



# **Financial Report**

## with Supplemental Information

### June 30, 2023

CITY OF BLOOMFIELD HILLS  
For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
Independent Auditor's Report .....	1-2
Management's Discussion and Analysis .....	3-6
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position.....	7
Statement of Activities.....	8-9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet to the Statement of Net Position.....	11
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Statement of Net Position – Proprietary Fund .....	14
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Fund .....	15
Statement of Cash Flows – Proprietary Fund .....	16
Fiduciary Funds – Statement of Net Position .....	17
Fiduciary Funds – Statement of Changes in Net Position .....	17
Notes to Financial Statements.....	18-41

CITY OF BLOOMFIELD HILLS  
For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
Required Supplemental Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	42
Schedule of Pension Contributions .....	43
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	44
Schedule of OPEB Contributions .....	45
Statement of Revenues, Expenditures and Changes in Fund Budgetary Comparison Schedule - General Fund .....	46
Notes to Required Supplemental Information .....	47
Other Supplemental Information:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	48-49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	50-51

**PSLZ PLLC**  
*Certified Public Accountants*

19500 Victor Parkway  
Suite 460  
Livonia, MI 48152

Jane F. Wang, C.P.A.  
Rana M. Emmons, C.P.A.  
Susan H. Bertram, C.P.A.  
Deborah M. Gulatedge-Johnson, C.P.A.

Telephone: (734) 453-8770  
Fax: (734) 453-0312

Dennis M. Siegner, C.V.A.  
Kaitlin J. McDuff, C.P.A.  
Kevin F. Kurkie, C.P.A.

Independent Auditor's Report

To the Honorable Mayor and Members of  
the City Commission  
City of Bloomfield Hills, Michigan

**Opinions**

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Honorable Mayor and  
Members of the City Commission  
City of Bloomfield Hills, Michigan

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary 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.

#### ***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bloomfield Hills'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. Such 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. The 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 underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully,



PSLZ PLLC  
Certified Public Accountants

November 14, 2023

## **Management's Discussion and Analysis**

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, 2023.

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

The City's annual report consists of management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The government-wide financial statements are designed to provide a broad overview of the City's finances. The government-wide financial statements are presented on a full accrual basis, with an emphasis on measuring all economic resources and not just current financial resources, as measured in the individual fund statements. Two government-wide statements are provided.

The statement of net position presents information on all of the City's assets and liabilities with the difference shown as net position. Increases or decreases of net position from period to period provide useful information on the direction of the City's financial position over time.

The statement of activities provides information on how the government-wide net position changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net position.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds with one column provided for nonmajor funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services such as public safety and public works; business-type funds, which account for functions that are intended to recover all or a significant portion of their costs through user fees and charges, and fiduciary funds, which account for assets held for outside parties.

Reconciliation between the individual fund statements and the government-wide financial statements is provided following the individual fund statements. The differences between the statement of net position and the fund-based balance sheet are primarily related to inclusion of capital assets and long-term liabilities in the government-wide statement of net position, which are not included in the fund-based balance sheet. The differences between the statement of activities and the statement of revenues, expenditures, and changes in fund balances primarily relate to the timing of reporting capital outlays and debt principal payments in the fund statements and a difference in the timing of the recognition of certain revenues and expenditures such as debt principal payments, and accrued employee leave time.

## Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Bloomfield Hills, assets exceeded liabilities by \$16,979,231 at the close of the most recent fiscal year.

The following table shows in a condensed format, the net position of the City's governmental activities as of June 30, 2023:

