterfield Fire Station.

The Debt Service Fund has a total fund balance of \$.1 million, all of which is reserved for the payment of debt service and did not change from the prior year. The Major and Local Street Funds had fund balances of \$4.6 million and \$2.2 million, respectively. Fund balance for the Major Street Fund increased by approximately \$.2 million resulting from a decrease in planned expenditures during the year for road reconstruction and snow and ice control. Fund balance of the Local Street Fund decreased by approximately \$1 million resulting from expenditures for construction projects related to road and bridge improvements. The Solid Waste Fund's fund balance of \$1 million at June 30, 2010 is approximately the same as the prior year's and is restricted and therefore can only be used for refuse collection and disposal purposes.

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 assets for the Water and Sewage Disposal Funds totaled \$6.2 million and \$6.3 million, respectively, and those for the Automobile Parking System \$3.5 million. The total growth in net assets for these funds was \$.4 million, \$2 million and \$.4 million, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Actual revenues for the year ended June 30, 2010 exceeded the amended budget by \$.4 million, or 1.5 percent. The difference was primarily attributable to receiving more building permit revenue than originally planned (\$.3 million). City departments overall stayed below budget as a result of reduced expenditures for: wages (\$.4 million) attributable to a wage freeze for department heads and administrative staff, unsettled contracts, and earlier than anticipated and additional retirements; expenditures for legal costs (\$.1 million), a loan to golf courses (\$.3 million) rather than an expenditure; other charges and contractual services (\$.3 million) being less than anticipated; and encumbrances (\$.1 million) carried forward to the subsequent year's budget. This resulted in total expenditures being lower than the amended budget by \$1.3 million. The additional revenues received combined with better than expected performance by departments resulted in a positive budget variance of \$1.7 million.

Differences between original budget and the final amended budget total \$1.8 million. This increase was attributable to the budget being amended, as approved by the City Commission, for transfers from the General Fund to the Capital Projects Fund for the Chesterfield Fire Station reconstruction project (\$1.4 million) and City Hall and Library landscaping project (\$.2 million) and for encumbrances that were outstanding at the end of the prior fiscal year (\$.2 million).

Capital Asset and Debt Administration

Capital Assets

The City of Birmingham had a total of \$155 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 1.7 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.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
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	24.9	26.4	16.5	17.1	41.4	43.5	5.1
Equipment	4.3	4.9	0.8	0.8	5.1	5.7	11.8
Infrastructure	29.7	30.7	61.8	61.7	91.5	92.4	1.0
Construction in progress	1.1	0.6	0.6	0.1	1.7	0.7	(58.8)
Total	\$ 71.1	\$ 73.7	\$ 81.3	\$ 81.3	\$ 152.4	\$ 155.0	1.7

Governmental capital assets increased \$2.6 million or 3.7 percent over last year. The \$1 million increase in infrastructure is the result of improvements to the City's roads and sidewalks. The increase in buildings and equipment of \$2.1 million is primarily attributable to the Shain Park expansion project while construction in progress decreased by \$.5 million during the year.

Total business-type capital assets of \$81.3 million remained the same for the year. The increase in buildings (\$.6 million) is attributable to reconstruction of the Lincoln Hills Golf Course clubhouse. The \$.1 million decline in infrastructure results from additions to the water and sewer systems being less than depreciation. Construction in progress at June 30, 2010 totals \$.6 million, which is an increase of \$.5 million from the prior year. Additional information pertaining to capital assets can be found in Note 6 on pages 45 to 47 of this report.

Long-term Debt - The City's total indebtedness as of June 30, 2010 is \$46.6 million. Of this amount, \$28.8 million is general obligation bonds, which is an amount considerably below the debt limit of \$237 million. In addition, the City has contractual obligations totaling \$26.4 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 Project.

The City of Birmingham maintains a "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 48 to 50 of this report.

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Revenue constraints with increased costs combined to present a challenge in developing the fiscal year 2010-2011 budget. On the revenue side, as a result of continued state budget problems and a slow economic recovery, further decreases in state-shared revenues were expected as well as declines in building permit and review fees and investment income. On the expenditure side, costs for retirement and retiree healthcare were budgeted to increase by approximately \$1 million from the prior year. The increases in legacy costs were primarily attributable to investment losses and closing the plans to new hires for most labor groups.

In the past, the City has been able to rely on an increasing tax base to offset negative economic factors and increases in expenditures. However, taxable values declined in the prior two years by .56 percent and 3.63 percent and declined an additional 7.21 percent for 2010. An additional decline is anticipated for 2011 as well resulting in further property tax losses. Property taxes (the City's largest revenue source) account for 73.2 percent of the General Fund's total revenues.

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 is facing unprecedented and permanent structural financial challenges. In response, the City has developed a proactive multi-faceted strategy to meet these financial challenges. Reductions to expenditures were budgeted to cover the declines in revenues and increase in legacy costs. This was primarily achieved by reducing an additional 13.5 full-time positions, elimination of all non-essential overtime, and a 2 percent reduction in administrative wages. Additionally, the City has reduced expenditures by limiting memberships, training, cell phones, reductions in building energy usage and eliminating out-of-state travel. The City continues to downsize, pursue service-sharing agreements with surrounding communities, obtain labor concessions, achieve efficiencies through technological improvements and implement limited revenue enhancement measures.

The City's total levy, which includes the operating, refuse, library and debt service levies, increased for the coming budget year to 14.9998 mills. The increase in millage rate was required to provide funding to meet debt requirements for drain and parks and recreation bonds, provide additional funding for road reconstruction projects and to continue to fund the excellent services provided by the library to City residents.

During the 2009-2010 fiscal year, fund balance in the General Fund decreased by \$.1 million to \$11.5 million. The City has budgeted to use \$251,880 of fund balance in fiscal year 2010-2011 and approximately \$750,000 is planned to be used in fiscal year 2011-2012. Fund balance will continue to be maintained at a minimum of 10 percent of the current year's expenditures established to provide for unforeseen emergencies. General Fund property tax revenue is estimated at \$19.4 million for 2010-2011.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

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 Assets June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 5)	\$ 38,098,023	\$ 13,722,159	\$ 51,820,182	\$ 2,664,244
Receivables - Net:				
Customers	323,472	3,603,990	3,927,462	-
Special assessments	915,652	258,963	1,174,615	92,554
Delinquent personal property taxes	48,392	-	48,392	-
Internal balances	750,000	(750,000)	-	-
Inventories	159,470	15,765	175,235	-
Prepaid costs and other assets	2,153,432	733,879	2,887,311	72,672
Due from other governmental units	898,312	-	898,312	51,297
Restricted assets (Note 8)	718,402	-	718,402	-
Capital assets - Net (Note 6):				
Assets subject to depreciation	61,946,817	79,574,938	141,521,755	3,207,673
Assets not subject to depreciation	11,692,434	1,659,140	13,351,574	107,918
Investment in joint venture - 48th District Court (Note 14)	64,649	-	64,649	-
Total assets	117,769,055	98,818,834	216,587,889	6,196,358
Liabilities				
Accounts payable	1,850,596	1,196,901	3,047,497	97,927
Accrued and other liabilities	1,591,973	502,894	2,094,867	140,325
Unearned revenue (Note 10)	28,791	403,188	431,979	-
Provision for uninsured losses and liabilities (Note 11)	316,235	-	316,235	-
Noncurrent liabilities (Note 7):				
Due within one year	2,899,691	2,543,276	5,442,967	151,881
Due in more than one year	19,011,057	23,891,444	42,902,501	495
Total liabilities	25,698,343	28,537,703	54,236,046	390,628
Net Assets				
Investment in capital assets - Net of related debt	54,202,554	54,829,062	109,031,616	3,315,591
Restricted:				
Major and local streets	7,470,388	-	7,470,388	-
Solid waste	976,755	-	976,755	-
Debt service	92,639	-	92,639	-
Law and drug enforcement	434,974	-	434,974	-
Other	444,715	-	444,715	-
Corridor improvement authority	-	-	-	27,772
Brownfield redevelopment authority	-	-	-	50,355
Library donations	-	-	-	843,261
Unrestricted	28,448,687	15,452,069	43,900,756	1,568,751
Total net assets	\$ 92,070,712	\$ 70,281,131	\$ 162,351,843	\$ 5,805,730

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

City of Birmingham, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,409,008	\$ 528,799	\$ -	\$ -
Public safety	11,389,356	1,369,818	82,596	-
Public works	8,165,768	321,013	1,058,626	318,884
Community and economic development	1,570,274	1,117,689	39,397	-
Recreation and culture	1,941,500	817,442	66,266	44,695
Interest on long-term debt	<u>806,707</u>	<u>-</u>	<u>5,144</u>	<u>-</u>
Total governmental activities	28,282,613	4,154,761	1,252,029	363,579
Business-type activities:				
Water and sewer	10,101,858	8,597,161	-	-
Automobile parking	3,217,660	3,570,668	-	-
Golf courses	<u>1,070,307</u>	<u>946,467</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>14,389,825</u>	<u>13,114,296</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 42,672,438</u>	<u>\$ 17,269,057</u>	<u>\$ 1,252,029</u>	<u>\$ 363,579</u>
Component units:				
Baldwin Public Library	\$ 3,538,309	\$ 766,594	\$ 91,911	\$ -
Brownfield Redevelopment Authority	36,152	1,533	-	-
Corridor Improvement Authority	7,980	-	20,309	-
Principal Shopping District	<u>880,746</u>	<u>859,016</u>	<u>67,355</u>	<u>-</u>
Total component units	<u>\$ 4,463,187</u>	<u>\$ 1,627,143</u>	<u>\$ 179,575</u>	<u>\$ -</u>
Unrestricted general revenue:				
Property taxes				
State-shared revenue				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenue and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

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

Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,880,209)	\$ -	\$ (3,880,209)	\$ -
(9,936,942)	-	(9,936,942)	-
(6,467,245)	-	(6,467,245)	-
(413,188)	-	(413,188)	-
(1,013,097)	-	(1,013,097)	-
(801,563)	-	(801,563)	-
(22,512,244)	-	(22,512,244)	-
-	(1,504,697)	(1,504,697)	-
-	353,008	353,008	-
-	(123,840)	(123,840)	-
-	(1,275,529)	(1,275,529)	-
(22,512,244)	(1,275,529)	(23,787,773)	-
-	-	-	(2,679,804)
-	-	-	(34,619)
-	-	-	12,329
-	-	-	45,625
-	-	-	(2,656,469)
22,677,733	3,785,008	26,462,741	2,018,613
1,496,216	-	1,496,216	51,297
707,362	230,570	937,932	113,507
61,652	-	61,652	-
20,000	(20,000)	-	-
24,962,963	3,995,578	28,958,541	2,183,417
2,450,719	2,720,049	5,170,768	(473,052)
89,619,993	67,561,082	157,181,075	6,278,782
\$ 92,070,712	\$ 70,281,131	\$ 162,351,843	\$ 5,805,730

City of Birmingham, Michigan

Governmental Funds Balance Sheet June 30, 2010

	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 5)	\$ 11,726,969	\$ 4,554,179	\$ 2,507,063	\$ 6,420,175	\$ 1,654,203	\$ 26,862,589
Receivables - Net:						
Customers	253,646	3,293	10,335	54,769	503	322,546
Special assessments	14,530	81,880	692,055	127,187	-	915,652
Delinquent personal property taxes	48,392	-	-	-	-	48,392
Prepaid items and other assets	42,385	-	-	-	-	42,385
Due from other governmental units	682,105	122,005	51,378	37,404	5,420	898,312
Advances to other funds (Note 3)	750,000	-	-	-	-	750,000
Restricted assets (Note 8)	-	-	-	273,687	-	273,687
Inventories	-	113,859	45,544	-	-	159,403
Total assets	\$ 13,518,027	\$ 4,875,216	\$ 3,306,375	\$ 6,913,222	\$ 1,660,126	\$ 30,272,966
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 524,007	\$ 234,424	\$ 434,603	\$ 404,126	\$ 113,173	\$ 1,710,333
Accrued and other liabilities	1,318,084	14,909	27,267	-	42,585	1,402,845
Deferred revenue (Note 10)	174,138	74,806	626,448	121,196	503	997,091
Total liabilities	2,016,229	324,139	1,088,318	525,322	156,261	4,110,269
Fund Balances						
Reserved for:						
Encumbrances	93,645	199,482	623,880	864,254	12,455	1,793,716
Law and drug enforcement programs	-	-	-	-	422,519	422,519
Prepays and inventory	42,385	113,859	45,544	-	-	201,788
Advances	750,000	-	-	-	-	750,000
Highway and street projects	-	4,237,736	1,548,633	-	-	5,786,369
Facility and park improvement projects	-	-	-	210,699	-	210,699
Solid waste	-	-	-	-	976,252	976,252
Debt service	-	-	-	-	92,639	92,639
Unreserved - Reported in:						
General Fund	10,363,888	-	-	-	-	10,363,888
Capital Projects Fund	-	-	-	917,256	-	917,256
Designated (Note 9)	251,880	-	-	4,395,691	-	4,647,571
Total fund balances	11,501,798	4,551,077	2,218,057	6,387,900	1,503,865	26,162,697
Total liabilities and fund balances	\$ 13,518,027	\$ 4,875,216	\$ 3,306,375	\$ 6,913,222	\$ 1,660,126	\$ 30,272,966

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

City of Birmingham, Michigan

Government Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2010

Fund Balance - Total Governmental Funds	\$ 26,162,697
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	73,639,251
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	968,302
Equity interest in 48th District Court is not reported in governmental funds	64,649
Long-term liabilities are not due and payable in the current period and are not reported in the funds, including related accrued interest	(21,025,431)
Retiree health care benefit contributions made in excess of actuarially determined amounts reduce future year contributions	1,171,582
Retirement contributions made in excess of actuarially determined amounts reduce future year contributions	447,712
Internal Service Funds are included as part of governmental activities, net of amounts included above as capital assets	<u>10,641,950</u>
Net Assets - Governmental Activities	<u>\$ 92,070,712</u>

City of Birmingham, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes and special assessments	\$ 19,434,031	\$ 24,187	\$ 378,014	\$ 82,845	\$ 3,436,419	\$ 23,355,496
Licenses and permits	1,515,554	-	-	-	-	1,515,554
Federal grants	36,382	98,565	-	37,404	64,127	236,478
State sources	1,579,310	744,930	313,696	80,476	-	2,718,412
Charges for services	2,224,995	-	925	-	24,910	2,250,830
Fines and forfeitures	1,214,127	-	-	-	-	1,214,127
Use of money and property	339,822	65,106	75,861	79,194	35,975	595,958
Other	122,843	2,146	8,686	81,626	-	215,301
Total revenue	26,467,064	934,934	777,182	361,545	3,561,431	32,102,156
Expenditures						
Current:						
General government	4,942,453	-	-	-	-	4,942,453
Public safety	10,661,848	-	-	-	69,701	10,731,549
Public works	3,644,733	-	-	-	-	3,644,733
Highway and streets	-	1,133,148	2,136,649	-	-	3,269,797
Community and economic development	1,547,579	-	-	-	39,397	1,586,976
Solid waste disposal	-	-	-	-	1,637,880	1,637,880
48th District Court	836,635	-	-	-	-	836,635
Capital outlay	-	1,077,887	1,040,510	3,385,842	-	5,504,239
Debt service	-	-	-	-	2,018,084	2,018,084
Total expenditures	21,633,248	2,211,035	3,177,159	3,385,842	3,765,062	34,172,346
Excess of Revenues Over (Under) Expenditures	4,833,816	(1,276,101)	(2,399,977)	(3,024,297)	(203,631)	(2,070,190)
Other Financing Sources (Uses)						
Transfers in	164,270	1,500,000	1,453,560	2,113,600	-	5,231,430
Transfers out	(5,067,160)	-	-	-	-	(5,067,160)
Total other financing sources (uses)	(4,902,890)	1,500,000	1,453,560	2,113,600	-	164,270
Net Change in Fund Balance	(69,074)	223,899	(946,417)	(910,697)	(203,631)	(1,905,920)
Fund Balances - Beginning of year	11,570,872	4,327,178	3,164,474	7,298,597	1,707,496	28,068,617
Fund Balances - End of year	\$ 11,501,798	\$ 4,551,077	\$ 2,218,057	\$ 6,387,900	\$ 1,503,865	\$ 26,162,697

