



# Financial Report

with Supplemental Information  
June 30, 2020

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## **Independent Auditor's Report**

To the Members of the City Commission  
City of Bloomfield Hills, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Michigan (the "City") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Bloomfield Hills, Michigan's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Michigan as of June 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the City Commission  
City of Bloomfield Hills, Michigan

***Other Matters***

***Required Supplemental Information***

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

***Other Information***

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

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

*Plante & Moreau, PLLC*

November 4, 2020

As management of the City of Bloomfield Hills, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2020.

### ***Overview of the Financial Statements***

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (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, and public works. The business-type activities of the City include providing water and sewage disposal.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following two categories:

- **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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.
- **Proprietary Funds** - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewage disposal activities.

## City of Bloomfield Hills, Michigan

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

#### Notes and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements for nonmajor governmental funds are presented immediately following the required supplemental information on pensions and OPEB.

#### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$7,898,223 at the close of the most recent fiscal year.

#### The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 5,811,260	\$ 6,543,742	\$ 3,886,254	\$ 6,195,144	\$ 9,697,514	\$ 12,738,886
Capital assets	17,556,614	16,538,117	14,814,165	11,963,888	32,370,779	28,502,005
Total assets	23,367,874	23,081,859	18,700,419	18,159,032	42,068,293	41,240,891
<b>Deferred Outflows of Resources</b>	1,932,355	2,981,380	-	-	1,932,355	2,981,380
<b>Liabilities</b>						
Current liabilities	524,316	1,954,195	736,689	1,481,344	1,261,005	3,435,539
Noncurrent liabilities	30,748,794	31,489,287	2,097,281	2,092,281	32,846,075	33,581,568
Total liabilities	31,273,110	33,443,482	2,833,970	3,573,625	34,107,080	37,017,107
<b>Deferred Inflows of Resources</b>	1,995,345	2,185,627	-	-	1,995,345	2,185,627
<b>Net Position</b>						
Net investment in capital assets	15,222,450	13,870,378	12,716,884	9,544,558	27,939,334	23,414,936
Restricted	444,233	455,857	3,195,383	2,259,169	3,639,616	2,715,026
Unrestricted	(23,634,909)	(23,892,105)	(45,818)	2,776,680	(23,680,727)	(21,115,425)
Total net position	<u>\$ (7,968,226)</u>	<u>\$ (9,565,870)</u>	<u>\$ 15,866,449</u>	<u>\$ 14,580,407</u>	<u>\$ 7,898,223</u>	<u>\$ 5,014,537</u>

The City's combined net position is approximately \$7,900,000, as compared to approximately \$5,000,000 in the prior year. This represents an increase of approximately 58 percent. The governmental activities portion of net position increased by approximately \$1,600,000. The business-type activities increased by approximately \$1,300,000, for a total net increase of approximately \$2,900,000.

## City of Bloomfield Hills, Michigan

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

#### The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 913,390	\$ 1,055,227	\$ 3,443,567	\$ 3,190,690	\$ 4,356,957	\$ 4,245,917
Operating grants	809,264	713,694	-	-	809,264	713,694
Capital grants	-	-	2,378,181	2,306,645	2,378,181	2,306,645
General revenue:						
Property taxes	9,834,219	9,440,393	-	-	9,834,219	9,440,393
State sources	376,642	375,413	-	-	376,642	375,413
Investment earnings	150,300	115,341	8,435	14,205	158,735	129,546
Other revenue:						
Cable franchise fees	169,917	175,306	-	-	169,917	175,306
Other miscellaneous income	247,779	395,259	218,653	215,828	466,432	611,087
Total revenue	12,501,511	12,270,633	6,048,836	5,727,368	18,550,347	17,998,001
<b>Expenses</b>						
General government	3,175,881	2,957,011	-	-	3,175,881	2,957,011
Public safety	4,956,086	5,603,216	-	-	4,956,086	5,603,216
Public works	2,241,425	2,126,345	-	-	2,241,425	2,126,345
Debt service	530,475	559,215	-	-	530,475	559,215
Water and sewer	-	-	4,762,794	4,630,215	4,762,794	4,630,215
Total expenses	10,903,867	11,245,787	4,762,794	4,630,215	15,666,661	15,876,002
<b>Change in Net Position</b>	<b>\$ 1,597,644</b>	<b>\$ 1,024,846</b>	<b>\$ 1,286,042</b>	<b>\$ 1,097,153</b>	<b>\$ 2,883,686</b>	<b>\$ 2,121,999</b>

#### *Governmental Activities*

As you read through the next paragraph, it is important to keep in mind that governmental activities include not only the General Fund but also the General Obligation Debt Fund, Road Construction Fund, Major and Local Streets funds, and Drug Enforcement Fund.

The City's total governmental revenue totaled \$12,501,511 in 2020. Property taxes represent \$9,834,219, or 79 percent, of the total. Charges for services totaled \$913,390, or 7 percent, of total revenue. Charges for services primarily support the building department and public safety activities.

#### *Business-type Activities*

The City's only business-type activity is the Water and Sewer Fund. The City purchases water from the Southeastern Oakland County Water Authority (SOCWA), which in turn purchases water from the Great Lakes Water Authority. Sewage treatment is provided through Oakland County, Michigan through the water resource commissioner's office, formerly the Oakland County Drain Commission, which is a customer of the Great Lakes Water Authority.

The Water and Sewer Fund's major revenue represents fees paid by city residents based on actual metered water usage. The debt recorded in this fund is for the retirement of capital improvement bonds for water and sanitary sewer system improvements. The Water and Sewer Fund revenue decreased compared to last year; however, expenses also decreased over the last year due to lower consumption. Both revenue and expense are also influenced by weather, which affects consumption from year to year.

The business-type activity revenue totaled approximately \$6,048,836. Of this total, the City received capital improvement revenue of approximately \$2,378,000 to fund current and future improvements to the water and sewer infrastructure. With expenditures totaling approximately \$4,763,000, there was a net position increase of approximately \$1,286,000 in the current year.

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

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. While the COVID-19 pandemic could have an adverse effect on the City's operations over time, no impairments were recorded as of the statement of net position/balance sheet date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. There is an expectation that the City's revenue, investment income, and recreation fees will be reduced in fiscal year 2021. The City is currently evaluating the impact of COVID-19, but the extent of the impact cannot be reasonably estimated at this time.

#### ***Requests for Further Information***

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City's offices at (248) 644-1520. This report, budgets, and other financial information are available on the City's website at [www.bloomfieldhillsmi.net](http://www.bloomfieldhillsmi.net).