City of Bloomfield Hills - Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 9,777,620	\$ 9,329,984	\$ 5,615,791	\$ 5,478,247	\$ 15,393,411	\$ 14,808,231
Capital Assets	17,328,269	17,090,126	16,009,763	14,810,760	33,338,032	31,900,886
Total Assets	27,105,889	26,420,110	21,625,554	20,289,007	48,731,443	46,709,117
Deferred Outflows	5,918,536	3,672,379	-	-	5,918,536	3,672,379
Long-term Liabilities						
Outstanding	32,979,183	28,650,894	1,086,137	1,428,192	34,065,320	30,079,086
Other Liabilities	2,016,046	1,812,991	628,009	536,884	2,644,055	2,349,875
Total Liabilities	34,995,229	30,463,885	1,714,146	1,965,076	36,709,375	32,428,961
Deferred Inflows	961,373	3,744,345	-	-	961,373	3,744,345
Net Position:						
Net Investment in capital assets	16,328,269	15,590,126	14,923,626	13,382,568	31,251,895	28,972,694
Restricted	1,575,089	847,439	4,025,085	4,963,614	5,600,174	5,811,053
Unrestricted	(20,835,535)	(20,553,306)	962,697	(22,251)	(19,872,838)	(20,575,557)
Total Net Position	\$ (2,932,177)	\$ (4,115,741)	\$ 19,911,408	\$ 18,323,931	\$ 16,979,231	\$ 14,208,190

A portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Bloomfield Hills used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion (33%) of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$19,872,838) reflects what may be used to meet the government's ongoing obligations to citizens and creditors.

The City's combined net position is \$16,979,231 as compared to \$14,208,190 in the prior year. This represents an increase of \$2,771,041 or 20 percent. The governmental activities portion of net position increased by 29 percent and the business-type activities increased by 9 percent.

The following table shows the changes of the net position during the year ended June 30, 2023:

City of Bloomfield Hills - Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues:</b>						
Charges for Services	\$ 1,748,972	\$ 877,528	\$ 4,731,348	\$ 3,808,077	\$ 6,480,320	\$ 4,685,605
Operating Grants & Contributions	761,200	661,152	-	-	761,200	661,152
Capital Grants & Contributions	-	-	2,335,561	2,069,396	2,335,561	2,069,396
<b>General Revenues:</b>						
Property Taxes	10,816,704	10,343,673	-	-	10,816,704	10,343,673
State Shared Revenues	505,078	546,731	-	-	505,078	546,731
Investment Earnings	98,961	36,773	10,424	543	109,385	37,316
Franchise Fees	149,587	174,540	-	-	149,587	174,540
Other Miscellaneous Income	-	273,393	-	-	-	273,393
<b>Total Revenues</b>	<b>14,080,502</b>	<b>12,913,790</b>	<b>7,077,333</b>	<b>5,878,016</b>	<b>21,157,835</b>	<b>18,791,806</b>
<b>Program Expenses:</b>						
General Government	2,449,332	2,833,506	-	-	2,449,332	2,833,506
Public Safety	7,524,166	5,883,466	-	-	7,524,166	5,883,466
Public Works	2,583,381	2,507,353	-	-	2,583,381	2,507,353
Interest on Long-Term Debt	340,059	366,263	-	-	340,059	366,263
Water and Sewer	-	-	5,489,856	4,834,064	5,489,856	4,834,064
<b>Total Expenses</b>	<b>12,896,938</b>	<b>11,590,588</b>	<b>5,489,856</b>	<b>4,834,064</b>	<b>18,386,794</b>	<b>16,424,652</b>
<b>Change in Net Position</b>	<b>\$ 1,183,564</b>	<b>\$ 1,323,202</b>	<b>\$ 1,587,477</b>	<b>\$ 1,043,952</b>	<b>\$ 2,771,041</b>	<b>\$ 2,367,154</b>

### **Governmental Activities**

The City had an increase of \$1,183,564 in net position in its governmental activities for the fiscal year ended June 30, 2023, as compared to a \$1,323,202 increase for the prior year. The City's total governmental revenue totaled \$14,080,502 in the current year. Property taxes represent \$10,816,704, or 77 percent of the total and increased from the prior year due to an increase in the City's taxable value. Charges for services totaled \$1,748,972 or 12 percent of total revenue due to increased licensing and permit activities. 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 Water Authority (SOCWA), which, in turn purchases water from the Great Lakes Water Authority. Sewage treatment is provided through the Oakland County Water Resources Commission, which is a customer of the Great Lakes Water Authority.

### **Governmental Funds**

The City's fund financial statements provide detailed information about the most significant funds or major funds. The City's major funds for the year ended June 30, 2023, were the General Fund and the General Obligation Debt Fund. The General Fund pays for most of the City's governmental services, including general government, public safety, and public works. The General Obligation Debt Fund pays the principal and interest amounts due on the City's long-term debt.