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, 2010

Net Change in Fund Balances - Total Governmental Funds **\$ (1,905,920)**

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	2,917,893
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	(397,323)
Accrued interest on long-term liabilities	(33,623)
Bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,245,000
Retiree health care contributions in excess of actuarially determined amounts are not reported as expense on the statement of activities	242,966
Retirement contributions in excess of actuarially determined amounts are not reported as expense on the statement of activities	447,712
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	(94,864)
Governmental funds report proceeds from sale; in the statement of activities, only the respective gain or loss is recognized	(36)
Internal Service Funds are also included as governmental activities	23,124
Transfer of district court equity	<u>5,790</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,450,719</u></u>

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

City of Birmingham, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

	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)	\$ 5,280,711	\$ 4,591,511	\$ 3,571,481	\$ 278,456	\$ 13,722,159	\$ 11,239,535
Receivables - Net - Customers	1,170,363	2,454,015	237,356	1,219	3,862,953	925
Inventories	-	-	15,765	-	15,765	68
Total current assets	6,451,074	7,045,526	3,824,602	279,675	17,600,877	11,240,528
Noncurrent assets:						
Other assets	22,389	688,792	6,839	15,859	733,879	236,455
Restricted assets (Note 8)	-	-	-	-	-	444,715
Capital assets (Note 6)	14,894,555	46,643,920	17,643,350	2,052,253	81,234,078	3,144,763
Total noncurrent assets	14,916,944	47,332,712	17,650,189	2,068,112	81,967,957	3,825,933
Total assets	21,368,018	54,378,238	21,474,791	2,347,787	99,568,834	15,066,461
Liabilities						
Current liabilities:						
Accounts payable	181,223	638,807	349,696	27,175	1,196,901	144,366
Provision for uninsured losses and liabilities (Note 11)	-	-	-	-	-	316,235
Accrued and other liabilities	78,742	368,232	12,749	43,171	502,894	104,679
Unearned revenue (Note 10)	-	403,188	-	-	403,188	-
Current portion of long-term debt and employee benefits (Note 7)	21,094	2,514,244	-	7,938	2,543,276	71,531
Total current liabilities	281,059	3,924,471	362,445	78,284	4,646,259	636,811
Noncurrent liabilities:						
Provision for employee benefits	145	-	-	527	672	642,937
Advances from other funds (Note 3)	-	-	-	750,000	750,000	-
Long-term debt - Net of current portion (Note 7)	-	23,890,772	-	-	23,890,772	-
Total noncurrent liabilities	145	23,890,772	-	750,527	24,641,444	642,937
Total liabilities	281,204	27,815,243	362,445	828,811	29,287,703	1,279,748
Net Assets						
Investment in capital assets - Net of related debt	14,894,555	20,238,905	17,643,350	2,052,253	54,829,063	3,144,763
Restricted (Note 8)	-	-	-	-	-	444,715
Unrestricted	6,192,259	6,324,090	3,468,996	(533,277)	15,452,068	10,197,235
Total net assets	<u>\$ 21,086,814</u>	<u>\$ 26,562,995</u>	<u>\$ 21,112,346</u>	<u>\$ 1,518,976</u>	<u>\$ 70,281,131</u>	<u>\$ 13,786,713</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 Assets Year Ended June 30, 2010

	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	\$ 2,863,534	\$ -	\$ -	\$ -	\$ 2,863,534	\$ -
Sewage disposal charges	-	5,733,627	-	-	5,733,627	-
Golf course fees and charges	-	-	-	946,467	946,467	-
Charges for services	-	-	-	-	-	4,991,805
Automobile parking system fees and charges	-	-	3,570,668	-	3,570,668	-
	<u>2,863,534</u>	<u>5,733,627</u>	<u>3,570,668</u>	<u>946,467</u>	<u>13,114,296</u>	<u>4,991,805</u>
Total operating revenues	2,863,534	5,733,627	3,570,668	946,467	13,114,296	4,991,805
Operating Expenses						
Cost of water produced/purchased	1,361,113	-	-	-	1,361,113	-
Cost of sewage treatment	-	3,760,560	-	-	3,760,560	-
Operation and maintenance	934,478	739,347	2,106,987	706,277	4,487,089	1,200,250
General and administrative	152,758	204,790	108,861	315,492	781,901	3,002,754
Depreciation (Note 6)	551,048	1,458,360	1,001,812	48,538	3,059,758	809,305
	<u>2,999,397</u>	<u>6,163,057</u>	<u>3,217,660</u>	<u>1,070,307</u>	<u>13,450,421</u>	<u>5,012,309</u>
Total operating expenses	2,999,397	6,163,057	3,217,660	1,070,307	13,450,421	5,012,309
Operating Income (Loss)	(135,863)	(429,430)	353,008	(123,840)	(336,125)	(20,504)
Nonoperating Revenue (Expenses)						
Investment income	80,988	77,658	51,347	20,577	230,570	160,766
Interest expense	-	(939,404)	-	-	(939,404)	-
Loss on disposal of assets	-	-	-	-	-	27,132
Property taxes	494,962	3,290,046	-	-	3,785,008	-
	<u>575,950</u>	<u>2,428,300</u>	<u>51,347</u>	<u>20,577</u>	<u>3,076,174</u>	<u>187,898</u>
Total nonoperating revenue	575,950	2,428,300	51,347	20,577	3,076,174	187,898
Income (Loss) - Before contributions and transfers	440,087	1,998,870	404,355	(103,263)	2,740,049	167,394
Transfers to Other Funds	-	-	-	(20,000)	(20,000)	(144,270)
Change in Net Assets	440,087	1,998,870	404,355	(123,263)	2,720,049	23,124
Net Assets - Beginning of year	20,646,727	24,564,125	20,707,991	1,642,239	67,561,082	13,763,589
Net Assets - End of year	<u>\$ 21,086,814</u>	<u>\$ 26,562,995</u>	<u>\$ 21,112,346</u>	<u>\$ 1,518,976</u>	<u>\$ 70,281,131</u>	<u>\$ 13,786,713</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, 2010

	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	\$ 2,784,083	\$ 5,424,586	\$ 3,438,500	\$ 946,491	\$ 12,593,660	\$ 4,991,806
Payments to suppliers	(1,666,783)	(4,280,132)	(2,059,968)	(352,445)	(8,359,328)	(3,272,030)
Payments to employees	(801,713)	(531,154)	(341,039)	(694,978)	(2,368,884)	(741,254)
Net cash provided by (used in) operating activities	315,587	613,300	1,037,493	(100,932)	1,865,448	978,522
Cash Flows from Noncapital Financing Activities						
Transfers to other funds	-	-	-	(20,000)	(20,000)	(144,270)
Property taxes	496,562	2,392,459	-	-	2,889,021	-
Net cash provided by (used in) noncapital financing activities	496,562	2,392,459	-	(20,000)	2,869,021	(144,270)
Cash Flows from Capital and Related Financing Activities						
Issuance of debt	-	5,764,361	-	-	5,764,361	-
Amounts paid to escrow agent	-	(5,753,838)	-	-	(5,753,838)	-
Loans from other funds	-	-	-	250,000	250,000	-
Principal and interest paid on capital debt	-	(3,401,169)	-	-	(3,401,169)	-
Purchase of capital assets	(1,024,474)	(364,199)	(1,015,972)	(638,224)	(3,042,869)	(398,151)
Proceeds from sale of capital assets	-	-	-	-	-	41,077
Property taxes - Restricted for capital debt	-	917,944	-	-	917,944	-
Net cash used in capital and related financing activities	(1,024,474)	(2,836,901)	(1,015,972)	(388,224)	(5,265,571)	(357,074)
Cash Flows from Investing Activities -						
Interest received on investments	80,987	77,658	51,347	20,577	230,569	160,766
Net Increase (Decrease) in Cash and Cash Equivalents	(131,338)	246,516	72,868	(488,579)	(300,533)	637,944
Cash and Cash Equivalents - Beginning of year	5,412,049	4,344,995	3,498,613	767,035	14,022,692	11,046,306
Cash and Cash Equivalents - End of year	<u>\$ 5,280,711</u>	<u>\$ 4,591,511</u>	<u>\$ 3,571,481</u>	<u>\$ 278,456</u>	<u>\$ 13,722,159</u>	<u>\$ 11,684,250</u>
Balance Sheet Classification of Cash and Cash Equivalents						
Cash and investments	\$ 5,280,711	\$ 4,591,511	\$ 3,571,481	\$ 278,456	\$ 13,722,159	\$ 11,239,535
Restricted investments (Note 8)	-	-	-	-	-	444,715
Total cash and cash equivalents	<u>\$ 5,280,711</u>	<u>\$ 4,591,511</u>	<u>\$ 3,571,481</u>	<u>\$ 278,456</u>	<u>\$ 13,722,159</u>	<u>\$ 11,684,250</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, 2010

	Water Supply System Receiving	Sewage Disposal System	Automobile Parking Fund	Golf Courses (Other Nonmajor Enterprise Fund)	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to						
Net Cash from Operating Activities						
Operating income (loss)	\$ (135,863)	\$ (429,430)	\$ 353,008	\$ (123,840)	\$ (336,125)	\$ (20,504)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	551,048	1,458,360	1,001,812	48,538	3,059,758	809,305
Changes in assets and liabilities:						
Receivables	(80,358)	(324,686)	(132,168)	23	(537,189)	-
Other assets	(17,063)	44,640	(10,268)	(11,263)	6,046	32,965
Accounts payable	(15,480)	(99,510)	(176,490)	5,775	(285,705)	113,014
Accrued and other liabilities	13,303	(36,074)	1,599	(20,165)	(41,337)	43,742
Net cash provided by (used in) operating activities	<u>\$ 315,587</u>	<u>\$ 613,300</u>	<u>\$ 1,037,493</u>	<u>\$ (100,932)</u>	<u>\$ 1,865,448</u>	<u>\$ 978,522</u>

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

City of Birmingham, Michigan

Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2010

	Pension and Other Employee Benefits	Agency Fund
Assets		
Cash and cash equivalents (Note 5)	\$ 3,034,159	\$ 1,725,897
Investments:		
U.S. government securities	17,378,487	-
Stocks	56,307,467	-
Bonds	15,552,902	-
Receivables - Accrued interest	311,915	4,100
Other assets	3,721,347	-
Total assets	96,306,277	\$ 1,729,997
Liabilities		
Accounts payable	15,779	\$ 37,373
Accrued and other liabilities	291,929	1,692,624
Total liabilities	307,708	\$ 1,729,997
Net Assets - Held in trust for pension and other employee benefits	\$ 95,998,569	

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

City of Birmingham, Michigan

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2010

	Pension and Other Employee Benefits
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,754,107
Net increase in fair value of investments	5,638,679
Less investment expenses	(443,029)
Net investment income	7,949,757
Contributions:	
Employer	3,741,139
Plan members	616,468
Total contributions	4,357,607
Other revenue	376,290
Total net additions	12,683,654
Deductions	
Benefit payments	6,749,670
Refunds of contributions	2,171,290
Administrative expenses and other	181,638
Total deductions	9,102,598
Net Increase	3,581,056
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	92,417,513
End of year	\$ 95,998,569

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 Assets June 30, 2010

	Baldwin Public Library	Brownfield Redevelopment Authority	Corridor Improvement Authority	Principal Shopping District	Total
Assets					
Cash and investments (Note 5)	\$ 1,946,415	\$ 47,517	\$ 27,772	\$ 642,540	\$ 2,664,244
Receivables	-	3,387	-	89,167	92,554
Due from other governmental units	51,297	-	-	-	51,297
Capital assets (Note 6)	3,313,094	-	-	2,497	3,315,591
Other	46,832	-	-	25,840	72,672
Total assets	5,357,638	50,904	27,772	760,044	6,196,358
Liabilities					
Accounts payable	74,880	549	-	22,498	97,927
Accrued and other liabilities	123,008	-	-	17,317	140,325
Noncurrent liabilities (Note 7):					-
Due within one year	141,965	-	-	9,916	151,881
Due in more than one year	-	-	-	495	495
Total liabilities	339,853	549	-	50,226	390,628
Net Assets					
Investment in capital assets	3,313,094	-	-	2,497	3,315,591
Restricted:					
Corridor Improvement Authority	-	-	27,772	-	27,772
Brownfield Redevelopment Authority	-	50,355	-	-	50,355
Library donations	843,261	-	-	-	843,261
Unrestricted	861,430	-	-	707,321	1,568,751
Total net assets	\$ 5,017,785	\$ 50,355	\$ 27,772	\$ 709,818	\$ 5,805,730

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

City of Birmingham, Michigan

	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Baldwin Public Library - Culture and recreation	\$ 3,538,309	\$ 766,594	\$ 91,911
Brownfield Redevelopment Authority - Community development	36,152	1,533	-
Corridor Improvement Authority - Community development	7,980	-	20,309
Principal Shopping District - Community development	<u>880,746</u>	<u>859,016</u>	<u>67,355</u>
Total governmental activities	<u>\$ 4,463,187</u>	<u>\$ 1,627,143</u>	<u>\$ 179,575</u>

General revenue:

Taxes

State sources

Use of money and property

Total general revenue

Increase (Decrease) in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

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

Component Units
Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets				
Baldwin Public Library	Brownfield Redevelopment Authority	Corridor Improvement Authority	Principal Shopping District	Total
\$ (2,679,804)	\$ -	\$ -	\$ -	\$ (2,679,804)
-	(34,619)	-	-	(34,619)
-	-	12,329	-	12,329
-	-	-	45,625	45,625
(2,679,804)	(34,619)	12,329	45,625	(2,656,469)
2,002,886	15,727	-	-	2,018,613
51,297	-	-	-	51,297
104,906	1,065	-	7,536	113,507
2,159,089	16,792	-	7,536	2,183,417
(520,715)	(17,827)	12,329	53,161	(473,052)
5,538,500	68,182	15,443	656,657	6,278,782
\$ 5,017,785	\$ 50,355	\$ 27,772	\$ 709,818	\$ 5,805,730

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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.

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
798 North Woodward
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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from 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 assets are available, it is the City's policy to first apply restricted resources.

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.

Major Streets and Local Street Funds - The Major and Local Streets Funds account for the resources of state gas and weight tax revenues that are restricted for use on major and local streets.

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 healthcare benefits provided to employees during retirement.

Agency Funds - The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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, 2010 is based on the 2009 levy, which was billed July 1, 2009.

The 2009 taxable valuation of the City totaled \$2,024,142,830, on which ad valorem taxes levied consisted of 11.0507 mills for operating purposes. These mills were allocated to the General Fund (9.6159), the Water Fund (.2471), the Sewer Fund (1.1877), .7226 mills for refuse services, and 1.4488 mills for debt service. This resulted in \$22.4 million for operating expenses, \$1.5 million for refuse services, and \$2.9 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, 2010 is based on the 2009 levy, which was billed July 1, 2009.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2009 taxable value totaled \$2,024,142,830; the Library's millage rate was 1.000 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 Assets or 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. Pooled investment income is generally allocated to each fund using a weighted average. The City does engage in securities lending transactions with investments in the Employee Retirement System and Retiree Health Care Fund.