## Statement of Net Position

June 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 5,522,876	\$ 2,304,394	\$ 7,827,270
Receivables:			
Customer receivables	-	1,008,682	1,008,682
Accrued interest receivable	4,106	-	4,106
Other receivables	83,175	-	83,175
Due from other governments	119,565	573,178	692,743
Delinquent personal property taxes	11,729	-	11,729
Inventory	20,610	-	20,610
Prepaid expenses and other assets	49,199	-	49,199
Capital assets: (Note 5)			
Assets not subject to depreciation	339,638	87,668	427,306
Assets subject to depreciation	17,216,976	14,726,497	31,943,473
Total assets	23,367,874	18,700,419	42,068,293
<b>Deferred Outflows of Resources</b>			
Deferred pension costs	1,346,442	-	1,346,442
Deferred OPEB costs	585,913	-	585,913
Total deferred outflows of resources	1,932,355	-	1,932,355
<b>Liabilities</b>			
Accounts payable	209,379	725,131	934,510
Accrued liabilities and other	290,388	11,558	301,946
Unearned revenue	24,549	-	24,549
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	85,637	-	85,637
Current portion of long-term debt (Note 7)	1,149,164	332,049	1,481,213
Due in more than one year:			
Compensated absences (Note 7)	314,276	-	314,276
Net pension liability (Note 9)	8,225,850	-	8,225,850
Net OPEB obligation	7,318,867	-	7,318,867
Long-term debt (Note 7)	13,655,000	1,765,232	15,420,232
Total liabilities	31,273,110	2,833,970	34,107,080
<b>Deferred Inflows of Resources</b>			
Deferred pension costs	312,577	-	312,577
Deferred OPEB costs	1,682,768	-	1,682,768
Total deferred inflows of resources	1,995,345	-	1,995,345
<b>Net Position</b>			
Net investment in capital assets	15,222,450	12,716,884	27,939,334
Restricted:			
Construction code activity	121,587	-	121,587
Roads	321,526	-	321,526
Drug enforcement	1,120	-	1,120
Water debt service	-	260,379	260,379
Sewer capital improvements	-	2,935,004	2,935,004
Unrestricted	(23,634,909)	(45,818)	(23,680,727)
Total net position	\$ (7,968,226)	\$ 15,866,449	\$ 7,898,223

## City of Bloomfield Hills, Michigan

		Program Revenue		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 3,175,881	\$ 836,488	\$ -	\$ -
Public safety	4,956,086	76,902	20,811	-
Public works	2,241,425	-	788,453	-
Interest on long-term debt	530,475	-	-	-
Total governmental activities	10,903,867	913,390	809,264	-
Business-type activities	4,762,794	3,443,567	-	2,378,181
Total primary government	<b>\$ 15,666,661</b>	<b>\$ 4,356,957</b>	<b>\$ 809,264</b>	<b>\$ 2,378,181</b>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,339,393)	\$ -	\$ (2,339,393)
(4,858,373)	-	(4,858,373)
(1,452,972)	-	(1,452,972)
<u>(530,475)</u>	<u>-</u>	<u>(530,475)</u>
(9,181,213)	-	(9,181,213)
<u>-</u>	<u>1,058,954</u>	<u>1,058,954</u>
(9,181,213)	1,058,954	(8,122,259)
9,834,219	-	9,834,219
376,642	-	376,642
150,300	8,435	158,735
169,917	-	169,917
<u>247,779</u>	<u>218,653</u>	<u>466,432</u>
<u>10,778,857</u>	<u>227,088</u>	<u>11,005,945</u>
1,597,644	1,286,042	2,883,686
<u>(9,565,870)</u>	<u>14,580,407</u>	<u>5,014,537</u>
<u><b>\$ (7,968,226)</b></u>	<u><b>\$ 15,866,449</b></u>	<u><b>\$ 7,898,223</b></u>

# City of Bloomfield Hills, Michigan

## Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Road Construction Fund	General Obligation Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 5,032,385	\$ 235,389	\$ 1,111	\$ 253,991	\$ 5,522,876
Receivables:					
Accrued interest receivable	4,106	-	-	-	4,106
Other receivables	73,838	181	-	9,156	83,175
Due from other governments	48,900	-	-	70,665	119,565
Delinquent personal property taxes	11,729	-	-	-	11,729
Due from other funds	9,245	-	-	41,615	50,860
Inventory	20,610	-	-	-	20,610
Prepaid expenses and other assets	49,199	-	-	-	49,199
<b>Total assets</b>	<b>\$ 5,250,012</b>	<b>\$ 235,570</b>	<b>\$ 1,111</b>	<b>\$ 375,427</b>	<b>\$ 5,862,120</b>
<b>Liabilities</b>					
Accounts payable	\$ 191,339	\$ 764	\$ -	\$ 17,276	\$ 209,379
Due to other funds	17,694	-	-	33,166	50,860
Accrued liabilities and other	162,516	-	-	-	162,516
Unearned revenue	24,549	-	-	-	24,549
<b>Total liabilities</b>	<b>396,098</b>	<b>764</b>	<b>-</b>	<b>50,442</b>	<b>447,304</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue (Note 1)	11,729	-	-	-	11,729
<b>Fund Balances</b>					
Nonspendable:					
Inventory	20,610	-	-	-	20,610
Prepays	49,199	-	-	-	49,199
Restricted:					
Roads	-	-	-	321,526	321,526
Drug enforcement	-	-	-	1,120	1,120
Construction code activity	121,587	-	-	-	121,587
Assigned:					
Capital projects	-	234,806	-	2,339	237,145
Debt service	-	-	1,111	-	1,111
Compensated absences	399,912	-	-	-	399,912
Pension obligations	300,000	-	-	-	300,000
Unassigned	3,950,877	-	-	-	3,950,877
<b>Total fund balances</b>	<b>4,842,185</b>	<b>234,806</b>	<b>1,111</b>	<b>324,985</b>	<b>5,403,087</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,250,012</b>	<b>\$ 235,570</b>	<b>\$ 1,111</b>	<b>\$ 375,427</b>	<b>\$ 5,862,120</b>

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**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 5,403,087</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	17,556,614
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	11,729
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(14,804,164)
Accrued interest is not due and payable in the current period and is not reported in the funds	(127,872)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(399,913)
Pension benefits	(7,191,985)
Retiree health care benefits	(8,415,722)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (7,968,226)</u></u></b>