## **General Fund Budgetary Highlights**

The General Fund recognized favorable budget results for the fiscal year ended June 30, 2023, with total expenditures under budget by \$104,133. The original budgeted revenues were increased by \$800,085 in the amended budget as a result of higher than expected license and permit revenue.

## **Capital Assets**

As of June 30, 2023, the City had approximately \$33.3 million (net of depreciation) invested in a broad range of capital assets, including buildings, roads, water and sewer lines, machinery and equipment, and vehicles.

## **Long-term Debt**

At the end of the current fiscal year, the City had total general obligation bond debt outstanding of \$13,230,000. The City's total bonded decreased by \$1,735,000 during the current fiscal year as a result of annual debt payments made.

## **Economic Factors and Next Year's Budget**

The City has adopted a balanced budget for the 2023-2024 fiscal year and has budgeted for pension contributions, employee and retiree health care costs, and general insurance costs in the 2023-2024 fiscal year based on the best information known at the time. The City continues to experience increases in these costs.

## **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 please contact the City's offices at (248) 644-1520.

## BASIC FINANCIAL STATEMENTS

**CITY OF BLOOMFIELD HILLS**

**Statement of Net Position**

**June 30, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,238,799	\$ 3,598,051	\$ 11,836,850
Receivables	660,815	2,017,740	2,678,555
Due from Other Governmental Units	216,440	-	216,440
Inventory	27,205	-	27,205
Prepaid Expenses	634,361	-	634,361
Capital Assets (Net of Accumulated Depreciation):			
Nondepreciable	511,379	128,791	640,170
Depreciable	16,816,890	15,880,972	32,697,862
Total Assets	<u>27,105,889</u>	<u>21,625,554</u>	<u>48,731,443</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Bond Refunding	901,433	-	901,433
Deferred Pension Costs	4,362,653	-	4,362,653
Deferred OPEB Costs	654,450	-	654,450
Total Deferred Outflows of Resources	<u>5,918,536</u>	<u>-</u>	<u>5,918,536</u>
<b>LIABILITIES</b>			
Accounts Payable	252,591	613,937	866,528
Accrued Liabilities	141,905	6,041	147,946
Due to Other Governmental Units	-	8,031	8,031
Refundable Deposits and Bonds	1,201,510	-	1,201,510
Unearned Revenue	420,040	-	420,040
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	66,753	-	66,753
Current Portion of Long-term Debt	1,430,000	352,049	1,782,049
Due in more than one year:			
Compensated Absences	427,614	-	427,614
Net Pension Liability	15,188,375	-	15,188,375
Net OPEB Liability	5,131,441	-	5,131,441
Long-Term Debt	10,735,000	734,088	11,469,088
Total Liabilities	<u>34,995,229</u>	<u>1,714,146</u>	<u>36,709,375</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred OPEB Costs	418,992	-	418,992
Deferred Inflows from Leases	542,381	-	542,381
Total Deferred Outflows of Resources	<u>961,373</u>	<u>-</u>	<u>961,373</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	16,328,269	14,923,626	31,251,895
Restricted:			
Library	23,802	-	23,802
Construction Code Activity	602,840	-	602,840
Roads	947,327	-	947,327
Drug Enforcement	1,120	-	1,120
Water Debt Service	-	351,736	351,736
Sewer Capital Improvements	-	3,673,349	3,673,349
Unrestricted (deficit)	<u>(20,835,535)</u>	<u>962,697</u>	<u>(19,872,838)</u>
Total Net Position	<u>\$ (2,932,177)</u>	<u>\$ 19,911,408</u>	<u>\$ 16,979,231</u>

**CITY OF BLOOMFIELD HILLS**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

<u>Functions/Programs</u>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,449,332	\$ 264,230	\$ 8,949	\$ -
Public Safety	7,524,166	1,056,300	47,512	-
Public Works	2,583,381	428,442	704,739	-
Interest on Long-Term Debt	340,059	-	-	-
Total Governmental Activities	<u>12,896,938</u>	<u>1,748,972</u>	<u>761,200</u>	<u>-</u>
Business-type Activities:				
Water & Sewer	5,489,856	4,731,348	-	2,335,561
Total Primary Government	<u>\$ 18,386,794</u>	<u>\$ 6,480,320</u>	<u>\$ 761,200</u>	<u>\$ 2,335,561</u>