Receivables - All customer receivables are shown net of allowances for uncollectible amounts. For the year ended June 30, 2010, there was approximately \$1,216,000 in allowances for parking fines, \$130,000 in allowances for delinquent personal property taxes, and approximately \$85,000 in allowances for miscellaneous receivables. Property taxes levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

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, 2010, the prepaid retirement costs were \$447,712, \$40,001, and \$40,692 for governmental, business-type activities, and component units, respectively. Prepaid retiree healthcare benefit costs were \$1,171,582, \$13,486 and, \$15,153 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, can an employee 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 assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide state of activities

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 assets 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 \$2,917,893 difference are as follows:

Capital outlay	\$6,240,773
Depreciation expense	<u>(3,322,880)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$2,917,893</u>

Note 3 - Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2010, consisted of the following:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Golf Course	\$750,000

The balance above represents a loan for renovations to the Lincoln Hills Golf Course clubhouse and parking lot. The balance is not scheduled to be collected in the subsequent year.

Note 3 - Interfund Receivables, Payables, and Transfers (Continued)

For the year ended June 30, 2010, interfund transfers reported in the fund statements were as follows:

	Transfers Out			Total
	General Fund	Golf Courses	Internal Service Funds	
Transfers in:				
General Fund	\$ -	\$ 20,000 (3)	\$ 144,270 (4)	\$ 164,270
Major Streets Fund	1,500,000 (1)	-	-	1,500,000
Local Streets Fund	1,453,560 (1)	-	-	1,453,560
Capital Projects Fund	2,113,600 (2)	-	-	2,113,600
Total	<u>\$ 5,067,160</u>	<u>\$ 20,000</u>	<u>\$ 144,270</u>	<u>\$ 5,231,430</u>

The following describes the nature of significant transfers:

- (1) Transfers of discretionary funds to be used for the benefit of the community
- (2) Transfers for capital improvements
- (3) Fee in lieu of taxes
- (4) Transfer of surplus funds from the Equipment Fund

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, 2010 is as follows:

Surplus as of June 30, 2009	\$ -
Building permit revenue	856,866
Related expenses:	
Direct costs	\$1,017,577
Estimated indirect costs	<u>114,069</u>
Total construction code expenses	<u>1,131,646</u>
Deficit as of June 30, 2010	<u>\$ (274,780)</u>

Note 5 - Cash, Investments, and Securities Lending

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; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures 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 no bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

Note 5 - Cash, Investments, and Securities Lending (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's general investment policy restricts the average maturity of investments to 2-1/2 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 - 184 days, and repurchase agreements - 60 days. The City's pension and retiree healthcare 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:

Investment Type	Fair Value	Maturity (Years)			
		< 1	1 - 5	6 - 10	> 10
U.S. Treasury:					
General investments	\$ 2,936,248	\$ 1,726,523	\$ 1,209,725	\$ -	\$ -
Retirement Fund	5,063,169	100,430	3,098,990	990,008	873,741
Retiree Health Care	813,240	-	504,534	163,806	144,900
U.S. agency:					
General investments	32,604,618	3,702,829	28,901,789	-	-
Retirement Fund	9,584,203	-	105,263	1,801,396	7,677,544
Retiree Health Care	1,917,875	-	26,472	665,786	1,225,617
Corporate bonds:					
Retirement Fund	12,854,360	-	3,008,120	6,244,067	3,602,173
Retiree Health Care	2,698,543	8,478	570,897	1,415,195	703,973

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); or pooled funds with a rating of at least an A. The City's retirement and retiree healthcare 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:

Note 5 - Cash, Investments, and Securities Lending (Continued)

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating Agency</u>
U.S. agency securities	Unrated	\$ 4,985,232	
	AAA	38,911,987	S&P
Corporate bonds	Unrated	1,241,010	
	AAA	2,319,841	S&P
	AA+	418,474	S&P
	AA	540,369	S&P
	AA-	220,353	S&P
	A+	1,472,580	S&P
	A	2,517,289	S&P
	A-	858,191	S&P
	BBB+	630,641	S&P
	BBB	1,693,135	S&P
	BBB-	1,844,026	S&P
	BB+	229,427	S&P
	BB	399,066	S&P
	BB-	459,181	S&P
	B+	402,561	S&P
B	217,319	S&P	
B-	89,440	S&P	
Pooled funds	Unrated	7,898,335	
	AAA	2,004,363	S&P

Concentration of Credit Risk - At June 30, 2010, 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	18%	-	-
Federal Home Loan Mortgage	8%	-	-
Federal National Mortgage Assn.	23%	8%	8%
Federal Home Loan Bank	10%	-	-

Note 5 - Cash, Investments, and Securities Lending (Continued)

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

Securities Lending Transactions - State statutes permit participation of the City of Birmingham Employees' Retirement System and Retiree Health Care Fund in securities lending transactions. The City of Birmingham Employees' Retirement System and Retiree Health Care Fund, via a securities lending authorization agreement, authorized Comerica Bank ("Comerica") to lend securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, Comerica, at the direction of the City of Birmingham Employees' Retirement System and Retiree Health Care Fund, lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least one hundred percent (100%) of the market value of the loaned securities. Comerica indemnified the City of Birmingham Employees Retirement System and Retiree Health Care Fund from borrower risk in the event the borrower failed to return the loaned securities or pay a distribution.

The City of Birmingham Employees' Retirement System and Retiree Health Care Fund placed limits on the amount of loans that could be made under the Securities Lending Program during the year. Investment was limited to \$4,500,000 and \$1,350,000 for the City of Birmingham Employees' Retirement System and Retiree Health Care Fund, respectively. Additionally, reinvestments were limited to overnight instruments.

The City of Birmingham Employees' Retirement System and Retiree Health Care Fund terminated the Securities Lending Program during the year and all outstanding transactions were concluded as of June 30, 2010.

Note 6 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 10,337,835	\$ -	\$ -	\$ 10,337,835
Art and historical treasures	752,324	-	-	752,324
Construction in progress	<u>1,099,448</u>	<u>464,541</u>	<u>961,714</u>	<u>602,275</u>
Subtotal	12,189,607	464,541	961,714	11,692,434
Capital assets being depreciated:				
Road and sidewalks	50,197,192	3,548,121	1,660,481	52,084,832
Buildings and improvements	21,133,091	88,833	-	21,221,924
Improvements other than buildings	8,392,007	1,901,830	-	10,293,837
Machinery and equipment	<u>12,270,645</u>	<u>1,605,300</u>	<u>556,201</u>	<u>13,319,744</u>
Subtotal	91,992,935	7,144,084	2,216,682	96,920,337
Accumulated depreciation:				
Road and sidewalks	20,503,457	2,514,798	1,660,481	21,357,774
Buildings and improvements	3,672,362	187,629	-	3,859,991
Improvements other than buildings	921,091	384,559	-	1,305,650
Machinery and equipment	<u>7,933,676</u>	<u>1,045,199</u>	<u>528,770</u>	<u>8,450,105</u>
Subtotal	<u>33,030,586</u>	<u>4,132,185</u>	<u>2,189,251</u>	<u>34,973,520</u>
Net capital assets being depreciated	<u>58,962,349</u>	<u>3,011,899</u>	<u>27,431</u>	<u>61,946,817</u>
Net capital assets	<u>\$ 71,151,956</u>	<u>\$ 3,476,440</u>	<u>\$ 989,145</u>	<u>\$ 73,639,251</u>

Note 6 - Capital Assets (Continued)

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 1,597,920	\$ -	\$ -	\$ 1,597,920
Construction in progress	575,968	61,218	575,966	61,220
Subtotal	2,173,888	61,218	575,966	1,659,140
Capital assets being depreciated:				
Water and sewer distribution systems	79,563,336	1,918,436	47,146	81,434,626
Land improvements	1,762,566	372,341	-	2,134,907
Building and building improvements	31,044,813	1,142,668	-	32,187,481
Machinery and equipment	2,916,767	171,319	-	3,088,086
Subtotal	115,287,482	3,604,764	47,146	118,845,100
Accumulated depreciation:				
Water and sewer distribution systems	17,767,852	2,014,907	-	19,782,759
Building and building improvements	16,354,164	872,223	-	17,226,387
Machinery and equipment	2,088,389	172,627	-	2,261,016
Subtotal	36,210,405	3,059,757	-	39,270,162
Net capital assets being depreciated	79,077,077	545,007	47,146	79,574,938
Net capital assets	\$ 81,250,965	\$ 606,225	\$ 623,112	\$ 81,234,078

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

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Component Units				
Capital assets not being depreciated -				
Fine arts	\$ 95,500	\$ -	\$ (12,418)	\$ 107,918
Capital assets being depreciated:				
Equipment and building improvements	3,044,232	35,524	56,848	3,022,908
Books, periodicals, etc.	9,143,132	378,057	93,640	9,427,549
Subtotal	12,187,364	413,581	150,488	12,450,457
Less accumulated depreciation	8,722,213	658,719	138,148	9,242,784
Net capital assets being depreciated	3,465,151	(245,138)	12,340	3,207,673
Net capital assets	\$ 3,560,651	\$ (245,138)	\$ (78)	\$ 3,315,591

Note 6 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 207,188
Public safety	165,953
Public works	2,483,057
Economic development	8,252
Recreation and culture	458,429
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>809,305</u>
Total governmental activities	<u>\$ 4,132,184</u>
Business-type activities:	
Water and sewer	\$ 2,009,407
Automobile parking system	1,001,812
Golf courses	<u>48,538</u>
Total business-type activities	<u>\$ 3,059,757</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>
Park improvements	\$ 2,913,582	\$ 50,642
Street/bridge projects	1,034,329	1,050,883
Water system improvements	144,638	158,383
Parking deck improvements	810,498	635,195
Building improvements	224,574	90,135
Other	340,375	533,764
Sewer improvements	391,925	208,314
Sidewalks	<u>206,623</u>	<u>-</u>
Total	<u>\$ 6,066,544</u>	<u>\$ 2,727,315</u>

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	\$ 5,500,000	\$ -	\$ (500,000)	\$ 5,000,000	\$ 500,000
2003 Refunding Bonds:							
Amount of issue - \$9,055,000	2.00% -	\$425,000 -					
Maturing through 2012	4.00%	\$1,500,000	2,775,000	-	(600,000)	2,175,000	700,000
2006 Refunding Bonds:							
Amount of issue - \$8,920,000	3.75% -	\$40,000 -					
Maturing through 2023	4.00%	\$1,285,000	8,835,000	-	(45,000)	8,790,000	45,000
Less: deferred amount on refunding			(452,007)		30,134	(421,873)	(30,134)
2008 Parks and Recreation Bonds:							
Amount of issue - \$4,000,000	3.00% -	\$100,000 -					
Maturing through 2029	4.00%	\$300,000	4,000,000	-	(100,000)	3,900,000	100,000
Total general obligation bonds			20,657,993	-	(1,214,866)	19,443,127	1,314,866
Notes Payable:							
MDEQ Brownfield Redevelopment Loan:							
Amount of loan - \$300,000	2.00%	\$27,398 -					
Maturing through 2019		\$32,743	300,000	-	(32,743)	267,257	27,398
Total bonds and notes payable			20,957,993	-	(1,247,609)	19,710,384	1,342,264
Accumulated employee benefits			2,076,356	461,863	(337,855)	2,200,364	1,557,427
Total governmental activities			\$ 23,034,349	\$ 461,863	\$ (1,585,464)	\$ 21,910,748	\$ 2,899,691

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, \$714,468 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.

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:							
2000 Sewer Improvement Bonds:							
Amount of issue - \$12,000,000	5.25% -	\$200,000 -					
Maturing through 2020	8.00%	\$1,200,000	\$ 375,000	\$ -	\$ (375,000)	\$ -	\$ -
2004 Refunding Bonds:							
Amount of issue - \$9,930,000	2.00% -	\$85,000 -					
Maturing through 2020	4.00%	\$1,155,000	9,570,000	-	(170,000)	9,400,000	590,000
Total general obligation bonds			9,945,000	-	(545,000)	9,400,000	590,000
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	11,965,452	5,764,361	(7,155,876)	10,573,937	1,498,219
Add: deferred amount on refunding			-	717	(90)	627	90
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	4,969,495	-	(319,993)	4,649,502	280,679
Less: deferred amount on refunding			(21,360)	-	1,424	(19,936)	(1,424)
North Arm Drain Bonds:							
Amount of issue - \$13,877,387	1.10% -	\$121,756 -					
Maturing through 2021	1.30%	\$174,693	1,944,306	-	(143,421)	1,800,885	146,681
Total contractual obligations			18,857,893	5,765,078	(7,617,956)	17,005,015	1,924,245
Total bonds and contractual obligations			28,802,893	5,765,078	(8,162,956)	26,405,015	2,514,245
Accumulated employee benefits			41,785	7,016	(19,096)	29,705	29,031
Total business-type activities			\$ 28,844,678	\$ 5,772,094	\$ (8,182,052)	\$ 26,434,720	\$ 2,543,276

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 total \$17,210,013 and \$2,032,238, respectively.

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
2011	\$ 1,372,398	\$ 733,941	\$ 2,106,339	\$ 2,515,579	\$ 780,163	\$ 3,295,742
2012	1,502,946	688,124	2,191,070	2,673,138	709,169	3,382,307
2013	1,628,505	636,166	2,264,671	2,737,888	631,476	3,369,364
2014	879,075	591,908	1,470,983	2,839,896	552,011	3,391,907
2015	984,656	556,258	1,540,914	2,895,275	465,785	3,361,060
2016-2029	13,764,677	2,958,571	16,723,248	12,762,548	1,333,007	14,095,555
Total	<u>\$ 20,132,257</u>	<u>\$ 6,164,968</u>	<u>\$ 26,297,225</u>	<u>\$ 26,424,324</u>	<u>\$ 4,471,611</u>	<u>\$ 30,895,935</u>

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

Defeased Debt - During the year, the Oakland County Water Resources Commission defeased bonds, for which the City is partially indebted, related to the Birmingham and Bloomfield Village Combined Sewer Overflow Retention Basins. Below is a summary of those defeasements.

Birmingham Combined Sewer Overflow Retention Basin -The Water Resources Commissioner issued new bonds in the amount of \$5,135,000 with an average interest rate of 2.35 percent. The City is responsible for approximately 97 percent of the new debt. The proceeds were used to refund \$5,125,000 of outstanding debt of the 2001 Birmingham Combined Sewer Overflow Drainage District Refunding Bonds. These new bonds were issued at a premium of \$42,203. The proceeds of \$5,124,361 (after payment of \$52,842 in underwriting fees, insurance, and other issuance costs) were used to defease the outstanding debt. The refunding reduced total debt service payments over the next seven years by \$420,973, which represents an economic gain of \$384,153.

Bloomfield Village Combined Sewer Overflow Retention Basin - The Water Resources Commissioner issued new bonds in the amount of \$4,720,000 with an average interest rate of 2.35 percent. The City is responsible for approximately 17 percent of the new debt. The proceeds were used to refund \$4,715,000 of outstanding debt of the 2001 Bloomfield Village Combined Sewer Overflow Drainage District Refunding Bonds. These new bonds were issued at a premium of \$49,225. The proceeds of \$4,714,412 (after payment of \$54,812 in underwriting fees, insurance, and other issuance costs) were used to defease the outstanding debt. The refunding reduced total debt service payments over the next seven years by \$405,571, which represents an economic gain of \$370,813.