# City of Bloomfield Hills, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Road Construction Fund	General Obligation Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes (Note 1)	\$ 8,854,194	\$ 978,301	\$ -	\$ -	\$ 9,832,495
State sources	679,591	-	-	506,315	1,185,906
Charges for services	254,778	-	-	-	254,778
Fines and forfeitures	398,773	-	-	-	398,773
Licenses and permits	579,977	-	-	-	579,977
Interest and rentals	138,573	11,727	-	-	150,300
Other revenue	160,764	37,115	-	38,130	236,009
Total revenue	11,066,650	1,027,143	-	544,445	12,638,238
<b>Expenditures</b>					
Current services:					
General government	2,433,497	-	-	-	2,433,497
District court	580,773	-	-	-	580,773
Public safety	4,761,657	-	-	-	4,761,657
Public works	945,194	-	-	397,857	1,343,051
Capital outlay	-	2,121,090	-	252,118	2,373,208
Debt service	-	-	1,531,455	34,733	1,566,188
Total expenditures	8,721,121	2,121,090	1,531,455	684,708	13,058,374
<b>Excess of Revenue Over (Under) Expenditures</b>	2,345,529	(1,093,947)	(1,531,455)	(140,263)	(420,136)
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	450,000	1,531,455	403,568	2,385,023
Transfers out (Note 6)	(2,113,623)	-	-	(271,400)	(2,385,023)
Total other financing (uses) sources	(2,113,623)	450,000	1,531,455	132,168	-
<b>Net Change in Fund Balances</b>	231,906	(643,947)	-	(8,095)	(420,136)
<b>Fund Balances - Beginning of year</b>	4,610,279	878,753	1,111	333,080	5,823,223
<b>Fund Balances - End of year</b>	<u>\$ 4,842,185</u>	<u>\$ 234,806</u>	<u>\$ 1,111</u>	<u>\$ 324,985</u>	<u>\$ 5,403,087</u>

## City of Bloomfield Hills, Michigan

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (420,136)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,392,492
Depreciation expense	(1,373,995)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	1,727
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	1,028,575
Interest expense is recognized in the government-wide statements as it accrues	7,139
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(38,158)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,597,644</b>

**Proprietary Fund  
Statement of Net Position**

**June 30, 2020**

Enterprise Fund  
Water and  
Sewer Fund

**Assets**

Current assets:

Cash and cash equivalents (Note 3)

\$ 2,304,394

Receivables

1,581,860

Total current assets

3,886,254

Noncurrent assets - Capital assets: (Note 5)

Assets not subject to depreciation

87,668

Assets subject to depreciation

14,726,497

Total noncurrent assets

14,814,165

Total assets

18,700,419

**Liabilities**

Current liabilities:

Accounts payable

725,131

Accrued liabilities and other

11,558

Current portion of long-term debt (Note 7)

332,049

Total current liabilities

1,068,738

Noncurrent liabilities - Long-term debt (Note 7)

1,765,232

Total liabilities

2,833,970

**Net Position**

Net investment in capital assets

12,716,884

Restricted:

Water debt service

260,379

Sewer capital improvements

2,935,004

Unrestricted

(45,818)

Total net position

**\$ 15,866,449**



## City of Bloomfield Hills, Michigan

### Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2020

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>Operating Revenue</b>	
Sale of water	\$ 2,167,339
Sewage disposal charges	<u>1,276,228</u>
Total operating revenue	3,443,567
<b>Operating Expenses</b>	
Cost of water	2,258,416
Cost of sewage treatment	1,265,511
Other operating and maintenance costs	243,432
Billing and administrative costs	159,272
Other operating expense	70,148
Depreciation (Note 5)	<u>729,692</u>
Total operating expenses	<u>4,726,471</u>
<b>Operating Loss</b>	(1,282,904)
<b>Nonoperating Revenue (Expense)</b>	
Investment interest and FMV changes	8,435
Interest expense	(36,323)
Other nonoperating general revenue	<u>218,653</u>
Total nonoperating revenue	<u>190,765</u>
<b>Loss - Before capital contributions</b>	(1,092,139)
<b>Capital Contributions - Tap fees and capital charges</b>	<u>2,378,181</u>
<b>Change in Net Position</b>	1,286,042
<b>Net Position - Beginning of year</b>	<u>14,580,407</u>
<b>Net Position - End of year</b>	<u><u>\$ 15,866,449</u></u>

**Proprietary Fund  
Statement of Cash Flows**

**Year Ended June 30, 2020**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 3,365,959
Payments to suppliers	(4,419,385)
Other receipts	<u>229,080</u>
Net cash and cash equivalents used in operating activities	(824,346)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Tap fees and capital charges	2,378,181
Purchase of capital assets	(3,579,969)
Principal and interest paid on capital debt	<u>(358,372)</u>
Net cash and cash equivalents used in capital and related financing activities	(1,560,160)
<b>Cash Flows Provided by Investing Activities - Investment income</b>	<u>8,435</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,376,071)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>4,680,465</u>
<b>Cash and Cash Equivalents - End of year</b>	<b><u>\$ 2,304,394</u></b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (1,282,904)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	729,692
Other revenue	218,653
Changes in assets and liabilities:	
Receivables	(67,181)
Accounts payable and accrued liabilities	<u>(422,606)</u>
Total adjustments	<u>458,558</u>
Net cash and cash equivalents used in operating activities	<b><u>\$ (824,346)</u></b>

## City of Bloomfield Hills, Michigan

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### Fiduciary Funds Statement of Fiduciary Assets and Liabilities

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**June 30, 2020**

Agency Funds

**Assets** - Cash and cash equivalents

**\$ 686,388**

**Liabilities** - Refundable deposits

**\$ 686,388**

## Note 1 - Significant Accounting Policies

### ***Reporting Entity***

The City of Bloomfield Hills, Michigan (the "City") is governed by an elected five-member commission. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

### ***Accounting and Reporting Principles***

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

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, if any, are reported as separate columns in the fund financial statements.

### ***Fund Accounting***

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, and permanent funds. The City reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

June 30, 2020

**Note 1 - Significant Accounting Policies (Continued)**

- The General Obligation Debt Fund is used to account for the debt payment on bonds and other long-term liabilities.
- The Road Construction Fund is used to account for the activity related to various road construction projects in the City.

**Proprietary Fund**

Proprietary funds include enterprise funds that provide goods or services to users in exchange for charges or fees. The City reports the following fund as a major enterprise fund:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges. The activity of the water distribution and sewage collection systems is administered by Oakland County, Michigan.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Interfund Activity**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow, if applicable.