General Revenues:

Property Taxes  
 State Shared Revenue  
 Unrestricted Investment Income  
 Franchise Fees  
 Total General Revenues

Change in Net Position

Net Position (Deficit) - Beginning

Net Position (Deficit) - Ending

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,176,153)	\$ -	\$ (2,176,153)
(6,420,354)	-	(6,420,354)
(1,450,200)	-	(1,450,200)
(340,059)	-	(340,059)
<u>(10,386,766)</u>	<u>-</u>	<u>(10,386,766)</u>
 - 1,577,053	 1,577,053	 1,577,053
<u>(10,386,766)</u>	<u>1,577,053</u>	<u>(8,809,713)</u>
 10,816,704	 -	 10,816,704
505,078	-	505,078
98,961	-	98,961
149,587	10,424	160,011
<u>11,570,330</u>	<u>10,424</u>	<u>11,580,754</u>
 1,183,564	 1,587,477	 2,771,041
<u>(4,115,741)</u>	<u>18,323,931</u>	<u>14,208,190</u>
 <u>\$ (2,932,177)</u>	 <u>\$ 19,911,408</u>	 <u>\$ 16,979,231</u>

**CITY OF BLOOMFIELD HILLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<b>General Fund</b>	<b>Obligation Debt Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,367,426	\$ 111	\$ 871,262	\$ 8,238,799
Accounts Receivable	94,095	-	9,040	103,135
Taxes Receivable	21,074	-	-	21,074
Leases Receivable	536,606	-	-	536,606
Due from State	104,531	-	111,909	216,440
Inventory	27,205	-	-	27,205
Prepaid Expenditures	634,361	-	-	634,361
Total Assets	<u><u>\$ 8,785,298</u></u>	<u><u>\$ 111</u></u>	<u><u>\$ 992,211</u></u>	<u><u>\$ 9,777,620</u></u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 209,630	\$ -	\$ 42,961	\$ 252,591
Accrued Liabilities	85,636	-	-	85,636
Refundable Deposits and Bonds	1,201,510	-	-	1,201,510
Unearned Revenue	420,040	-	-	420,040
Total Liabilities	<u><u>1,916,816</u></u>	<u><u>-</u></u>	<u><u>42,961</u></u>	<u><u>1,959,777</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	21,074	-	-	21,074
Deferred Inflows from Leases	542,381	-	-	542,381
Total Deferred Inflows of Resources	<u><u>563,455</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>563,455</u></u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepays	634,361	-	-	634,361
Inventory	27,205	-	-	27,205
Restricted for:				
Roads	-	-	947,327	947,327
Drug Enforcement	-	-	1,120	1,120
Library	23,802	-	-	23,802
Construction code activity	602,840	-	-	602,840
Unrestricted:				
Assigned for Capital Projects	-	-	803	803
Assigned for Debt Service	-	111	-	111
Assigned for Compensated Absences	494,367	-	-	494,367
Assigned for Pension Obligations	500,000	-	-	500,000
Unassigned	4,022,452	-	-	4,022,452
Total Fund Balances	<u><u>6,305,027</u></u>	<u><u>111</u></u>	<u><u>949,250</u></u>	<u><u>7,254,388</u></u>
Total Liabilities, Deferred Inflows, of Resources, and Fund Balances	<u><u>\$ 8,785,298</u></u>	<u><u>\$ 111</u></u>	<u><u>\$ 992,211</u></u>	<u><u>\$ 9,777,620</u></u>

**CITY OF BLOOMFIELD HILLS**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**For the Year Ended June 30, 2023**

**Fund Balances Reported in Governmental Funds** \$ 7,254,388

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 recorded in the funds.	17,328,269
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.	21,074
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds.	(11,263,567)
Accrued interest is not due and payable in the current period and is not reported in the funds.	(56,269)
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	(494,367)
Net Pension Liability	(10,825,722)
Other Post Employment Benefit Liability	<u>(4,895,983)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b>\$ <u>(2,932,177)</u></b>