Note 8 - Restricted Assets

The balance of the restricted assets in the governmental funds is approximately \$273,687, which represents unspent bond proceeds that are restricted for park improvement projects.

The balance of the restricted assets in the Internal Service Funds is approximately \$444,715, which represents health reimbursement accounts (HRs) 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.

Note 9 - Designated Fund Balance

Fund balances have been designated as follows:

General Fund - Amount budgeted to be used in next fiscal year	\$ 251,880
Capital Projects Fund:	
Chesterfield fire station renovations	\$ 2,511,346
Park improvements	1,479,146
Library HVAC	149,440
Downtown streetscapes	80,984
City hall renovation	56,431
Downtown streetlights	46,137
Downtown 2016 plan	32,121
Ice arena renovation	27,516
Streambank improvements (Booth Park)	6,334
Woodward Avenue median improvements	<u>6,236</u>
Total Capital Projects Fund	<u>\$ 4,395,691</u>

Note 10 - Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Monies received for subsequent year's operations	\$ -	\$ 28,791
Parking tickets and charges for services	88,685	
Special assessments and delinquent property taxes	<u>879,615</u>	<u>-</u>
Total deferred revenue	<u>\$ 968,300</u>	<u>\$ 28,791</u>

Unearned revenue in the Sewer Fund reflects prepaid capacity use of a combined sewer overflow retention facility by the Oakland County Water Resources Commissioner.

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:

Note 11 - Risk Management (Continued)

	<u>2010</u>	<u>2010</u>
Unpaid claims - Beginning of year	\$ 224,593	\$ 327,741
Incurred claims - Including claims incurred but not reported	2,127,053	2,748,777
Claim payments	<u>(2,035,411)</u>	<u>(2,851,925)</u>
Unpaid claims - End of year	<u>\$ 316,235</u>	<u>\$ 224,593</u>

Note 12 - Pension Plans

Defined Benefit Plan

Plan Description - The City of Birmingham Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Birmingham Employees' Retirement System Pension Board. This plan covers most of the full-time employees of the City (see defined contribution plan below). The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the City of Birmingham, 151 Martin St., P.O. Box 3001, Birmingham, MI 48009.

Funding Policy - The City Commission is responsible for establishing and amending plan provisions, pursuant to negotiation with the City's competitive bargaining units.

Currently, a contribution from the employees of 2 percent to 3 percent of their covered salary is required. The funding policy provides for periodic employer contributions at actuarially determined rates which for fiscal year 2009-2010 was 13.98 percent of annual covered payroll less \$292,247 for general employees and 13 percent for public safety employees.

Note 12 - Pension Plans (Continued)

Annual Pension Cost - For 2010, the City's annual pension cost of \$1,229,185 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>2008</u>	<u>2009</u>	<u>2010</u>
Employees' Retirement System:			
Annual pension costs (APC)	\$1,034,107	\$ 831,629	\$1,229,185
Percentage of APC contributed	100%	100%	143%
Net pension obligation	\$ -	\$ -	\$ (528,406)

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

	<u>Actuarial Valuation as of June 30</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$99,375,118	\$102,374,310	\$ 99,632,855
Actuarial accrued liability (entry age)	\$89,832,272	\$ 96,642,109	\$100,123,655
Overfunded (unfunded) AAL	\$9,542,846	\$ 5,732,201	\$ (490,800)
Funded ratio	110.6%	105.9%	99.5%
Covered payroll	\$11,561,631	\$11,756,272	\$11,059,972
Overfunded (unfunded) AAL as a percentage of covered payroll	82.5%	48.7%	(4.4)%

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

Annual required contribution (recommended)	<u>\$1,229,185</u>
Annual pension cost	1,229,185
Amounts contributed	<u>1,757,591</u>
Increase in net pension obligation (NPO)	(528,406)
NPO - Beginning of year	<u>-</u>
NPO - End of year	<u>\$ (528,406)</u>

Note 12 - Pension Plans (Continued)

As of June 30, 2010, the plan's legally required reserves have been funded as follows:

Reserve for employer contributions	\$ 18,283,208
Reserve for employees' contributions	7,683,730
Reserve for retired benefit payments	55,196,614
Reserve for deferred retirement option plan benefit payments	916,926

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, 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 overfunded actuarial liability is being amortized as a level dollar amount for general employees and a level percent of payroll basis for public safety employees. The remaining amortization period is 15 years closed for general employees and 15 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 and Teamster employees hired on or after July 1, 2006 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:

	Department Heads and Non-Union Employees	Library Employees	AFSCME Employees	Teamster Employees
Employer Contribution	not to exceed 5%	200% of employee contrib. not to exceed 6%	\$1.20/hr. \$1.80/overtime hr.	\$1.20/hr. \$1.80/overtime hr.
Employee Contribution	3%	no mandatory contribution	\$.60/hr. \$.90/overtime hr.	\$.60/hr.
Vesting Period	5 years	3 years	5 years	5 years

Note 12 - Pension Plans (Continued)

At June 30, 2010, 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
Number of Employees	3	12	0	1
Employer Contributions	\$9,583	\$26,105	\$0	\$2,700
Employee Contributions	\$5,750	\$13,053	\$0	\$1,316

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, 2010, the plan had the following plan members:

Active service members:	
General employees	92
Public safety employees	55
Deferred members	8
Retired members and beneficiaries	<u>212</u>
Total members	<u>367</u>

The 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.

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 percent - 3 percent 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 Officials	Police Command	General Executive, General, Library, Police Support, Police Patrol	Teamsters AFSCME	Firefighters & Command
Single - Below age 65	\$15	\$40	\$30	\$ 60	\$60
Single - Age 65 and over	8	20	15	30	30
Couple - Below age 65	30	80	60	120	120
Couple - Age 65 and over	16	40	30	60	60

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 percent of the calculated premium.

For the fiscal year ended June 30, 2010, plan members or beneficiaries receiving benefits contributed \$279,697. The City is required to contribute at a rate equivalent to the annual required contribution (ARC) (18.01 percent or \$1.98 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, 2008 (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)
\$13,666,912	\$53,550,081	\$39,883,169	25.5%	\$11,756,272	339.3%

Note 13 - Postemployment Benefits (Continued)

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

Annual required contribution (recommended)	\$ 1,983,548
Interest on the prior year's net OPEB obligation	(71,709)
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB cost	\$ 1,911,839
Amounts contributed:	
Employer contribution	(1,983,548)
Medicare subsidies	<u>(104,090)</u>
Increase in net OPEB obligation	(175,799)
OPEB obligation - Beginning of year	<u>(1,024,421)</u>
OPEB obligation - End of year	<u>\$ (1,200,220)</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:

	<u>Fiscal Year Ended June 30</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Employees' Retiree Health Care System:			
Annual OPEB costs	\$1,842,693	\$1,913,220	\$ 1,911,839
City percentage contributed	124.4%	126.4%	103.8%
Federal percentage contributed	0%	3.6%	5.4%
Net OPEB obligation	\$ (450,000)	\$(1,024,421)	\$(1,200,220)

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.

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 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 thirty years.

Note 13 - Postemployment Benefits (Continued)

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, 2010 are as follows:

Valuation date:	June 30, 2007
Actuarial cost method:	Individual entry age
Amortization method	Level percentage of pay, open
Remaining amortization periods	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	4%
Healthcare cost trend rate	10% initial 4% ultimate

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, and firefighters hired on or after July 1, 2009. In addition, Teamster and AFSCME employees currently eligible for defined benefit healthcare 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:

Note 13 - Postemployment Benefits (Continued)

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

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

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

At June 30, 2010, 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
Number of Employees	4	8	27	33	0
Employer Contributions	\$4,680	\$9,450	\$29,280	\$43,880	\$0
Employee Contributions	\$3,833	\$6,859	\$0	\$19,879	\$0

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.

Note 14 - Joint Ventures (Continued)

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, 2010, the City expensed \$1,361,113 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 two debt issuances totaling approximately \$8,550,000, of which the City has guaranteed approximately \$381,960 at June 30, 2010. 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.

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, 2010, the City expensed \$1,272,761 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.

Note 14 - Joint Ventures (Continued)

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 \$821,191 and its share of Court revenue amounted to \$822,184 for the Court's year ended December 31, 2009. Complete audited financial statements for the Court can be obtained from the Court's administrative offices at 4280 Telegraph Road in Bloomfield Township. The City's equity interest at June 30, 2010 is \$64,649.

Note 15 - GASB 54 Implementation

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 clear fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

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Required Supplemental Information

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City of Birmingham, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual (Budgetary Basis) (See Note B)	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Property taxes	\$ 19,503,430	\$ 19,503,430	\$ 19,434,031	\$ (69,399)
Licenses and permits	1,220,160	1,220,160	1,515,554	295,394
Intergovernmental revenue	1,843,850	1,582,518	1,615,692	33,174
Charges for services	2,287,820	2,185,020	2,224,995	39,975
Fines and forfeitures	1,164,450	1,164,450	1,214,127	49,677
Interest and rent	588,730	318,730	339,822	21,092
Other	100,530	100,530	122,843	22,313
Transfers from other funds	164,270	164,270	164,270	-
Total revenue	26,873,240	26,239,108	26,631,334	392,226
Expenditures				
General government	5,655,660	5,454,179	4,942,453	511,726
Public safety	10,784,480	10,730,026	10,661,848	68,178
Community development	1,683,020	1,698,290	1,527,579	170,711
Engineering and public services	4,163,170	3,943,594	3,644,733	298,861
Contingency	202,060	8,239	-	8,239
Transfers to other funds	4,384,850	6,179,850	5,923,795	256,055
Total expenditures	26,873,240	28,014,178	26,700,408	1,313,770
Excess of Expenditures Over Revenue	-	(1,775,070)	(69,074)	1,705,996
Fund Balances - Beginning of year	11,570,872	11,570,872	11,570,872	-
Fund Balances - End of year	\$ 11,570,872	\$ 9,795,802	\$ 11,501,798	\$ 1,705,996

City of Birmingham, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Special assessments	\$ 33,140	\$ 33,140	\$ 24,187	\$ (8,953)
Intergovernmental revenue	741,090	741,090	843,495	102,405
Other revenue	-	-	2,146	2,146
Interest and rent	110,230	65,230	65,106	(124)
Transfers from other funds	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Total revenue	2,384,460	2,339,460	2,434,934	95,474
Expenditures				
Maintenance of streets and bridges	407,200	491,922	217,923	273,999
Street cleaning	193,050	193,050	182,193	10,857
Street trees	289,600	289,600	239,790	49,810
Traffic controls and engineering	561,120	690,928	439,866	251,062
Snow and ice removal	279,070	279,070	191,300	87,770
Administrative	17,070	17,070	16,394	676
Capital outlay - Engineering and construction of roads and bridges	<u>567,260</u>	<u>1,195,125</u>	<u>923,569</u>	<u>271,556</u>
Total expenditures	<u>2,314,370</u>	<u>3,156,765</u>	<u>2,211,035</u>	<u>945,730</u>
Excess of Revenue Over (Under) Expenditures	70,090	(817,305)	223,899	1,041,204
Fund Balances - Beginning of year	<u>4,327,178</u>	<u>4,327,178</u>	<u>4,327,178</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 4,397,268</u>	<u>\$ 3,509,873</u>	<u>\$ 4,551,077</u>	<u>\$ 1,041,204</u>

City of Birmingham, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Local Streets Fund
 Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Special assessments	\$ 335,680	\$ 330,680	\$ 378,014	\$ 47,334
Intergovernmental revenue	311,840	311,840	313,696	1,856
Other revenue	-	-	9,611	9,611
Interest and rent	91,850	66,850	75,861	9,011
Transfers from other funds	<u>1,453,560</u>	<u>1,453,560</u>	<u>1,453,560</u>	<u>-</u>
Total revenue	2,192,930	2,162,930	2,230,742	67,812
Expenditures				
Maintenance of streets and bridges	617,870	1,266,782	1,183,730	83,052
Street cleaning	223,920	223,920	195,879	28,041
Street trees	649,850	649,850	544,717	105,133
Traffic controls and engineering	76,180	76,180	62,957	13,223
Snow and ice removal	119,650	169,650	122,392	47,258
Administrative	27,650	27,650	26,974	676
Capital outlay - Engineering and construction of roads and bridges	<u>777,600</u>	<u>1,884,887</u>	<u>1,040,510</u>	<u>844,377</u>
Total expenditures	<u>2,492,720</u>	<u>4,298,919</u>	<u>3,177,159</u>	<u>1,121,760</u>
Excess of Expenditures Over Revenue	(299,790)	(2,135,989)	(946,417)	1,189,572
Fund Balances - Beginning of year	<u>3,164,474</u>	<u>3,164,474</u>	<u>3,164,474</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 2,864,684</u>	<u>\$ 1,028,485</u>	<u>\$ 2,218,057</u>	<u>\$ 1,189,572</u>

City of Birmingham, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2010

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
6/30/05	\$ 89,847,749	\$ 80,909,787	\$ 8,937,962	111.0	\$ 12,007,486	74.4
6/30/06	93,194,651	85,554,832	7,639,819	108.9	11,761,335	65.0
6/30/07	99,375,118	89,832,272	9,542,846	110.6	11,561,631	82.5
6/30/08	102,374,310	96,642,109	5,732,201	105.9	11,756,272	48.8
6/30/09	99,632,855	100,123,655	(490,800)	99.5	11,059,972	(4.4)
6/30/10	*	*	*	*	*	*

* Information not available

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution		Percentage Contributed	
		General	Police & Fire	General	Police & Fire
6/30/06	6/30/03	0.41%		100.0	
6/30/07	6/30/04	2.84%		100.0	
6/30/08	6/30/06	8.61%		100.0	
6/30/09	6/30/07	7.12%		100.0	
6/30/10	6/30/08	8.95% *	13.00%	153.1	135.6

* The required contribution is expressed to the City as a percentage of payroll less a fixed funding credit. The 8.95% represents an estimated contribution rate.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2009, the latest actuarial valuation date, follows:

Employees' Retirement System

Actuarial cost method	Entry age actuarial cost method
Amortization method	Police and Fire: Level percent of payroll General: Level Dollar
Remaining amortization period	Police and Fire: 30 years open General: 25 years closed 4-year smoothed market
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases:	
General	4.0% - 7.8%
Police and fire	4.0% - 7.0%
Assumed rate of payroll growth	4.0%
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, 2010

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
6/30/06	\$ 11,319,546	\$ 43,074,648	\$ 31,755,102	26.3	\$ 11,761,335	270.0
6/30/07	13,649,834	48,191,355	34,541,521	28.3	11,561,631	298.8
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	*	*	*	*	*	*

* Information not available

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/07	6/30/04	\$ 1,834,392	100.0
6/30/08	6/30/05	1,842,693	124.4
6/30/09	6/30/06	1,944,720	127.9
6/30/10	6/30/07	1,983,548	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, 2008, the latest actuarial valuation date, follows:

Retiree Health Care Fund

Actuarial cost method	Individual entry age
Amortization method	General: Level dollar - closed Police and Fire: Level percent - open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases:	4.0%
Healthcare cost trend rate	9% initial 4% ultimate

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.

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.

The nonmajor proprietary Golf Course Fund has a deficit net asset balance at June 30, 2010 of \$533,277. This deficit was created due to advances payable to other funds for capital asset improvements made. This deficit is expected to be corrected through future operations.