June 30, 2020

**Note 1 - Significant Accounting Policies (Continued)**

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Specific Balances and Transactions*****Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of 12 months or less when acquired. Investments are stated at fair value.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$0 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 acquisition value at the date of donation.

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

	Depreciable Life - Years
Infrastructure	20-50
Sewer drains	50
Buildings and improvements	50
Machinery, equipment, and vehicles	5-20
Information technology	3
Land improvements	20

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an other financing sources and bond discounts as other financing uses. The General Fund and General Obligation Debt Fund are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

**Note 1 - Significant Accounting Policies (Continued)**

The City reports deferred outflows related to the defined benefit pension plan and the other postemployment benefit plan. The deferred outflows of resources related to the defined benefit pension plan and the other postemployment benefit plan are reported in the government-wide financial statements. The deferred outflows of resources result from the following transactions: contributions to the defined benefit pension plan and the other postemployment benefit plan subsequent to the plan's year end through the City's fiscal year end, variances that result from changes in actuarial assumptions, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, and the difference between expected and actual experience.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows related to unavailable revenue, the defined benefit pension plan, and the other postemployment benefit plan. Deferred inflows related to the defined benefit pension plan and the other postemployment benefit plan result from differences between expected and actual experience. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from delinquent personal property taxes of \$11,729 at June 30, 2020. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Note 1 - Significant Accounting Policies (Continued)**

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director to assign fund balance. The commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue**

Property taxes are assessed on each December 31 and become an enforceable lien on December 1 of the following year. The tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28 of the following year, at which time penalties and interest are assessed.

The City's 2019 property tax revenue was levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the City totaled approximately \$890 million, on which taxes levied consisted of 9.5 mills for operating, 1.1 mills for road purposes, and 0.3766 mills for library service. This resulted in approximately \$8.4 million for operating, \$978,000 for road projects, and \$335,000 for the library. These amounts are recognized in the respective General and Road Construction fund financial statements as tax revenue.

**Pension**

The City offers a defined benefit pension plan to its employees. This plan is closed to all new hires. For general employees, the plan was closed effective December 31, 2001. For department of public works (DPW) and public safety employees, the plan was closed effective June 30, 2014. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.



June 30, 2020

**Note 1 - Significant Accounting Policies (Continued)**

**Other Postemployment Benefit Costs**

The City offers retiree health care benefits to retirees. This plan is closed to all new hires effective June 30, 2009. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The General Fund is used to liquidate the obligations.

**Compensated Absences (Vacation and Sick Leave)**

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination, which is half of the total accumulated sick leave in accordance with city policy; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund is used to liquidate the obligations.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales or services. The Water and Sewer Fund also recognizes tap fees intended to recover the cost of connecting new customer to the system as operating revenue. Operating expenses for these funds include the cost of sales or services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**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.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

June 30, 2020

**Note 1 - Significant Accounting Policies (Continued)**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the City's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

**Note 2 - Stewardship, Compliance, and Accountability****Construction Code Fees**

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

Cumulative surplus at July 1, 2019		\$	141,669
Current year building permit revenue			402,112
Related expenses:			
Direct costs	\$	457,883	
Estimated indirect costs (adjustments to prior years)		(35,689)	422,194
			<u>(20,082)</u>
Current year shortfall			
Cumulative surplus June 30, 2020		\$	<u><u>121,587</u></u>

June 30, 2020

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications 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.

The City has designated two institutions for the deposit of its funds. Each financial intermediary, broker, or dealer that holds the City's funds must be provided with a copy of the investment policy and comply with the policy. The investment policy adopted by the city commission in accordance with Public Act 196 of 1997 has authorized investment in all of the above securities. The City's deposits and investments are currently in compliance with its investment policy and statutory authority.

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

#### ***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,260,875 of bank deposits (certificates of deposit and checking and savings accounts), of which \$352,091 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### ***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, \$5,244,551 of investment securities was uninsured and unregistered, with securities held by the Oakland County Local Government Investment Pool.

#### ***Concentration of Custodial Credit Risk of Investments***

The Oakland County Local Government Investment Pool's investment policy allows for no more than 15 percent to be invested with any single financial institution.

#### ***Interest Rate Risk***

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

At year end, the City had the following investments:

Investment	Fair Value	Weighted-average Maturity (Days)
Pooled investment - Oakland County Local Government Investment Pool	\$ 5,244,551	334

June 30, 2020

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

#### **Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

	Fair Value	Rating	Rating Organization
Pooled investment - Oakland County Local Government Investment Pool	\$ 5,244,551	Not rated	N/A

### Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the City has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

#### **Investments in Entities that Calculate Net Asset Value per Share**

The City holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Local Government Investment Pool	\$ 5,244,551	\$ -	N/A	N/A

June 30, 2020

## Note 4 - Fair Value Measurements (Continued)

The Oakland County Local Government Investment Pool (LGIP) is not registered with the Securities and Exchange Commission (SEC) and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at \$1 per share regardless of current fair value.

## Note 5 - Capital Assets

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

### Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 339,638	\$ -	\$ -	\$ -	\$ 339,638
Construction in progress	1,317,752	(1,317,752)	-	-	-
Subtotal	1,657,390	(1,317,752)	-	-	339,638
Capital assets being depreciated:					
Buildings and improvements	7,077,343	-	32,540	-	7,109,883
Machinery, equipment, and vehicles	3,684,165	-	236,535	(165,416)	3,755,284
Land improvements	292,207	-	-	-	292,207
Infrastructure	26,256,852	1,317,752	2,123,417	-	29,698,021
Subtotal	37,310,567	1,317,752	2,392,492	(165,416)	40,855,395
Accumulated depreciation:					
Buildings and improvements	2,918,976	-	147,919	-	3,066,895
Machinery, equipment, and vehicles	3,073,653	-	243,783	(165,416)	3,152,020
Land improvements	245,671	-	2,585	-	248,256
Infrastructure	16,191,540	-	979,708	-	17,171,248
Subtotal	22,429,840	-	1,373,995	(165,416)	23,638,419
Net capital assets being depreciated	14,880,727	1,317,752	1,018,497	-	17,216,976
Net governmental activities capital assets	\$ 16,538,117	\$ -	\$ 1,018,497	\$ -	\$ 17,556,614