**CITY OF BLOOMFIELD HILLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<b>General</b>	<b>General Obligation Debt Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Property Taxes	\$ 10,281,280	\$ -	\$ 535,424	\$ 10,816,704
Intergovernmental	566,039	-	700,239	1,266,278
Special Assessments	-	-	259,793	259,793
Charges for Services	222,914	-	-	222,914
Fines and Forfeitures	34,285	-	-	34,285
Licenses and Permits	1,174,784	-	-	1,174,784
Investment Income	98,668	-	293	98,961
Other	159,780	-	46,564	206,344
Total Revenues	<u>12,537,750</u>	<u>-</u>	<u>1,542,313</u>	<u>14,080,063</u>
<b>Expenditures</b>				
Current:				
General Government	2,314,770	-	-	2,314,770
Public Safety	6,749,732	-	-	6,749,732
Public Works	1,070,272	-	496,416	1,566,688
Debt Service:				
Principal	-	1,400,000	-	1,400,000
Interest and Other Charges	-	267,285	-	267,285
Capital Outlay	-	-	1,517,821	1,517,821
Total Expenditures	<u>10,134,774</u>	<u>1,667,285</u>	<u>2,014,237</u>	<u>13,816,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,402,976</u>	<u>(1,667,285)</u>	<u>(471,924)</u>	<u>263,767</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	1,637,341	711,141	2,348,482
Transfers Out	(1,951,315)	-	(397,167)	(2,348,482)
Total Other Financing Sources (Uses)	<u>(1,951,315)</u>	<u>1,637,341</u>	<u>313,974</u>	<u>-</u>
Net Change in Fund Balances	451,661	(29,944)	(157,950)	263,767
Fund Balances - Beginning	<u>5,853,366</u>	<u>30,055</u>	<u>1,107,200</u>	<u>6,990,621</u>
Fund Balances - Ending	<u>\$ 6,305,027</u>	<u>\$ 111</u>	<u>\$ 949,250</u>	<u>\$ 7,254,388</u>

**CITY OF BLOOMFIELD HILLS**

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2023**

**Net Change in Fund Balances Reported in Governmental Funds** \$ 263,767

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 the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	1,723,357
Depreciation expense	(1,485,214)

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.

439

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt).

1,400,000

Interest expense is recognized in the government-wide statements as it accrues.

(72,774)

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.

Change in Compensated Absences Payable	(91,171)
Change in Net Pension Liability	(1,752,264)
Change in Other Post Employment Benefit Liability	1,197,424

**Change in Net Position of Governmental Activities** \$ 1,183,564

**CITY OF BLOOMFIELD HILLS**  
**Proprietary Fund**  
**Statement of Net Position**  
**June 30, 2023**

**Enterprise Fund**  
**Water & Sewer**  
**Fund**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,598,051
Receivables	2,017,740
Total Current Assets	<u>5,615,791</u>

Noncurrent Assets:

Capital Assets, not subject to depreciation	128,791
Capital Assets, net of depreciation	15,880,972
Total Noncurrent Assets	<u>16,009,763</u>

Total Assets 21,625,554

**LIABILITIES**

Current Liabilities:

Accounts Payable	613,937
Accrued Liabilities	6,041
Due to Other Governmental Units	8,031
Current Portion of Long-term Debt	352,049
Total Current Liabilities	<u>980,058</u>

Noncurrent Liabilities:

Long-term Debt, net	<u>734,088</u>
Total Liabilities	<u>1,714,146</u>

**NET POSITION**

Net Investment in Capital Assets	14,923,626
Restricted:	
Water Debt Service	351,736
Sewer Capital Improvements	3,673,349
Unrestricted	962,697
Total Net Position	<u>\$ 19,911,408</u>