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

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	\$ (836,635)
Transfers out	<u>836,635</u>
Total adjustments	<u>\$ -</u>

Notes to Required Supplemental Information

June 30, 2010

Note B - Explanation of Differences between General Fund
Expenditures on a Budgetary Basis and GAAP Basis
(Continued)

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	\$ (20,000)
Transfers out	<u>20,000</u>
Total adjustments	<u>\$ -</u>

Other Supplemental Information

City of Birmingham, Michigan



	Nonmajor Special Revenue Funds		
	Solid Waste Disposal	Community Development Block Grant	Law and Drug Forfeitures
Assets			
Cash and investments	\$ 1,104,227	\$ -	\$ 434,974
Receivables - Net - Customers	503	-	-
Due from other governmental units	-	5,420	-
Total assets	<u>\$ 1,104,730</u>	<u>\$ 5,420</u>	<u>\$ 434,974</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 107,753	\$ 5,420	\$ -
Accrued and other liabilities	20,222	-	-
Deferred revenue	503	-	-
Total liabilities	128,478	5,420	-
Fund Balances - Reserved for			
Encumbrances	-	-	12,455
Law and drug enforcement programs	-	-	422,519
Solid waste	976,252	-	-
Debt service	-	-	-
Total fund balances	<u>976,252</u>	<u>-</u>	<u>434,974</u>
Total liabilities and fund balances	<u>\$ 1,104,730</u>	<u>\$ 5,420</u>	<u>\$ 434,974</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

<u>Nonmajor Debt Service Funds</u>	<u>2002 Parks and Recreation</u>	<u>Total Nonmajor Governmental Funds</u>
2003 Refunding		
\$ 80,558	\$ 34,444	\$ 1,654,203
-	-	503
<u>-</u>	<u>-</u>	<u>5,420</u>
<u>\$ 80,558</u>	<u>\$ 34,444</u>	<u>\$ 1,660,126</u>
\$ -	\$ -	\$ 113,173
7,678	14,685	42,585
<u>-</u>	<u>-</u>	<u>503</u>
7,678	14,685	156,261
-	-	12,455
-	-	422,519
-	-	976,252
<u>72,880</u>	<u>19,759</u>	<u>92,639</u>
<u>72,880</u>	<u>19,759</u>	<u>1,503,865</u>
<u>\$ 80,558</u>	<u>\$ 34,444</u>	<u>\$ 1,660,126</u>

City of Birmingham, Michigan

	Nonmajor Special Revenue Funds		
	Solid Waste Disposal	Community Development Block Grant	Law and Drug Forfeitures
Revenue			
Property taxes	\$ 1,446,885	\$ -	\$ -
Federal grants	-	39,397	24,730
Charges for services	24,910	-	-
Use of money and property	<u>23,915</u>	<u>-</u>	<u>6,918</u>
Total revenue	1,495,710	39,397	31,648
Expenditures			
Current:			
Public safety	-	-	69,701
Solid waste	1,637,880	-	-
Community development	-	39,397	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,637,880</u>	<u>39,397</u>	<u>69,701</u>
Net Change in Fund Balance	(142,170)	-	(38,053)
Fund Balances - Beginning of year	<u>1,118,422</u>	<u>-</u>	<u>473,027</u>
Fund Balances - End of year	<u>\$ 976,252</u>	<u>\$ -</u>	<u>\$ 434,974</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010

Nonmajor Debt Service Funds	2002 Parks and Recreation	Total Nonmajor Governmental Funds
2003 Refunding		
\$ 670,289	\$ 1,319,245	\$ 3,436,419
-	-	64,127
-	-	24,910
1,711	3,431	35,975
672,000	1,322,676	3,561,431
-	-	69,701
-	-	1,637,880
-	-	39,397
680,075	1,338,009	2,018,084
680,075	1,338,009	3,765,062
(8,075)	(15,333)	(203,631)
80,955	35,092	1,707,496
<u>\$ 72,880</u>	<u>\$ 19,759</u>	<u>\$ 1,503,865</u>

City of Birmingham, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule
 Capital Projects Fund
 Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Special assessments	\$ 66,700	\$ 66,700	\$ 82,845	\$ 16,145
Federal sources	-	43,472	37,404	(6,068)
State sources	59,863	59,863	80,476	20,613
Interest and rent	118,540	118,540	79,194	(39,346)
Other revenue	57,500	57,500	81,626	24,126
Transfers from other funds	488,600	2,113,600	2,113,600	-
Total revenue	791,203	2,459,675	2,475,145	15,470
Expenditures	1,652,000	6,359,297	3,385,842	2,973,455
Excess of Expenditures Over Revenue	(860,797)	(3,899,622)	(910,697)	2,988,925
Fund Balances - Beginning of year	7,298,597	7,298,597	7,298,597	-
Fund Balances - End of year	\$ 6,437,800	\$ 3,398,975	\$ 6,387,900	\$ 2,988,925

City of Birmingham, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Taxes	\$ 1,462,410	\$ 1,453,910	\$ 1,446,885	\$ (7,025)
Charges for services	22,600	22,600	23,496	896
Interest	46,260	21,260	23,915	2,655
Other	-	-	1,414	1,414
Total revenue	1,531,270	1,497,770	1,495,710	(2,060)
Expenditures				
Refuse pickup	1,454,200	1,454,200	1,297,019	157,181
Equipment rental	100,000	100,000	131,142	(31,142)
Salaries	146,960	146,960	168,480	(21,520)
Miscellaneous	45,460	66,005	41,239	24,766
Total expenditures	1,746,620	1,767,165	1,637,880	129,285
Excess of Expenditures Over Revenue	(215,350)	(269,395)	(142,170)	127,225
Fund Balances - Beginning of year	1,118,422	1,118,422	1,118,422	-
Fund Balances - End of year	\$ 903,072	\$ 849,027	\$ 976,252	\$ 127,225

Other Supplemental Information
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (Continued)
 Year Ended June 30, 2010

Special Revenue Fund - Community Development Block Grant

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue - Intergovernmental	\$ 34,160	\$ 46,795	\$ 39,397	\$ (7,398)
Expenditures - Community development	<u>34,160</u>	<u>46,795</u>	<u>39,397</u>	<u>7,398</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>

City of Birmingham, Michigan

Other Supplemental Information
Budgetary Comparison Schedule
Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2010

Special Revenue Fund - Law and Drug Forfeiture Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Fines and forfeitures	\$ 251,000	\$ 11,000	\$ 24,730	\$ 13,730
Interest and other	9,850	9,850	6,918	(2,932)
Total revenue	260,850	20,850	31,648	10,798
Expenditures				
Public safety	6,350	6,350	614	5,736
Capital outlay	195,000	195,000	69,087	125,913
Total expenditures	201,350	201,350	69,701	131,649
Excess of Revenue Over (Under) Expenditures	59,500	(180,500)	(38,053)	142,447
Fund Balances - Beginning of year	473,027	473,027	473,027	-
Fund Balances - End of year	<u>\$ 532,527</u>	<u>\$ 292,527</u>	<u>\$ 434,974</u>	<u>\$ 142,447</u>

City of Birmingham, Michigan

Other Supplemental Information
Budgetary Comparison Schedule
Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2010

Debt Service Funds

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Taxes	\$ 2,011,150	\$ 1,995,150	\$ 1,989,534	\$ (5,616)
Interest and other	6,740	4,740	5,142	402
Total revenue	2,017,890	1,999,890	1,994,676	(5,214)
Expenditures	2,017,890	2,017,890	2,018,084	(194)
Excess of Expenditures Over Revenue	-	(18,000)	(23,408)	(5,408)
Fund Balances - Beginning of year	116,047	116,047	116,047	-
Fund Balances - End of year	\$ 116,047	\$ 98,047	\$ 92,639	\$ (5,408)

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2010

	Equipment	Personal Services	Risk Management	Total
Assets				
Current assets:				
Cash and investments	\$ 6,651,296	\$ 616,838	\$ 3,971,401	\$ 11,239,535
Receivables	925	-	-	925
Inventory	68	-	-	68
Total current assets	6,652,289	616,838	3,971,401	11,240,528
Noncurrent assets:				
Prepaid costs and other assets	5,700	-	230,755	236,455
Restricted assets	-	-	444,715	444,715
Capital assets	3,144,763	-	-	3,144,763
Total noncurrent assets	3,150,463	-	675,470	3,825,933
Total assets	9,802,752	616,838	4,646,871	15,066,461
Liabilities				
Current liabilities:				
Accounts payable	33,769	-	110,597	144,366
Accrued liabilities	22,121	-	82,558	104,679
Provision for uninsured losses and liabilities	-	-	316,235	316,235
Current portion of long-term debt and employee benefits	23,491	-	48,040	71,531
Total current liabilities	79,381	-	557,430	636,811
Noncurrent liabilities - Provision for employee benefits	212	246,050	396,675	642,937
Total liabilities	79,593	246,050	954,105	1,279,748
Net Assets				
Investment in capital assets	3,144,763	-	-	3,144,763
Restricted	-	-	444,715	444,715
Unrestricted	6,578,396	370,788	3,248,051	10,197,235
Total net assets	<u>\$ 9,723,159</u>	<u>\$ 370,788</u>	<u>\$ 3,692,766</u>	<u>\$ 13,786,713</u>

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2010

	Equipment	Personal Services	Risk Management	Total
Operating Revenues - Charges to other funds	\$ 2,353,653	\$ -	\$ 2,638,152	\$ 4,991,805
Operating Expenses				
General and administrative	-	109,789	2,892,965	3,002,754
Supplies and other operating expenses	1,200,250	-	-	1,200,250
Depreciation	809,305	-	-	809,305
Total operating expenses	<u>2,009,555</u>	<u>109,789</u>	<u>2,892,965</u>	<u>5,012,309</u>
Operating Income (Loss)	344,098	(109,789)	(254,813)	(20,504)
Nonoperating Income (Expense)				
Interest earned	95,174	10,361	55,231	160,766
Gain on sale of capital assets	27,132	-	-	27,132
Net nonoperating income	<u>122,306</u>	<u>10,361</u>	<u>55,231</u>	<u>187,898</u>
Income (Loss) - Before transfers	466,404	(99,428)	(199,582)	167,394
Transfers Out	<u>(144,270)</u>	<u>-</u>	<u>-</u>	<u>(144,270)</u>
Changes in Net Assets	322,134	(99,428)	(199,582)	23,124
Net Assets - Beginning of year	<u>9,401,025</u>	<u>470,216</u>	<u>3,892,348</u>	<u>13,763,589</u>
Net Assets - End of year	<u>\$ 9,723,159</u>	<u>\$ 370,788</u>	<u>\$ 3,692,766</u>	<u>\$ 13,786,713</u>

City of Birmingham, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2010

	Equipment	Personal Services	Risk Management	Total
Cash Flows from Operating Activities				
Receipts from customers and others	\$ 2,353,655	\$ -	\$ 2,638,151	\$ 4,991,806
Payments to suppliers	(627,973)	-	(2,644,057)	(3,272,030)
Payments to employees	(615,591)	(125,663)	-	(741,254)
Net cash provided by (used in) operating activities	1,110,091	(125,663)	(5,906)	978,522
Cash Flows from Noncapital Financing Activities -				
Transfer to other funds	(144,270)	-	-	(144,270)
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(398,151)	-	-	(398,151)
Proceeds from sale of capital assets	41,077	-	-	41,077
Net cash used in capital and related financing activities	(357,074)	-	-	(357,074)
Cash Flows from Investing Activities - Interest received on investments				
	95,174	10,361	55,231	160,766
Net Increase (Decrease) in Cash and Cash Equivalents	703,921	(115,302)	49,325	637,944
Cash and Cash Equivalents - Beginning of year	5,947,375	732,140	4,366,791	11,046,306
Cash and Cash Equivalents - End of year	\$ 6,651,296	\$ 616,838	\$ 4,416,116	\$ 11,684,250
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 6,651,296	\$ 616,838	\$ 3,971,401	\$ 11,239,535
Restricted investments	-	-	444,715	444,715
Total cash and cash equivalents	\$ 6,651,296	\$ 616,838	\$ 4,416,116	\$ 11,684,250
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 344,098	\$ (109,789)	\$ (254,813)	\$ (20,504)
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	809,305	-	-	809,305
Changes in assets and liabilities:				
Receivables	-	-	-	-
Other assets	-	-	32,965	32,965
Accounts payable	2,417	-	110,597	113,014
Accrued and other liabilities	(45,729)	(15,874)	105,345	43,742
Net cash provided by (used in) operating activities	\$ 1,110,091	\$ (125,663)	\$ (5,906)	\$ 978,522

City of Birmingham, Michigan

Other Supplemental Information
 Combining Statement of Net Assets
 Fiduciary Funds
 June 30, 2010

	Pension Trust Fund	Retiree Health Care	Total
Assets			
Cash and investments	\$ 1,609,046	\$ 1,425,113	\$ 3,034,159
Investments:			
U.S. government securities	14,647,372	2,731,115	17,378,487
Stocks	49,013,090	7,294,377	56,307,467
Bonds	12,854,360	2,698,542	15,552,902
Receivables - Accrued interest	257,749	54,166	311,915
Other assets	<u>3,698,861</u>	<u>22,486</u>	<u>3,721,347</u>
 Total assets	 82,080,478	 14,225,799	 96,306,277
Liabilities			
Accounts payable	-	15,779	15,779
Accrued and other liabilities	<u>-</u>	<u>291,929</u>	<u>291,929</u>
 Total liabilities	 <u>-</u>	 <u>307,708</u>	 <u>307,708</u>
 Net Assets - Held in trust for pension and other employee benefits	 <u>\$ 82,080,478</u>	 <u>\$ 13,918,091</u>	 <u>\$ 95,998,569</u>

Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	Pension Trust Fund	Retiree Health Care	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,333,251	\$ 420,856	\$ 2,754,107
Net increase in fair value of investments	4,929,401	709,278	5,638,679
Less investment expenses	(377,381)	(65,648)	(443,029)
Net investment income	6,885,271	1,064,486	7,949,757
Contributions:			
Employer	1,757,591	1,983,548	3,741,139
Plan members	336,771	279,697	616,468
Total contributions	2,094,362	2,263,245	4,357,607
Other revenue	242,152	134,138	376,290
Total net additions	9,221,785	3,461,869	12,683,654
Deductions			
Benefit payments	4,594,606	2,155,064	6,749,670
Refunds of contributions	2,165,864	5,426	2,171,290
Administrative expenses	179,278	2,360	181,638
Total deductions	6,939,748	2,162,850	9,102,598
Net Increase in Net Assets Held in Trust for Pension Benefits	2,282,037	1,299,019	3,581,056
Net Assets Held in Trust for Pension Benefits			
Beginning of year	79,798,441	12,619,072	92,417,513
End of year	\$ 82,080,478	\$ 13,918,091	\$ 95,998,569

City of Birmingham, Michigan

Other Supplemental Information
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and investments	\$ 1,657,436	\$ 92,193,365	\$ 92,124,901	\$ 1,725,900
Receivables - Accrued interest	4,100	42,193	42,193	4,100
Total assets	\$ 1,661,536	\$ 92,235,558	\$ 92,167,094	\$ 1,730,000
Liabilities				
Accounts payable	\$ 10,422	\$ 1,982,019	\$ 1,955,069	\$ 37,372
Accrued liabilities and deposits	1,651,114	150,241,727	150,200,213	1,692,628
Total liabilities	\$ 1,661,536	\$ 152,223,746	\$ 152,155,282	\$ 1,730,000

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 supplementary 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.	87-96
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	97-104
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.	105-112
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.	113-117
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.	118-123

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 No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Birmingham, Michigan