June 30, 2020

**Note 5 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated - Construction in progress	\$ 3,708,402	\$ (3,708,402)	\$ 87,668	\$ -	\$ 87,668
Capital assets being depreciated:					
Sewer drains	1,388,637	-	-	-	1,388,637
Infrastructure	10,709,009	3,708,402	3,492,301	-	17,909,712
Subtotal	12,097,646	3,708,402	3,492,301	-	19,298,349
Accumulated depreciation:					
Sewer drains	396,759	-	39,676	-	436,435
Infrastructure	3,445,401	-	690,016	-	4,135,417
Subtotal	3,842,160	-	729,692	-	4,571,852
Net capital assets being depreciated	8,255,486	3,708,402	2,762,609	-	14,726,497
Net business-type activities capital assets	<u>\$ 11,963,888</u>	<u>\$ -</u>	<u>\$ 2,850,277</u>	<u>\$ -</u>	<u>\$ 14,814,165</u>

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

Governmental activities:	
General government	\$ 75,236
Public safety	244,878
Public works	<u>1,053,881</u>
Total governmental activities	<u>\$ 1,373,995</u>
Business-type activities - Water and sewer	<u>\$ 729,692</u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other nonmajor governmental funds - Major Streets Fund	\$ 9,245
Other nonmajor governmental funds - Local Streets Fund	Other nonmajor governmental funds - Major Streets Fund	23,921
	General Fund	<u>17,694</u>
	Total other nonmajor governmental funds - Local Streets Fund	<u>41,615</u>
	Total	<u>\$ 50,860</u>

These balances result from the time lag between dates that services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

June 30, 2020

**Note 6 - Interfund Receivables, Payables, and Transfers (Continued)**

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	General Obligation Debt Fund	\$ 1,531,455
	Road Construction Fund	350,000
	Other nonmajor governmental funds - Capital Improvement Fund	232,168
	Total General Fund	2,113,623
Other nonmajor governmental funds - Major Streets Fund	Other nonmajor governmental funds - Local Streets Fund	171,400
Other nonmajor governmental funds - Local Streets Fund	Road Construction Fund	100,000
	Total	\$ 2,385,023

The transfers from the General Fund to the General Obligation Debt Fund represent the use of unrestricted resources to service debt payments. The transfers from the General Fund to the Road Construction Fund and the Capital Improvement Fund were for construction projects in accordance with budgetary authorizations. The transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenue in accordance with Act 51. The transfer from the Local Streets Fund to the Road Construction Fund represents the movement of resources to be used for construction projects.

June 30, 2020

## Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

### Governmental Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:						
Direct borrowings and direct placements -						
2015 Installment Purchase Obligation - Salt Truck: Amount of issue - \$165,169 Maturing through 2020	1.67%	\$ 67,739	\$ -	\$ (33,583)	\$ 34,156	\$ 34,156
Other debt:						
General Obligation Limited Tax Bonds, Series 2010: Amount of issue - \$4,000,000 Maturing through 2025	2.00% - 3.50%	2,600,000	-	(300,000)	2,300,000	400,000
2014 General Obligation Limited Tax Pension Bonds: Amount of issue - \$15,860,000 Maturing through 2034	0.40% - 4.00%	13,165,000	-	(695,000)	12,470,000	715,000
Total other debt principal outstanding		15,765,000	-	(995,000)	14,770,000	1,115,000
Total bonds and contracts payable		15,832,739	-	(1,028,583)	14,804,156	1,149,156
Other long-term obligations - Compensated absences		378,815	403,483	(382,385)	399,913	85,637
Total governmental activities long-term debt		\$ 16,211,554	\$ 403,483	\$ (1,410,968)	\$ 15,204,069	\$ 1,234,793



June 30, 2020

**Note 7 - Long-term Debt (Continued)**

**Business-type Activities**

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:						
Other debt -						
2015 Water infrastructure						
Improvement General						
Obligation Debt:						
Amount of issue -						
\$3,295,000	2.00% -					
Maturing through 2026	2.25%	\$ 2,370,000	\$ -	\$ (315,000)	\$ 2,055,000	\$ 325,000
Issuance premiums		49,330	-	(7,049)	42,281	7,049
Total business-type activities long-term debt		<u>\$ 2,419,330</u>	<u>\$ -</u>	<u>\$ (322,049)</u>	<u>\$ 2,097,281</u>	<u>\$ 332,049</u>

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 34,156	\$ 580	\$ 1,115,000	\$ 509,213	\$ 1,658,949
2022	-	-	1,130,000	478,250	1,608,250
2023	-	-	1,250,000	442,648	1,692,648
2024	-	-	1,275,000	402,794	1,677,794
2025	-	-	1,300,000	360,753	1,660,753
2026-2030	-	-	4,450,000	1,300,354	5,750,354
2031-2034	-	-	4,250,000	348,400	4,598,400
Total	<u>\$ 34,156</u>	<u>\$ 580</u>	<u>\$ 14,770,000</u>	<u>\$ 3,842,412</u>	<u>\$ 18,647,148</u>
Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ -	\$ -	\$ 325,000	\$ 37,850	\$ 362,850
2022	-	-	330,000	31,300	361,300
2023	-	-	335,000	24,650	359,650
2024	-	-	345,000	17,850	362,850
2025	-	-	355,000	12,850	367,850
2026-2030	-	-	365,000	3,650	368,650
2031-2034	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,055,000</u>	<u>\$ 128,150</u>	<u>\$ 2,183,150</u>

June 30, 2020

## Note 7 - Long-term Debt (Continued)

### *Assets Pledged as Collateral*

#### Direct Borrowings and Direct Placements

The City's outstanding installment purchase obligation related to the salt truck is secured with collateral of the respective equipment.

## Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and participates in the Michigan Municipal Risk Management Authority (MMRMA) state pool for claims related to general liability and property damage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City is self-insured for health coverage through Blue Cross/Blue Shield for all eligible active employees and retirees under the age of 65 (eligible retirees over 65 are covered under a premium-based coverage with Blue Cross/Blue Shield). Self-insurance coverage pays costs based on claims after any relevant deductible, copays, or coinsurance. The City's policy includes a stop-loss provision to limit liability for catastrophic events. All eligible active employees and retirees are covered under a self-insurance policy for dental through Delta Dental.

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

The Michigan Municipal Risk Management Authority's State Pool program (the "Authority") operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

## Note 9 - Defined Benefit Pension Plan

### *Plan Description*

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS or MERS of Michigan) that covers all general, public safety union, and department of public works union employees. This plan is closed to all new hires. For general employees, the plan was closed effective December 31, 2001; for DPW and public safety employees, the plan was closed effective June 30, 2014. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

### *Benefits Provided*

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Retirement benefits for employees are calculated as 2.50 to 3.00 percent of the employee's final three- to five-year average compensation times the employee's years of service. Employees covered under this plan can retire with 25 years of service at age 50 or 55 depending on the date of hire. The vesting period is 8 to 10 years.