Schedule 1

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 34,770,767	\$ 38,281,985	\$ 39,180,462	\$ 41,143,612
Restricted	5,472,159	4,998,609	8,762,794	6,882,174
Unrestricted	<u>15,893,998</u>	<u>17,538,349</u>	<u>18,068,788</u>	<u>22,689,042</u>
Total governmental activities net assets	<u>\$ 56,136,924</u>	<u>\$ 60,818,943</u>	<u>\$ 66,012,044</u>	<u>\$ 70,714,828</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 28,526,058	\$ 30,993,052	\$ 35,692,345	\$ 39,364,423
Restricted	-	-	-	-
Unrestricted	<u>19,797,834</u>	<u>19,222,129</u>	<u>17,948,733</u>	<u>17,954,913</u>
Total business-type activities net assets	<u>\$ 48,323,892</u>	<u>\$ 50,215,181</u>	<u>\$ 53,641,078</u>	<u>\$ 57,319,336</u>
Primary government:				
Invested in capital assets, net or related debt	\$ 63,296,825	\$ 69,275,037	\$ 74,872,807	\$ 80,508,035
Restricted	5,472,159	4,998,609	8,762,794	6,882,174
Unrestricted	<u>35,691,832</u>	<u>36,760,478</u>	<u>36,017,521</u>	<u>40,643,955</u>
Total primary government net assets	<u>\$ 104,460,816</u>	<u>\$ 111,034,124</u>	<u>\$ 119,653,122</u>	<u>\$ 128,034,164</u>

Net Assets by Component
 Last Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 49,133,247	\$ 53,059,163	\$ 52,819,897	\$ 54,202,554
10,007,279	9,778,799	10,127,990	9,419,471
<u>20,730,443</u>	<u>25,123,276</u>	<u>26,672,106</u>	<u>28,448,687</u>
<u>\$ 79,870,969</u>	<u>\$ 87,961,238</u>	<u>\$ 89,619,993</u>	<u>\$ 92,070,712</u>
\$ 46,265,092	\$ 50,434,743	\$ 52,448,072	\$ 54,829,062
-	-	-	-
<u>14,518,588</u>	<u>14,599,530</u>	<u>15,113,010</u>	<u>15,452,069</u>
<u>\$ 60,783,680</u>	<u>\$ 65,034,273</u>	<u>\$ 67,561,082</u>	<u>\$ 70,281,131</u>
\$ 95,398,339	\$ 103,493,906	\$ 105,267,969	\$ 109,031,616
10,007,279	9,778,799	10,127,990	9,419,471
<u>35,249,031</u>	<u>39,722,806</u>	<u>41,785,116</u>	<u>43,900,756</u>
<u>\$ 140,654,649</u>	<u>\$ 152,995,511</u>	<u>\$ 157,181,075</u>	<u>\$ 162,351,843</u>

City of Birmingham, Michigan

Schedule 2

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Expenses				
General government	\$ 2,985,800	\$ 4,274,062	\$ 4,185,288	\$ 4,170,097
Public safety	9,261,427	9,551,684	10,548,261	10,762,477
Public works	5,037,138	5,415,066	6,747,200	6,790,761
Community and economic development	1,379,875	1,570,097	1,582,068	2,403,825
Recreation and culture	1,235,909	1,447,417	1,529,228	1,731,180
Interest on long-term debt	686,078	871,144	811,327	796,230
Total expenses	<u>20,586,227</u>	<u>23,129,470</u>	<u>25,403,372</u>	<u>26,654,570</u>
Program Revenues				
Charges for services:				
General government	375,706	166,262	303,151	193,288
Public safety	1,485,747	1,387,850	1,733,626	1,753,163
Public works	472,759	616,455	291,266	346,660
Community and economic development	1,434,932	1,597,551	2,076,302	2,148,951
Recreation and culture	815,198	838,634	794,978	806,742
Operating grants and contributions	1,305,361	1,464,006	1,404,890	1,510,259
Capital grants and contributions	1,454,135	625,982	2,179,561	1,300,424
Total program revenues	<u>7,343,838</u>	<u>6,696,740</u>	<u>8,783,774</u>	<u>8,059,487</u>
Total Governmental Activities Net Program Expense	<u>13,242,389</u>	<u>16,432,730</u>	<u>16,619,598</u>	<u>18,595,083</u>
General Revenues and Other Changes in Net Assets				
Property taxes	15,883,161	18,914,232	19,463,836	20,687,616
State-shared revenues	2,017,629	1,822,737	1,799,241	1,790,712
Investment earnings	390,267	396,859	526,333	845,105
Miscellaneous	59,061	2,795	2,002	(4,603)
Special item - Demolition of building	-	-	-	-
Transfers	131,720	(21,876)	21,287	(20,963)
Total general revenues and other changes in net assets	<u>18,481,838</u>	<u>21,114,747</u>	<u>21,812,699</u>	<u>23,297,867</u>
Total Governmental Activities Change in Net Assets	<u>\$ 5,239,449</u>	<u>\$ 4,682,017</u>	<u>\$ 5,193,101</u>	<u>\$ 4,702,784</u>

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

Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year			
<u>2007</u> a	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 4,615,465	\$ 4,685,092	\$ 4,650,046	\$ 4,409,008
10,866,289	11,273,754	11,197,054	11,389,356
7,091,099	7,693,016	8,431,979	8,165,768
1,875,319	1,796,065	1,635,989	1,570,274
1,968,067	2,140,253	2,139,133	1,941,500
<u>691,966</u>	<u>734,287</u>	<u>818,203</u>	<u>806,707</u>
<u>27,108,205</u>	<u>28,322,467</u>	<u>28,872,404</u>	<u>28,282,613</u>
380,921	367,640	386,899	528,799
1,453,059	1,373,662	1,214,959	1,369,818
220,857	399,405	343,905	321,013
1,223,222	1,028,760	1,158,839	1,117,689
828,184	848,171	796,608	817,442
1,529,347	1,391,199	1,741,339	1,252,029
<u>5,157,018</u>	<u>3,910,855</u>	<u>1,049,066</u>	<u>363,579</u>
<u>10,792,608</u>	<u>9,319,692</u>	<u>6,691,615</u>	<u>5,770,369</u>
<u>16,315,597</u>	<u>19,002,775</u>	<u>22,180,789</u>	<u>22,512,244</u>
22,152,298	23,279,582	22,901,101	22,677,733
1,732,302	1,747,291	1,675,281	1,496,216
1,566,735	2,020,505	1,338,730	707,362
48,407	25,666	6,894	61,652
-	-	(2,102,460)	-
<u>(27,470)</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<u>25,472,272</u>	<u>27,093,044</u>	<u>23,839,546</u>	<u>24,962,963</u>
<u>\$ 9,156,675</u>	<u>\$ 8,090,269</u>	<u>\$ 1,658,757</u>	<u>\$ 2,450,719</u>

City of Birmingham, Michigan

Schedule 2

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Business-type Activities:				
Expenses				
Water and sewer	\$ 9,785,225	\$ 9,047,703	\$ 8,854,306	\$ 9,241,450
Automobile parking	3,088,100	3,204,165	3,328,312	3,355,063
Golf courses	<u>1,009,814</u>	<u>974,624</u>	<u>1,054,367</u>	<u>1,066,650</u>
Total expenses	<u>13,883,139</u>	<u>13,226,492</u>	<u>13,236,985</u>	<u>13,663,163</u>
Revenues				
Charges for services:				
Water and sewer	7,081,129	6,927,714	7,279,784	7,858,138
Automobile parking	3,693,419	3,608,526	3,773,554	3,754,325
Golf courses	1,063,581	1,075,422	1,162,190	1,152,815
Capital grants and contributions	<u>230,740</u>	<u>64,014</u>	<u>13,659</u>	<u>-</u>
Total revenues	<u>12,068,869</u>	<u>11,675,676</u>	<u>12,229,187</u>	<u>12,765,278</u>
Total Business-type Activities Net Program Expense	<u>1,814,270</u>	<u>1,550,816</u>	<u>1,007,798</u>	<u>897,885</u>
General Revenues and Other Changes in Net Assets				
Property taxes	3,955,796	3,209,429	4,172,129	4,105,169
Investment earnings	265,363	210,800	282,853	450,013
Transfers	<u>(131,720)</u>	<u>21,876</u>	<u>(21,287)</u>	<u>20,963</u>
Total general revenues and other changes in net assets	<u>4,089,439</u>	<u>3,442,105</u>	<u>4,433,695</u>	<u>4,576,145</u>
Total Business-type Activities Change in Net Assets	<u>\$ 2,275,169</u>	<u>\$ 1,891,289</u>	<u>\$ 3,425,897</u>	<u>\$ 3,678,260</u>
Total Primary Government Change in Net Assets	<u>\$ 7,514,618</u>	<u>\$ 6,573,306</u>	<u>\$ 8,618,998</u>	<u>\$ 8,381,044</u>

City of Birmingham, Michigan

Changes in Net Assets (Continued) Last Eight Fiscal Years (accrual basis of accounting)

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 9,394,229	\$ 9,547,433	\$ 9,602,230	\$ 10,101,858
3,330,406	3,285,579	3,923,862	3,217,660
<u>1,099,025</u>	<u>1,078,213</u>	<u>1,104,153</u>	<u>1,070,307</u>
<u>13,823,660</u>	<u>13,911,225</u>	<u>14,630,245</u>	<u>14,389,825</u>
7,484,810	8,284,887	7,775,992	8,597,161
3,713,506	3,754,252	3,664,014	3,570,668
974,386	985,469	1,021,878	946,467
-	-	-	-
<u>12,172,702</u>	<u>13,024,608</u>	<u>12,461,884</u>	<u>13,114,296</u>
<u>1,650,958</u>	<u>886,617</u>	<u>2,168,361</u>	<u>1,275,529</u>
4,253,485	4,256,794	4,203,739	3,785,008
834,347	900,415	511,432	230,570
<u>27,470</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>
<u>5,115,302</u>	<u>5,137,209</u>	<u>4,695,171</u>	<u>3,995,578</u>
<u>\$ 3,464,344</u>	<u>\$ 4,250,592</u>	<u>\$ 2,526,810</u>	<u>\$ 2,720,049</u>
<u>\$ 12,621,019</u>	<u>\$ 12,340,861</u>	<u>\$ 4,185,567</u>	<u>\$ 5,170,768</u>

City of Birmingham, Michigan

Schedule 3

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved	\$ 1,165,454	\$ 1,245,487	\$ 897,036	\$ 992,775
Designated	971,017	45,047	-	-
Unreserved	<u>3,874,673</u>	<u>4,014,568</u>	<u>4,165,479</u>	<u>5,294,617</u>
Total General Fund	<u>\$ 6,011,144</u>	<u>\$ 5,305,102</u>	<u>\$ 5,062,515</u>	<u>\$ 6,287,392</u>
All Other Governmental Funds				
Reserved ^a	\$ 6,778,308	\$ 5,967,257	\$ 10,726,375	\$ 9,666,801
Designated, reported in:				
Capital projects fund ^b	13,861,588	10,289,766	3,171,195	3,037,924
Unreserved, reported in:				
Special revenue funds ^c	693,797	632,136	751,190	867,541
Capital projects fund	<u>1,103,161</u>	<u>690,166</u>	<u>958,701</u>	<u>798,929</u>
Total all other governmental funds	<u>\$ 22,436,854</u>	<u>\$ 17,579,325</u>	<u>\$ 15,607,461</u>	<u>\$ 14,371,195</u>

Sources: Fiscal Years 2003-2010 - Governmental Funds Balance Sheet; fiscal years 2001-2002 - Combined Balance Sheet (All Fund Types).

^aReserved fund balance at 6/30/03 for Other Governmental Funds reflects the balance of a \$15.7 million Parks & Recreation bond issue sold in fiscal year 2003.

^bDesignated fund balance for Other Governmental Funds at 6/30/03 reflects a reduction of beginning fund balance in the amount of \$7,758,674. This represents sewer-related bond proceeds which had been accounted for in Debt Service Funds in fiscal years 2000, 2001 and 2002. These are now accounted for in the Sewage Disposal Fund in accordance with GASB 34.

^cIn fiscal years 2001-2004, fund balance in the Solid Waste Disposal Fund was classified as unreserved. Beginning in fiscal year 2005, it was classified as Reserved.

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,362,654	\$ 1,562,317	\$ 1,986,891	\$ 313,408	\$ 218,413	\$ 886,030
-	-	500,000	735,025	-	251,880
5,982,117	7,286,316	8,176,854	10,430,754	11,352,459	10,363,888
<u>\$ 7,344,771</u>	<u>\$ 8,848,633</u>	<u>\$ 10,663,745</u>	<u>\$ 11,479,187</u>	<u>\$ 11,570,872</u>	<u>\$ 11,501,798</u>
\$ 11,654,051	\$ 7,250,718	\$ 7,899,224	\$ 13,134,471	\$ 12,202,989	\$ 9,347,952
3,172,187	3,245,465	1,477,453	2,057,504	3,405,744	4,395,691
-	-	-	-	-	-
556,673	777,328	933,555	1,058,483	889,012	917,256
<u>\$ 15,382,911</u>	<u>\$ 11,273,511</u>	<u>\$ 10,310,232</u>	<u>\$ 16,250,458</u>	<u>\$ 16,497,745</u>	<u>\$ 14,660,899</u>

City of Birmingham, Michigan

Schedule 4

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues					
Property taxes and special assessments	\$ 16,678,578	\$ 18,166,178	\$ 16,157,523	\$ 19,311,096	\$ 20,193,516
Licenses and permits	2,028,712	1,697,747	1,554,182	1,788,000	2,325,043
Federal grants	86,935	111,135	936,125	358,157	167,152
State sources	3,538,515	3,368,671	3,719,633	3,157,699	4,085,860
Charges for services	1,972,657	1,987,525	2,300,941	2,441,215	2,170,661
Fines and forfeitures	1,561,387	1,416,836	1,310,556	1,268,379	1,611,650
Use of money and property	2,091,827	867,912	379,343	360,197	509,800
Other revenues	162,719	121,188	235,449	346,684	236,698
Total revenues	<u>28,121,330</u>	<u>27,737,192</u>	<u>26,593,752</u>	<u>29,031,427</u>	<u>31,300,380</u>
Expenditures					
General government	4,106,070	4,256,477	4,462,205	4,781,522	4,975,125
Public safety	7,917,513	8,184,850	8,684,771	8,999,008	9,751,923
Public works	2,622,375	3,274,428	3,828,632	3,406,619	3,266,816
Highway and streets	2,175,935	1,950,418	2,074,639	2,268,936	2,774,938
Community and economic development	1,383,610	1,433,099	1,414,364	1,648,463	1,632,810
Solid waste disposal	1,147,010	1,205,276	1,316,938	1,519,664	1,494,526
Contributions	888,534	840,165	866,178	681,247	940,609
Capital outlay ^a	3,928,017	13,407,326	13,361,958	4,180,968	3,117,195
Debt service ^b					
Interest	1,644,451	1,720,036	521,564	914,514	825,825
Principal	1,927,859	1,557,567	350,000	550,000	525,000
Total Expenditures	<u>27,741,374</u>	<u>37,829,642</u>	<u>36,881,249</u>	<u>28,950,941</u>	<u>29,304,767</u>
Excess of revenues over (under) expenditures	379,956	(10,092,450)	(10,287,497)	80,486	1,995,613
Other Financing Sources (Uses)					
Transfer from component units to primary government	136,105	69,852	-	-	-
Transfers in	3,865,059	4,000,553	2,926,235	3,270,895	4,063,066
Transfers out	(3,345,059)	(4,055,286)	(2,794,515)	(3,292,771)	(3,989,585)
Residual equity transfer	(47,463)	-	-	-	-
Bond issuance ^c	1,158,772	4,513,760	15,700,000	5,130,000	-
Payments to bond escrow agent	-	-	-	(5,200,000)	-
Total other financing sources (uses)	<u>1,767,414</u>	<u>4,528,879</u>	<u>15,831,720</u>	<u>(91,876)</u>	<u>73,481</u>
Net change in fund balances	<u>\$ 2,147,370</u>	<u>\$ (5,563,571)</u>	<u>\$ 5,544,223</u>	<u>\$ (11,390)</u>	<u>\$ 2,069,094</u>
Debt service as a percentage of noncapital expenditures ^d	NRA	NRA	3.9%	6.1%	5.3%

NRA=Not readily available

^aCapital outlay for 2002 includes \$8.7 million for sewer-improvement projects; capital outlay for 2003 includes purchase of the Barnum property for \$8.5 million.

^bPrior to implementation of GASB 34 in 2003, the debt service for several sewer-related bond issues was accounted for in the Debt Service Funds. This is now accounted for in the Sewage Disposal Fund.

^cSewer-improvement bonds were issued in 2000 in the amount of \$12 million; parks & recreation bonds in the amount of \$15.7 million in 2003.

^dNoncapital 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 2008-2010, this capital outlay number can be found in the Note 2 to the Financial Statements. 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				
2006	2007	2008	2009	2010
\$ 21,225,051	\$ 22,586,390	\$ 24,319,277	\$ 23,722,152	\$ 23,355,496
2,082,832	1,471,868	1,306,345	1,452,722	1,515,554
305,584	273,887	468,915	714,029	236,478
3,462,540	2,987,264	3,021,448	2,902,148	2,718,412
2,706,414	2,762,206	2,288,815	2,244,186	2,250,830
1,480,147	1,422,209	1,188,631	1,060,422	1,214,127
871,444	1,517,744	1,910,769	1,270,423	595,958
<u>539,346</u>	<u>217,507</u>	<u>350,214</u>	<u>233,823</u>	<u>215,301</u>
<u>32,673,358</u>	<u>33,239,075</u>	<u>34,854,414</u>	<u>33,599,905</u>	<u>32,102,156</u>
5,074,225	5,367,207	5,429,209	5,318,511	4,942,453
10,360,896	10,602,175	11,155,388	10,833,054	10,731,549
3,246,268	3,290,440	3,514,572	3,594,641	3,644,733
2,528,375	2,562,731	3,083,656	3,681,423	3,269,797
2,458,714	1,908,941	1,821,498	1,683,326	1,586,976
1,577,262	1,588,623	1,561,829	1,601,925	1,637,880
869,377	768,622	694,993	617,413	836,635
7,605,553	4,725,070	3,164,577	4,211,925	5,504,239
812,263	684,365	701,236	787,675	773,084
<u>725,000</u>	<u>900,000</u>	<u>965,000</u>	<u>1,025,000</u>	<u>1,245,000</u>
<u>35,257,933</u>	<u>32,398,174</u>	<u>32,091,958</u>	<u>33,354,893</u>	<u>34,172,346</u>
(2,584,575)	840,901	2,762,456	245,012	(2,070,190)
-	-	-	-	-
4,012,561	6,089,460	5,191,880	5,380,640	5,231,430
(4,033,524)	(6,116,930)	(5,171,880)	(5,286,680)	(5,067,160)
-	-	-	-	-
-	8,881,348	3,973,212	-	-
-	<u>(8,842,409)</u>	-	-	-
<u>(20,963)</u>	<u>11,469</u>	<u>3,993,212</u>	<u>93,960</u>	<u>164,270</u>
\$ (2,605,538)	\$ 852,370	\$ 6,755,668	\$ 338,972	\$ (1,905,920)
5.7%	5.7%	5.8%	6.4%	7.2%

City of Birmingham, Michigan

Schedule 5

Fiscal Year	Taxable Value				Total
	Residential Property	Commercial Property	Industrial Property	Personal Property	
2001	\$ 979,676,588	\$ 234,621,347	\$ 9,807,850	\$ 59,423,980	\$ 1,283,529,765.0
2002	1,066,075,236	236,608,907	10,095,740	60,179,340	1,372,959,223
2003	1,162,634,718	261,405,270	9,683,680	58,533,820	1,492,257,488
2004	1,252,362,600	277,386,489	11,224,590	60,481,400	1,601,455,079
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

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

Total Direct Tax Rate ^a	Estimated Actual Value	Taxable Value as a Percentage of Actual Value	Total Assessed Value	Assessed Value as a Percentage of True Value
15.40	\$ 3,237,406,180	39.6%	\$ 1,618,703,090	50%
15.49	3,642,595,810	37.7%	1,821,297,905	50%
14.87	4,134,445,980	36.1%	2,067,222,990	50%
15.57	4,908,737,620	32.6%	2,454,368,810	50%
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%

City of Birmingham, Michigan

Schedule 6

Fiscal Year	City Direct Rates					Overlapping Rates			
	Basic Charter Operating Rate ^a	Refuse ^b	Baldwin Public Library ^c	Debt Service ^d	Total Direct	Oakland County	Community College	Intermediate School District	Total County Rate
2001	11.53	0.82	1.68	1.37	15.40	4.65	1.61	2.08	8.34
2002 ^e	12.02	0.77	1.64	1.06	15.49	4.65	1.60	3.45	9.70
2003	11.50	0.83	1.54	1.00	14.87	4.65	1.61	3.42	9.68
2004 ^f	11.61	0.93	1.57	1.46	15.57	4.65	1.60	3.40	9.65
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

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 rates per \$1,000 of taxable valuation for fiscal year 2009-2010 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. t -date, this has not applied to the City of Birmingham.

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

^bMichigan law allows the City to levy up to \$3.00 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 and no more than \$1.75 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.

^eBeginning in 2001-2002, a portion of the charter operating millage is allocated to the George W. Kuhn Drain Bond Debt Service Fund.

^fBeginning in 2003-2004, a portion of the charter operating millage is allocated to the Sewage Disposal Fund to fund the debt service for the North Arm Drain.

^gSuburban 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^g</u>	<u>Zoo Authority</u>	<u>Homestead</u>	<u>Non-Homestead</u>
18.90	25.45	0.32	0.00	42.95	49.50
18.48	25.45	0.32	0.00	44.00	50.96
17.75	25.45	0.60	0.00	42.90	50.60
16.43	24.55	0.60	0.00	42.25	50.37
18.41	26.97	0.60	0.00	44.06	52.61
18.21	27.26	0.60	0.00	43.48	52.53
17.82	27.24	0.59	0.00	42.97	52.39
17.16	27.00	0.59	0.00	41.97	51.81
16.74	26.90	0.59	0.10	41.12	51.28
17.38	26.90	0.59	0.10	41.89	51.41

City of Birmingham, Michigan

Schedule 7

2010				
<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	\$ 34,986,640	1	1.73%
Palladium/Related Retail	Retail	19,690,090	2	0.97%
Geoff Hockman & Associates	Hotel/Office/Residential	16,216,590	3	0.80%
DTE Energy	Utility	9,515,510	4	0.47%
James Esshaki/J.P. Equities LLC	Office, Retail	9,226,910	5	0.46%
Associates of 555	Office, Retail, Parking	7,540,760	6	0.37%
Rosso Development	Office, Residential, Apts.	5,836,620	7	0.29%
BP Commercial	Office, Retail	5,715,340	8	0.28%
Kroger/TopValco	Retail	5,440,420	9	0.27%
Prudential Investments	Office	5,102,680	10	0.25%
Paul Johnson	Apartments/Commercial	-		-
Jacobson's	Retail	-		-
Transwestern CG II, LLC	Office/Retail	-		-
Media One of Michigan	Office	-		-
Total taxable value of 10 largest taxpayers		119,271,560		5.89%
Total taxable value of all other taxpayers		1,904,871,270		94.11%
Total taxable value of all taxpayers		<u>\$ 2,024,142,830</u>		<u>100.00%</u>

Source: City of Birmingham Assessor's Office

Principal Property Tax Payers
Current Year and Nine Years Ago

2001		
<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
\$ 12,818,390	2	1.00%
6,477,610	5	0.50%
11,429,080	3	0.89%
8,150,750	4	0.64%
-		-
5,825,190	8	0.45%
4,778,150	10	0.37%
-		-
-		-
-		-
17,063,490	1	1.33%
6,237,230	6	0.49%
6,041,410	7	0.47%
5,814,280	9	0.45%
84,635,580		6.59%
1,198,894,185		93.41%
\$ 1,283,529,765		100.00%

City of Birmingham, Michigan

Schedule 8

Fiscal Year	Taxes Levied for the Fiscal Year- Original Levy ^a		Adjusted Levy at Settlement ^f	Collected within the Fiscal Year of the Levy ^b	
	Original Levy ^a	Adjustments		Amount	Percentage of Original Levy
2001	\$ 19,770,668	\$ (151,009)	\$ 19,619,659	\$ 19,541,389	98.84%
2002	21,277,771	(97,491)	21,180,280	21,121,312	99.26%
2003 ^c	22,193,468	47,618	22,241,086	22,160,959	99.85%
2004 ^d	24,946,153	(68,761)	24,877,392	24,821,539	99.50%
2005	26,465,501	(70,295)	26,395,206	26,334,298	99.50%
2006	27,889,480	(150,577)	27,738,903	27,725,980	99.41%
2007 ^g	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%

Source: City of Birmingham Finance Department

NRA= Not readily available.

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 2002-2003 through 2006-2007, 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.

^dBeginning in 2004, *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. This information is not readily available for prior years.

^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
NRA	NRA	NRA
NRA	NRA	NRA
NRA	NRA	NRA
\$ 23,366	\$ 24,844,905	99.87%
20,890	26,355,188	99.85%
(138)	27,725,842	99.95%
15,511	29,464,637	99.98%
27,662	30,723,948	99.94%
18,353	29,487,866	99.93%
NA	NA	NA

City of Birmingham, Michigan

Schedule 9

Fiscal Year	Governmental Activities		Business-Type Activities		
	General Obligation Bonds ^a	Brownfield Redevelopment Loans	General Obligation Bonds ^b	Contractual Obligations ^c	Water Revenue Bonds ^d
2001	\$ 6,200,000	\$ -	\$ 18,720,000	\$ 21,515,621	\$ 1,600,000
2002	5,900,000	-	17,585,000	25,630,168	1,400,000
2003	21,250,000	-	16,345,000	27,663,312	-
2004	20,630,000	-	15,025,000	26,228,128	-
2005	20,105,000	-	14,555,000	24,801,276	-
2006	19,380,000	300,000	13,095,000	23,343,203	-
2007	18,587,725	300,000	11,655,000	21,821,028	-
2008	21,652,859	300,000	10,440,000	20,206,512	-
2009	20,657,993	300,000	9,945,000	18,857,893	-
2010	19,443,127	267,257	9,400,000	17,005,015	-

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.

^bIn 1999-2000, general obligation bonds for sewer improvements were issued in the amount of \$12 million.

^cCity of Birmingham's share of general obligation bonds issued by Oakland County

^dIn 2002-2003, the water revenue bonds were called.

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

^fSee Schedule 14 for population data.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Total Primary <u>Government</u>	Percentage of Actual Taxable Value of <u>Property</u>^e	Per <u>Capita</u>^f
\$	48,035,621	3.74%	\$ 2,490
	50,515,168	3.68%	2,605
	65,258,312	4.37%	3,353
	61,883,128	3.86%	3,191
	59,461,276	3.47%	3,073
	56,118,203	3.03%	2,902
	52,363,753	2.66%	2,687
	52,599,371	2.49%	2,690
	49,760,886	2.36%	2,580
	46,115,399	2.28%	2,254

City of Birmingham, Michigan

Schedule 10

Net General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds^{a,b}	Brownfield Redevelopment Loans	Contractual Obligations^c	Less: Funds Restricted to Repayment of Debt^d	Total
2001	\$ 24,920,000	\$ -	\$ 21,515,621	\$ (988,855)	\$ 45,446,766
2002	23,485,000	-	25,630,168	(1,225,960)	47,889,208
2003	37,595,000	-	27,663,312	(10,078)	65,248,234
2004	35,655,000	-	26,228,128	(109,710)	61,773,418
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

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

^aIn 1999-2000, general obligation bonds for sewer improvements were issued in the amount of \$12 million.

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

^cCity of Birmingham's share of general obligation bonds issued by Oakland County

^dPrior to implementation of GASB 34 in 2003, cash reserved for repayment of tax-supported business-type debt was recorded in the Debt Service Funds. Beginning in 2003, this amount is recorded in the Sewage Disposal Fund, Cash & Investments account.

^eSee Schedule 5 for property value data.

^fSee Schedule 14 for population data.

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Percentage of Actual Taxable Value of <u>Property</u>^e	Per <u>Capita</u>^f
3.54%	\$ 2,356
3.49%	2,470
4.37%	3,352
3.86%	3,185
3.46%	3,068
3.03%	2,897
2.68%	2,707
2.49%	2,685
2.36%	2,574
2.27%	2,248

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City of Birmingham, Michigan

Schedule 11

Direct and Overlapping
Governmental Activities Debt
As of June 30, 2010

<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	\$ 219,265,000	41.65%	\$ 91,323,873
Oakland County ^a	97,719,285	3.24%	3,166,105
Oakland Community College	6,005,000	3.26%	195,763
Oakland Intermediate School District	64,735,000	3.25%	2,103,888
Other Debt	-	N/A	-
Subtotal, overlapping debt			96,789,629
City direct debt (see schedule 9 for governmental activities)			<u>19,443,127</u>
Total direct and overlapping debt			<u>\$ 116,232,756</u>

Source: The net tax-supported debt (*debt repaid with property taxes*) information was provided by the City's bonding agent, Bendzinski & Co., courtesy of the Municipal Advisory Council of Michigan. The percentages for each entity are calculated by dividing the City's 2009 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 with the county. The County is obligated only upon default of a local municipality.

City of Birmingham, Michigan

Schedule 12

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$ 161,870	\$ 182,130	\$ 206,722	\$ 245,437
Total net debt applicable to limit	<u>26,187</u>	<u>29,254</u>	<u>46,327</u>	<u>43,930</u>
Legal debt margin	<u>\$ 135,683</u>	<u>\$ 152,876</u>	<u>\$ 160,395</u>	<u>\$ 201,507</u>
Total net debt applicable to the limit as a percentage of debt limit	16.18%	16.06%	22.41%	17.90%

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 2009-2010

2009 State Equalized Valuation		\$	<u>2,370,176</u>
Debt limit ^a (10% of State Equalized Valuation ^b)			237,018
Debt applicable to limitation:			
Total bonded and contractual debt	\$		46,115
Less deductions allowed by law:			
Combined sewer overflow abatement project			<u>10,575</u>
Total net debt applicable to limit			35,540
Legal debt margin		\$	<u><u>201,478</u></u>

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 249,961	\$ 265,544	\$ 282,017	\$ 292,576	\$ 270,785	\$ 237,018
<u>42,582</u>	<u>40,330</u>	<u>37,795</u>	<u>39,337</u>	<u>37,795</u>	<u>35,540</u>
<u>\$ 207,379</u>	<u>\$ 225,214</u>	<u>\$ 244,222</u>	<u>\$ 253,239</u>	<u>\$ 232,990</u>	<u>\$ 201,478</u>
17.04%	15.19%	13.40%	13.45%	13.96%	14.99%

City of Birmingham, Michigan

Schedule 13

Pledged-revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds								
Fiscal Year	Water Fund Operating Revenues	Less: Operating Expenses^a	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
2001	\$ 2,207,898	\$ 1,635,065	\$ 572,833	\$ 200,000	\$ 70,000	\$ 270,000	2.12	
2002	2,633,119	1,928,922	704,197	200,000	61,500	261,500	2.69	
2003	2,702,271	2,443,291	258,980	1,400,000	52,750	1,452,750	N/A	

Note: Revenue bonds were called and outstanding principal balance of \$1.4 million was paid in full, June 2003.