June 30, 2020

**Note 9 - Defined Benefit Pension Plan (Continued)**

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.50 percent, noncompounding.

**Employees Covered by Benefit Terms**

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	21
Total employees covered by the plan	70

**Contributions**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2020, the average active employee contribution rate was 5.0 percent of annual pay, and the City's average contribution rate was 36.7 percent of annual payroll.

**Net Pension Liability**

The net pension liability reported at June 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2018</b>	\$ 36,656,463	\$ 28,235,219	\$ 8,421,244
Changes for the year:			
Service cost	299,896	-	299,896
Interest	2,845,893	-	2,845,893
Differences between expected and actual experience	(141,974)	-	(141,974)
Changes in assumptions	1,297,081	-	1,297,081
Contributions - Employer	-	698,124	(698,124)
Contributions - Employee	-	95,240	(95,240)
Net investment income	-	3,767,776	(3,767,776)
Benefit payments, including refunds	(2,465,504)	(2,465,504)	-
Administrative expenses	-	(64,850)	64,850
Net changes	1,835,392	2,030,786	(195,394)
<b>Balance at December 31, 2019</b>	\$ 38,491,855	\$ 30,266,005	\$ 8,225,850

The plan's fiduciary net position represents 78.6 percent of the total pension liability.

June 30, 2020

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

### *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2020, the City recognized pension expense of \$1,642,031.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (312,577)
Changes in assumptions	864,721	-
Net difference between projected and actual earnings on pension plan investments	95,579	-
Employer contributions to the plan subsequent to the measurement date	386,142	-
Total	<u>\$ 1,346,442</u>	<u>\$ (312,577)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2021	\$ 74,439
2022	484,428
2023	404,544
2024	(315,688)

The amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$386,142), which will impact the net pension liability in fiscal year 2021, rather than pension expense.

### **Actuarial Assumptions**

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, and an investment rate of return (net of investment expenses) of 7.60 percent. Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP 2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

The December 31, 2018 actuarial valuation included assumptions of 3.75 percent for inflation and 8.00 percent for investment rate of return. The remaining assumptions were consistent with the current year's valuation assumptions.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

June 30, 2020

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Investment Rate of Return*

Best estimates of arithmetic real rates of return as of the December 31, 2019 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 12,864,790	\$ 8,225,850	\$ 4,364,350

### *Pension Plan Fiduciary Net Position*

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

## Note 10 - Defined Contribution Pension Plan

During the fiscal year ended June 30, 2018, the City consolidated the ICMA-RC plan into the MERS plan. In the defined contribution plan, benefits depend solely on the amount contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment and are fully vested immediately.

June 30, 2020

**Note 10 - Defined Contribution Pension Plan (Continued)**

The City participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined contribution pension plan. This plan is provided to full-time nonunion employees; DPW union employees hired after June 30, 2014; dispatch full-time union employees hired after August 14, 2014; public safety officers hired after August 21, 2014; and public safety command officers hired after September 9, 2014. The City contributes a percentage of covered payroll as follows: 16 percent for nonunion employees, 10 percent for dispatch and DPW employees, and 13.5 percent for public safety officers, including command officers. The City's contribution for the fiscal year ended June 30, 2020 was \$174,309 based on compensation of \$1,218,163.

**Note 11 - Other Postemployment Benefit Plan*****Plan Description***

The City provides retiree health care benefits to eligible employees and their spouses. This is a single-employer defined benefit OPEB plan administered by the City. The plan is a pay-as-you-go plan. This plan is closed to all new hires effective June 30, 2009. All investments are held in the MERS of Michigan Retiree Health Funding Vehicle. MERS issues a publicly available financial report. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***Benefits Provided***

The OPEB plan provides health care and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Benefit terms provide for annual cost of living adjustments to each employee's OPEB benefits subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in OPEB benefits of 2 percent for general employees and 3 percent for public safety employees.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

Date of member count	June 30, 2020
Inactive plan members or beneficiaries currently receiving benefits	37
Active plan members	18
Total plan members	<u>55</u>

***Contributions***

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2020, the City made payments for postemployment health care benefits of \$608,676, plus it contributed \$300,000 into a prefunded retiree health care fund held by MERS.

June 30, 2020

# Note 11 - Other Postemployment Benefit Plan (Continued)

## Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2020 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2020 measurement date. The June 30, 2020 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2019</b>	\$ 10,654,281	\$ 2,689,125	\$ 7,965,156
Changes for the year:			
Service cost	89,976	-	89,976
Interest	809,534	-	809,534
Differences between expected and actual experience	(877,969)	-	(877,969)
Changes in assumptions	303,545	-	303,545
Contributions - Employer	-	908,676	(908,676)
Net investment income	-	68,034	(68,034)
Benefit payments, including refunds	(608,676)	(608,676)	-
Administrative expenses	-	(5,335)	5,335
Net changes	(283,590)	362,699	(646,289)
<b>Balance at June 30, 2020</b>	<u>\$ 10,370,691</u>	<u>\$ 3,051,824</u>	<u>\$ 7,318,867</u>

The plan's fiduciary net position represents 29.4 percent of the total OPEB liability.

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$55,986.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,682,768)
Changes in assumptions	435,253	-
Net difference between projected and actual earnings on OPEB plan investments	150,660	-
Total	<u>\$ 585,913</u>	<u>\$ (1,682,768)</u>

June 30, 2020

**Note 11 - Other Postemployment Benefit Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2021	\$ (629,034)
2022	(409,958)
2023	(88,218)
2024	30,358

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.35 percent; a health care cost trend rate of 8.0 percent pre-65 and 7.0 percent post-65 for 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2028 and later years; and the SOA Pub-2010 Headcount Weighted Mortality Tables fully generational using Scale MP-2019.