^aOperating expenses do not include depreciation and amortization.

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
2000	19,291	9,131	\$ 108,048	\$ 59,314	39.3	2,817		1.2
2001	19,391	9,200	113,612					2.1
2002	19,465	9,237	124,839					2.7
2003	19,393	9,230	112,207				2,245	2.8
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				2,397	8.6

Sources:

^aData for 2000 is from the U.S. Census Bureau. Estimates for 1999 and 2001-2006 are from SEMCOG,

Southeast Michigan Council of Governments as of July 1. Estimates for 2007 - 2009 are from SEMCOG as of December 31.

^bEstimates are from Oakland County Planning & Economic Development.

^cPer Capita Personal Income & Total Personal Income as defined by the Bureau of Economic Analysis are not available below the county level. The Per Capita income reported for 2000 is from the U.S. Census Bureau - 2000 Census.

Per capita income estimates for non-census years are not available for communities with a population under 20,000. 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.

^dPer U.S. Census Bureau-2000 Census

^ePer U.S. Census Bureau-2000 Census. Represents Birmingham residents enrolled in public and private schools, kindergarten through high school

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

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

City of Birmingham, Michigan

Schedule 15

Employer	Product or Service	2010^a		
		Employees	Rank	Percentage of Total City Employment^c
Birmingham Public Schools ^d	Primary education	1,050	1	5.82%
McCann Worldgroup	Advertising and marketing	420	2	2.33%
Shore Mortgage	Mortgage lending	375	3	2.08%
Townsend Hotel	Hotel/restaurant	191	4	1.06%
Max Broock Realtors, Inc.	Real estate sales	150	5	0.83%
City of Birmingham ^e	Government services	142	6	0.79%
Coldwell Banker Weir Manuel	Real estate sales	141	7	0.78%
Home Instead Senior Care	In-home care	140	8	0.78%
Munder Capital Management	Investment counselors	139	9	0.77%
Peabody's of Birmingham	Restaurant	115	10	0.64%
Consumer Pulse of Washington	Market research	-		
Gettel Management	Restaurants	-		
ERB Lumber	Lumber supplies	-		
Greater Resource, Inc.	Management consulting	-		
Gettel Group, Inc.	Management services	-		
Sentek Corp.	Help supply services	-		
Suburban Resources	Management consulting	-		
Jacobson Stores, Inc.	Retail department store	-		
Principal Resources, Inc.	Help supply services	-		
Total		2,863		15.86%

^aSources include the 2009 Community Profile prepared by Oakland County Planning & Economic Development; Reference USA, and on-line data base (<http://www.referenceusa.com>); and previous Top Employer lists used by the City of Birmingham Finance Department. All companies in the top ten for 2010 were contacted directly to obtain or confirm 2010 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 2000-2001 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 2001 is 22,802 based on an estimate for 2000. The number used for 2010 is 18,051 based on an estimate for 2010. 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 2010 number represents all school district employees. The 2001 number represents only those employees working within Birmingham city limits. The 2010 number for employees within Birmingham city limits is not readily available.

^eReflects budgeted full-time positions excluding component units.

Principal Employers
Current Year and Nine Years Ago

2001 ^b		
Employees	Rank	Percentage of Total City Employment ^b
743	2	3.26%
-		
-		
-		
-		
-		
-		
-		
-		
1,500	1	6.58%
416	3	1.82%
404	4	1.77%
345	5	1.51%
297	6	1.30%
283	7	1.24%
252	8	1.11%
250	9	1.10%
212	10	0.93%
4,702		20.62%

City of Birmingham, Michigan

Schedule 16

<u>Function/Program</u>	<u>Average FTE by Fiscal Year</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government					
Finance	7.60	8.10	8.60	8.20	8.00
Treasury	7.00	6.40	6.60	6.30	6.40
City Manager/Human Resources	4.90	5.00	5.20	4.80	5.30
Assessor	4.70	4.60	4.90	4.50	4.30
Other ^a	9.50	10.40	11.00	10.50	10.70
Public Safety					
Firefighters and officers ^b	38.00	38.00	38.00	38.00	38.00
Police officers and command	33.80	35.10	36.00	34.40	34.30
Police civilians	21.70	21.10	21.50	19.90	19.40
Fire civilians	1.10	1.10	1.10	1.00	1.00
Public Works					
Engineering	4.80	5.20	5.80	4.40	2.90
Public service operations ^c	21.30	18.70	20.60	21.30	22.40
Community and Economic Development					
Building department	10.00	10.00	9.90	9.20	9.80
Planning department	6.00	5.30	5.50	5.60	5.70
Recreation and Culture ^d	12.50	12.90	13.30	12.80	13.40
Water and Sewer					
Water- and sewer-main maintenance	8.20	8.70	10.40	10.10	10.20
Water meter shop	3.20	3.00	3.50	3.20	3.30
Automobile Parking ^e	3.10	3.60	3.90	3.50	3.50
Golf Courses	12.00	13.30	14.80	12.60	13.70
Total Primary Government	209.40	210.50	220.60	210.30	212.30
Component Units					
Library	34.90	34.60	38.50	37.40	37.90
Principal Shopping District	3.10	2.90	3.20	3.10	3.50
Total City	247.40	248.00	262.30	250.80	253.70

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 and culture, water and sewer-main maintenance, and golf course operations & 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 & Grounds, and Information Technology.

^bRepresents actual head count.

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

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

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

City of Birmingham, Michigan

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

Average FTE by Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
7.10	7.49	7.12	7.65	7.43
6.60	6.12	5.92	6.47	6.36
5.30	5.01	4.90	4.88	4.74
4.60	4.69	2.39	0.12	-
11.10	10.53	10.50	10.58	9.85
37.00	37.00	34.00	31.00	27.70
35.10	35.35	34.07	31.88	31.06
19.60	19.60	18.15	18.69	15.84
0.70	0.40	0.40	0.43	0.40
3.50	5.87	5.04	6.35	5.57
21.00	21.36	23.83	22.49	20.19
11.10	11.00	9.57	10.18	9.34
6.00	6.85	7.24	4.06	4.08
14.20	15.27	15.96	14.24	14.12
9.40	7.91	7.03	6.96	7.08
3.20	3.29	3.11	2.67	2.79
4.00	3.09	3.51	3.49	3.48
12.90	13.30	13.05	13.37	12.88
<u>212.40</u>	<u>214.13</u>	<u>205.79</u>	<u>195.51</u>	<u>182.91</u>
37.50	38.16	39.77	39.99	39.54
3.50	3.41	3.67	3.66	3.65
<u>253.40</u>	<u>255.70</u>	<u>249.23</u>	<u>239.16</u>	<u>226.10</u>

City of Birmingham, Michigan

Schedule 17

Function/Program	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
General Government							
Registered voters ^a	16,989	16,590	16,295	16,153	15,422	14,307	14,863
Ballots cast in November election	11,754	4,807	2,570	4,586	12,340	3,402	10,164
Taxpayers	NRA	11,000	10,610	10,610	11,000	11,000(E)	11,179
Average rate of return on city investments	5.68%	2.50%	1.40%	1.47%	2.27%	3.19%	4.17%
Vendor checks issued	8,451	8,325	7,850	8,075	8,168	8,362	8,014
Public Safety							
Fire Department^b							
Total alarms	NRA	NRA	1,774	1,713	1,689	1,719	1,696
Fires	NRA	NRA	65	43	51	50	36
Rescues/extrications (medical runs)	NRA	NRA	931	942	953	955	980
Other runs	NRA	NRA	778	728	685	714	680
Fire inspections ^c	833	876	850	850	825	1,844	1,674
Police Department^b							
Responses to calls for service	19,469	19,276	20,978	19,628	20,004	20,003	19,977
Adult arrests	732	755	682	728	578	645	630
Parking violations	48,524	48,639	46,278	50,173	49,410	44,394	45,214
Moving violations	7,836	7,445	6,596	5,095	6,450	6,662	7,129
Public Works							
Tons of municipal solid waste collected	13,500	13,000	12,556	12,748	12,254	11,898	10,282
City vehicles/equipment serviced per month (E)	NRA	NRA	NRA	NRA	NRA	100	100
Street trees planted	NRA	NRA	NRA	NRA	NRA	240	407
Street trees removed	NRA	NRA	NRA	NRA	NRA	600	453
Community & Economic Development							
Building & demolition permits issued	866	826	849	937	1,122	993	766
Total construction value (in thousands)	\$76,940	\$62,542	\$58,217	\$98,979	\$92,583	\$81,777	\$49,353
Recreation & Culture							
Skaters in ice arena basic skills program	NRA	NRA	1,477	1,294	1,501	1,217	1,000
Mens softball teams	6	7	7	5	5	6	6
Water & Sewer							
Water customers	8,496	8,283	8,277	8,296	8,476	NRA	8,594
Water meters in service	NRA	8,524	8,522	8,523	8,533	8,602	8,646
Automobile Parking							
Five parking structures							
Active parking permits at June 30	3,260	3,158	2,896	2,764	3,189	3,247	3,296
Transient parkers (includes free parkers)	1,170,639	1,436,405	1,440,004	1,453,125	1,485,487	1,377,702	1,366,749
Free parkers	807,565	827,966	832,018	856,850	882,495	849,698	881,005
Golf Courses (calendar year)							
Rounds played-Lincoln Hills ^d	35,000	35,000	35,000	31,401	28,710	29,455	21,839
Rounds played-Springdale ^e	NRA	NRA	NRA	28,151	28,560	24,546	17,986
Business memberships	NRA	NRA	NRA	NRA	180	160	116
Non-resident memberships							
Individual	NRA	NRA	NRA	NRA	366	298	258
Family	NRA	NRA	NRA	NRA	NRA	74	70
Dual (new in 2008)	-	-	-	-	-	-	-
Junior golf registrations	NRA	NRA	NRA	NRA	238	260	396

Operating Indicators by Function/Program
Last Ten Fiscal Years

Fiscal Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>
15,127	15,300	15,763
3,911	12,595	2,841
11,133	10,925	11,597
4.28%	3.48%	2.15%
7,603	6,788	6,657
1,855	1,854	1,634
43	75	40
974	994	926
838	785	668
929	858	610
18,749	20,104	16,031
510	419	328
40,615	34,592	33,827
6,439	5,478	6,980
9,500	8,951	8,942
90	95	45
293	226	315
230	252	232
650	610	611
\$40,282	\$46,001	\$53,457
1,200	1,200	1,100
6	6	5
8,617	8,617	8,634
8,672	8,688	8,693
3,165	2,690	2,975
1,298,284	1,188,367	1,166,818
827,127	730,220	750,919
27,898	25,950	18,501
26,674	27,716	18,801
127	116	105
421	359	365
42	27	26
143	125	121
378	420	341

City of Birmingham, Michigan

Schedule 17

<u>Function/Program</u>	<u>Fiscal Year</u>						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Component Units:							
Library							
Registered patrons ^f	28,678	32,999	36,477	40,029	42,213	45,237	48,113
Book collections	136,313	138,487	135,203	135,132	132,586	133,189	135,192
Audiovisual collections	42,352	49,115	50,230	51,860	55,905	57,511	59,500
Items circulated	330,935	344,788	386,488	426,007	520,018	586,191	662,035
Patron visits	275,602	282,894	287,336	320,047	352,742	382,414	370,097
Circulation per capita ^g	11	11	13	14	17	19	21.5
Program attendance	N/A	N/A	13,450	22,819	28,991	29,516	27,633
Principal Shopping District							
Retail occupancy rate as of June 30 ^h	N/A	N/A	89.0%	94.0%	94.9%	93.0%	94.3%
Sponsored events	N/A	N/A	8	8	9	11	11
PR media impressions (in millions) ⁱ	N/A	N/A	17	34.3	37.8	41.7	46.6
Website "hits" per month (approximate) ^j	N/A	N/A	N/A	N/A	N/A	148,000	348,000
Flower planters/baskets maintained	N/A	N/A	34	85	124	144	144

(E) = Estimate

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.

^dNumber for 2009 is through August only.

^eSpringdale was closed for remodeling during part of 2000 and most of 2001; number for 2010 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 and Bingham Farms, population of 30,758 per 2000 census.

^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 is not paid advertising; it represents how many people have seen/heard the PSD's message/story in the news media.

^jThe number of times an individual or search engine scans the PSD web site www.enjoybirmingham.com

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

<u>Fiscal Year</u>		
<u>2008</u>	<u>2009</u>	<u>2010</u>
22,245	27,104	30,904
135,420	137,798	140,330
61,340	64,791	28,764
698,444	736,074	752,351
362,699	373,022	357,374
22.7	23.9	24.5
27,595	26,925	25,677
95.7%	94.9%	92.6%
11	11	12
48.7	49.2	50
345,000	157,000	264,000
144	165	165

City of Birmingham, Michigan

Schedule 18

	Fiscal Year						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Function/Program</u>							
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 Pumps	3	3	3	3	3	3	3
Other fire vehicles (includes 1 aerial tower)	8	8	8	8	9	9	9
Police precincts	1	1	1	1	1	1	1
Public Works							
DPS administrative building & 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)	69.12	69.12	62.45	62.45	62.58	62.58	62.58
Sidewalks (miles)	128.69	128.69	128.69	128.69	128.69	128.69	128.69
Bridges	9	9	9	9	9	9	9
Vehicles in city fleet (excluding fire) ^b	NRA	NRA	NRA	NRA	NRA	93	93
Recreation & Culture							
Parks	18	18	18	18	18	18	18
Park land/public property (acres)	200	200	200	200+	200+	225+	225+
Trees on park/public land	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Tennis courts	20	20	20	16	16	16	16
Baseball diamonds	1	1	1	1	1	1	4
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
Water & Sewer							
Water mains (miles)	101.87	101.56	100.24	100.24	100.8	100.85	100.85
Sanitary sewers (miles)	116	116	117	117.09	117.09	116.94	116.94
Fire hydrants (city-owned)	733	749	763	779	789	809	819
Water storage tanks (500,000 gal.)	2	2	2	2	2	2	2
Line gate valves	1,248	1,251	1,259	1,272	1,278	1,278	1,278
Automobile Parking							
Parking structures	5	5	5	5	5	5	5
Revenue-generating public parking spaces							
Metered spaces (streets & surface lots)	1,192	1,228	1,252	1,267	1,270	1,270	1,288
Parking structure spaces	3,579	3,579	3,579	3,579	3,579	3,579	3,579
Total	4,771	4,807	4,831	4,846	4,849	4,849	4,867
Golf Courses (nine-hole)	2	2	2	2	2	2	2

E = Estimate

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 ^a
Last Ten Fiscal Years

<u>Fiscal Year</u>		
<u>2008</u>	<u>2009</u>	<u>2010</u>
24,282	24,282	24,282
30,470	30,470	30,470
2	2	2
3	3	3
8	8	8
1	1	1
36,365	36,365	36,365
21.87	21.87	21.87
62.58	62.58	62.58
128.69	128.69	129.03
9	9	9
91	91	85
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
116.11	116.11	115.41
823	830	856
2	2	2
1,286	1,286	1,289
5	5	5
1,304	1,313	1,311
3,579	3,579	3,579
4,883	4,892	4,890
2	2	2

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