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 7.75 percent and the RPH-2017 mortality tables with the MP-2017 improvement scale. The remaining assumptions were consistent with the current year's valuation assumptions.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56



June 30, 2020

**Note 11 - Other Postemployment Benefit Plan (Continued)*****Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.35 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.35%)	Current Discount Rate (7.35%)	1 Percentage Point Increase (8.35%)
Net OPEB liability of the plan	\$ 8,634,458	\$ 7,318,867	\$ 6,235,402

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 8.0 percent pre-65 and 7.0 percent post-65, decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.0%)	Current Health Care Cost Trend Rate (8.0%)	1 Percentage Point Increase (9.0%)
Net OPEB liability of the plan	\$ 6,167,990	\$ 7,318,867	\$ 8,727,585

***OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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## Required Supplemental Information

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# City of Bloomfield Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 8,846,856	\$ 8,854,161	\$ 8,854,194	\$ 33
State sources	433,517	672,519	679,591	7,072
Charges for services	299,083	279,402	254,778	(24,624)
Fines and forfeitures	462,952	347,194	398,773	51,579
Licenses and permits	689,252	550,934	579,977	29,043
Investment income	87,583	149,273	138,573	(10,700)
Other revenue	163,338	164,028	160,764	(3,264)
Total revenue	10,982,581	11,017,511	11,066,650	49,139
<b>Expenditures</b>				
Current services:				
General government	2,301,337	2,453,902	2,433,497	20,405
District court	583,654	580,773	580,773	-
Public safety	4,879,929	4,739,139	4,761,657	(22,518)
Public works	1,073,693	1,018,610	945,194	73,416
Total expenditures	8,838,613	8,792,424	8,721,121	71,303
<b>Excess of Revenue Over Expenditures</b>	2,143,968	2,225,087	2,345,529	120,442
<b>Other Financing Uses</b> - Transfers out	(2,113,623)	(2,113,623)	(2,113,623)	-
<b>Net Change in Fund Balance</b>	30,345	111,464	231,906	120,442
<b>Fund Balance</b> - Beginning of year	4,610,279	4,610,279	4,610,279	-
<b>Fund Balance</b> - End of year	<u>\$ 4,640,624</u>	<u>\$ 4,721,743</u>	<u>\$ 4,842,185</u>	<u>\$ 120,442</u>

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

**Last Six Plan Years**  
**Years Ended December 31**

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 299,896	\$ 316,016	\$ 311,343	\$ 303,737	\$ 321,098	\$ 349,720
Interest	2,845,893	2,841,279	2,772,061	2,637,009	2,527,139	2,464,654
Differences between expected and actual experience	(141,974)	(653,783)	189,169	1,101,092	77,828	-
Changes in assumptions	1,297,081	-	-	-	1,614,918	-
Benefit payments, including refunds	(2,465,504)	(2,410,044)	(2,409,333)	(2,305,661)	(2,097,680)	(1,987,664)
<b>Net Change in Total Pension Liability</b>	1,835,392	93,468	863,240	1,736,177	2,443,303	826,710
<b>Total Pension Liability - Beginning of year</b>	36,656,463	36,562,995	35,699,755	33,963,578	31,520,275	30,693,565
<b>Total Pension Liability - End of year</b>	<b>\$ 38,491,855</b>	<b>\$ 36,656,463</b>	<b>\$ 36,562,995</b>	<b>\$ 35,699,755</b>	<b>\$ 33,963,578</b>	<b>\$ 31,520,275</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 698,124	\$ 514,950	\$ 334,374	\$ 269,316	\$ 283,701	\$ 16,952,688
Contributions - Member	95,240	96,641	95,191	98,682	109,331	118,386
Net investment income (loss)	3,767,776	(1,174,098)	3,804,392	3,148,653	(443,538)	937,384
Administrative expenses	(64,850)	(59,459)	(60,403)	(62,233)	(65,737)	(34,875)
Benefit payments, including refunds	(2,465,504)	(2,410,044)	(2,409,333)	(2,305,661)	(2,097,680)	(1,987,664)
<b>Net Change in Plan Fiduciary Net Position</b>	2,030,786	(3,032,010)	1,764,221	1,148,757	(2,213,923)	15,985,919
<b>Plan Fiduciary Net Position - Beginning of year</b>	28,235,219	31,267,229	29,503,008	28,354,251	30,568,174	14,582,255
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 30,266,005</b>	<b>\$ 28,235,219</b>	<b>\$ 31,267,229</b>	<b>\$ 29,503,008</b>	<b>\$ 28,354,251</b>	<b>\$ 30,568,174</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 8,225,850</b>	<b>\$ 8,421,244</b>	<b>\$ 5,295,766</b>	<b>\$ 6,196,747</b>	<b>\$ 5,609,327</b>	<b>\$ 952,101</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	78.63 %	77.03 %	85.52 %	82.64 %	83.48 %	96.98 %
<b>Covered Payroll</b>	\$ 1,830,511	\$ 1,932,814	\$ 1,903,821	\$ 1,859,858	\$ 2,025,423	\$ 2,211,532
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	449.37 %	435.70 %	278.17 %	333.18 %	276.95 %	43.05 %

Required Supplemental Information  
Schedule of Pension Contributions

	Last Ten Plan Years Years Ended December 31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 698,124	\$ 514,950	\$ 334,374	\$ 269,316	\$ 275,820	\$ 1,262,614	\$ 1,025,420	\$ 967,279	\$ 860,958	\$ 858,747
Contributions in relation to the actuarially determined contribution	698,124	514,950	334,374	269,316	275,820	1,262,614	1,025,420	967,279	860,958	858,747
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,830,511	\$ 1,932,814	\$ 1,903,821	\$ 1,859,858	\$ 2,025,423	\$ 2,211,532	\$ 1,981,561	\$ 2,423,543	\$ 2,221,442	\$ 2,244,043
Contributions as a Percentage of Covered Payroll	38.14 %	26.64 %	17.56 %	14.48 %	13.62 %	57.09 %	51.75 %	39.91 %	38.76 %	38.27 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of December 31, one year and six months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, closed
Remaining amortization period	19 years
Asset valuation method	5-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.0 percent
Retirement age	60
Mortality	Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
  2. The RP-2014 Employee Mortality Tables
  3. The RP-2014 Juvenile Mortality Tables
- For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

Other information                      None

**Required Supplemental Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**

	<b>Last Three Fiscal Years</b>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 89,976	\$ 90,842	\$ 118,778
Interest	809,534	875,542	887,837
Differences between expected and actual experience	(877,969)	(1,195,234)	(1,706,693)
Changes in assumptions	303,545	-	830,388
Benefit payments, including refunds	<u>(608,676)</u>	<u>(634,850)</u>	<u>(650,990)</u>
<b>Net Change in Total OPEB Liability</b>	(283,590)	(863,700)	(520,680)
<b>Total OPEB Liability - Beginning of year</b>	<u>10,654,281</u>	<u>11,517,981</u>	<u>12,038,661</u>
<b>Total OPEB Liability - End of year</b>	<u><b>\$ 10,370,691</b></u>	<u><b>\$ 10,654,281</b></u>	<u><b>\$ 11,517,981</b></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 908,676	\$ 634,850	\$ 650,990
Net investment income	68,034	77,470	289,335
Administrative expenses	(5,335)	(5,493)	(2,431)
Benefit payments, including refunds	<u>(608,676)</u>	<u>(634,850)</u>	<u>(650,990)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	362,699	71,977	286,904
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>2,689,125</u>	<u>2,617,148</u>	<u>2,330,244</u>
<b>Plan Fiduciary Net Position - End of year</b>	<u><b>\$ 3,051,824</b></u>	<u><b>\$ 2,689,125</b></u>	<u><b>\$ 2,617,148</b></u>
<b>Net OPEB Liability - Ending</b>	<u><b>\$ 7,318,867</b></u>	<u><b>\$ 7,965,156</b></u>	<u><b>\$ 8,900,833</b></u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	29.43 %	25.24 %	22.72 %
<b>Covered-employee Payroll</b>	\$ 1,320,807	\$ 1,537,841	\$ 1,482,256
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	554.12 %	517.94 %	600.49 %

Required Supplemental Information  
Schedule of OPEB Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 617,882	\$ 666,602	\$ 718,126	\$ 670,697	\$ 650,982	\$ 629,451	\$ 529,842	\$ 529,842	\$ 529,842	\$ 988,646
Contributions in relation to the actuarially determined contribution	908,676	634,850	650,990	597,003	887,665	743,166	892,917	908,023	949,710	935,784
<b>Contribution Excess (Deficiency)</b>	<b>\$ 290,794</b>	<b>\$ (31,752)</b>	<b>\$ (67,136)</b>	<b>\$ (73,694)</b>	<b>\$ 236,683</b>	<b>\$ 113,715</b>	<b>\$ 363,075</b>	<b>\$ 378,181</b>	<b>\$ 419,868</b>	<b>\$ (52,862)</b>
<b>Covered-employee Payroll</b>	\$ 1,320,807	\$ 1,537,841	\$ 1,482,256	\$ 1,715,716	\$ 1,715,716	\$ 1,715,716	\$ 1,999,296	\$ 1,999,296	\$ 1,999,296	\$ 1,910,384
<b>Contributions as a Percentage of Covered-employee Payroll</b>	68.80 %	41.28 %	43.92 %	34.80 %	51.74 %	43.32 %	44.66 %	45.42 %	47.50 %	48.98 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 each year for the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of salary
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Health care cost trend rates	8.0 percent pre-65 and 7.0 percent post-65
Salary increase	3.75 percent
Investment rate of return	7.35 percent
Retirement age	60
Mortality	SOA Pub-2010 Headcount Weighted Mortality Tables fully generational using Scale MP-2019
Other information	None

June 30, 2020

### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. During the year, the budget was amended in a legally permissible manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the second Tuesday in May, the finance director/treasurer and the city manager prepare a proposed operating budget for the fiscal year commencing July 1 and submit it to the city commission. The budget must be adopted through a passage of a budget resolution no later than June 30.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by department and fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the commission receives the requests to amend the activity budget. All amendments must be approved by a vote of the city commission. Changes in line items within an activity may be made and approved by the finance director/treasurer.

### ***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, the City of Bloomfield Hills, Michigan incurred expenditures that were in excess of the amounts budgeted in public safety due to slightly higher than expected salary and wage expenses during the year.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety	\$ 4,739,139	\$ 4,761,657	\$ (22,518)

### ***Pension Information***

#### **Changes in Assumptions**

The total pension liability in the December 31, 2019 actuarial valuation used an inflation assumption of 2.5 percent and an investment rate of return (net of investment expenses) of 7.60 percent. The December 31, 2018 actuarial valuation used assumptions of 3.75 percent for inflation and 8.00 percent for an investment rate of return.

### ***OPEB Information***

#### **Changes in Assumptions**

The total OPEB liability in the June 30, 2020 actuarial valuation used a discount rate of 7.35 percent and the SOA Pub-2010 Headcount Weighted Mortality Tables fully generational using Scale MP-2019. The June 30, 2019 actuarial valuation used assumptions of 7.75 percent for the discount rate and the SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.



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## Other Supplemental Information

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Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	Capital Improvement Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 136,523	\$ 114,009	\$ 1,120	\$ 2,339	\$ 253,991
Receivables	52,421	27,400	-	-	79,821
Due from other funds	-	41,615	-	-	41,615
Total assets	<u>\$ 188,944</u>	<u>\$ 183,024</u>	<u>\$ 1,120</u>	<u>\$ 2,339</u>	<u>\$ 375,427</u>
<b>Liabilities</b>					
Accounts payable	\$ 11,419	\$ 5,857	\$ -	\$ -	\$ 17,276
Due to other funds	33,166	-	-	-	33,166
Total liabilities	44,585	5,857	-	-	50,442
<b>Fund Balances</b>					
Restricted:					
Roads	144,359	177,167	-	-	321,526
Drug enforcement	-	-	1,120	-	1,120
Assigned - Capital projects	-	-	-	2,339	2,339
Total fund balances	<u>144,359</u>	<u>177,167</u>	<u>1,120</u>	<u>2,339</u>	<u>324,985</u>
Total liabilities and fund balances	<u>\$ 188,944</u>	<u>\$ 183,024</u>	<u>\$ 1,120</u>	<u>\$ 2,339</u>	<u>\$ 375,427</u>

# City of Bloomfield Hills, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	Capital Improvement Fund	
<b>Revenue</b>					
State sources	\$ 342,800	\$ 163,515	\$ -	\$ -	\$ 506,315
Other revenue	-	-	-	38,130	38,130
Total revenue	342,800	163,515	-	38,130	544,445
<b>Expenditures</b>					
Current - Public works	155,795	242,062	-	-	397,857
Capital outlay	-	-	-	252,118	252,118
Debt service:					
Principal	-	-	-	33,601	33,601
Interest and fiscal charges	-	-	-	1,132	1,132
Total expenditures	155,795	242,062	-	286,851	684,708
<b>Excess of Revenue Over (Under) Expenditures</b>	187,005	(78,547)	-	(248,721)	(140,263)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	171,400	-	232,168	403,568
Transfers out	(171,400)	(100,000)	-	-	(271,400)
Total other financing (uses) sources	(171,400)	71,400	-	232,168	132,168
<b>Net Change in Fund Balances</b>	15,605	(7,147)	-	(16,553)	(8,095)
<b>Fund Balances - Beginning of year</b>	128,754	184,314	1,120	18,892	333,080
<b>Fund Balances - End of year</b>	<u>\$ 144,359</u>	<u>\$ 177,167</u>	<u>\$ 1,120</u>	<u>\$ 2,339</u>	<u>\$ 324,985</u>