**CITY OF BLOOMFIELD HILLS**  
**Proprietary Fund**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**

	<b>Enterprise Fund</b> <b>Water &amp; Sewer</b> <b>Fund</b>
Operating Revenue:	
Sale of Water	\$ 2,936,007
Sewage Disposal Charges	1,795,341
Total Operating Revenue	<u>4,731,348</u>
Operating Expenses:	
Cost of Water	2,664,233
Cost of Sewage Treatment	1,380,721
Other Operating and Maintenance Costs	65,670
Billing and Administrative Costs	264,936
Other Operating Expense	279,696
Depreciation	818,173
Total Operating Expenses	<u>5,473,429</u>
Operating Income (Loss)	(742,081)
Non-Operating Revenue (Expense):	
Investment Income	10,424
Interest Expense	(16,427)
Total Non-Operating Revenue (Expense)	<u>(6,003)</u>
Income (Loss) before Contributions	(748,084)
Capital Contributions - Tap fees and Capital Charges	<u>2,335,561</u>
Change in Net Position	1,587,477
Net Position, Beginning	<u>18,323,931</u>
Net Position, Ending	\$ <u>19,911,408</u>

**CITY OF BLOOMFIELD HILLS**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

	<b>Enterprise Fund</b> <b>Water &amp; Sewer</b> <b>Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 4,316,545
Payments to suppliers	(4,564,131)
Net Cash Used in Operating Activities	<u><u>(247,586)</u></u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Tap fees and capital charges	2,335,561
Purchase of capital assets	(2,017,176)
Principal and interest paid on capital debt	(358,482)
Net Cash Provided by Capital and Related Financing Activities	<u><u>(40,097)</u></u>
<b>Cash Flows from Provided by Investing Activities</b>	
Investment Income	<u><u>10,424</u></u>
Net Increase (Decrease) in Cash and Cash Equivalents	(277,259)
Cash and Cash Equivalents, Beginning of year	<u><u>3,875,310</u></u>
Cash and Cash Equivalents, End of year	<u><u>\$ 3,598,051</u></u>
<b>Reconciliation of Operating Income(Loss) to Net Cash</b>	
<b>Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (742,081)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	818,173
Changes in assets and liabilities:	
Receivables	(414,803)
Accounts payable and accrued liabilities	91,125
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (247,586)</u></u>

**CITY OF BLOOMFIELD HILLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
June 30, 2023

	<b>OPEB Trust</b>	<b>Tax Collection</b>		
	<b>Fund</b>			<b>Total</b>
<b>ASSETS</b>				
Interest in Pooled Investments	\$ 5,577,259	\$ -	\$ -	\$ 5,577,259
<b>LIABILITIES</b>				
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>NET POSITION</b>				
Restricted - Postemployment benefits other than pension	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

**CITY OF BLOOMFIELD HILLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
June 30, 2023

	<b>OPEB Trust</b>	<b>Tax Collection</b>		
	<b>Fund</b>			<b>Total</b>
<b>Additions</b>				
Investment Income	\$ 356,166	\$ -	\$ -	\$ 356,166
Contributions-Employer	1,386,042	- -	- -	1,386,042
Property tax collections	- -	28,106,684	- -	28,106,684
Total Additions	<u>1,742,208</u>	<u>28,106,684</u>	<u>      </u>	<u>29,848,892</u>
<b>Deductions</b>				
Benefit payments	636,042	- -	- -	636,042
Administrative Fees	9,015	- -	- -	9,015
Property tax disbursements	- -	28,106,684	- -	28,106,684
Total Deductions	<u>645,057</u>	<u>28,106,684</u>	<u>      </u>	<u>28,751,741</u>
Net Increase in Fiduciary Net Position	1,097,151	- -	- -	1,097,151
Net Position - Beginning of year	<u>4,480,108</u>	<u>      </u>	<u>      </u>	<u>4,480,108</u>
Net Position - End of year	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

## **Note 1 – Significant Accounting Policies**

### **Reporting Entity**

The City of Bloomfield Hills, Michigan (the “City”) is governed by an elected five-member commission. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable.

### **OPEB Trust**

The City Commission governs an OPEB trust through the Municipal Employees’ Retirement System of Michigan (MERS) Retiree Health Funding Vehicle (RHFV). The MERS RHFV is governed by a nine-member board that includes three members of a participating municipality, three employee members, two expert members, and one retiree member. Although legally separate from the City, it is reported as a fiduciary component unit, because the plan imposes a financial burden on the City.

### **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, unrestricted intergovernmental receipts, and other items not properly included amount 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.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

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 are reported as separate columns in the fund financial statements.

***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 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, for certain amounts due from businesses and residents collected after the period of availability, receivables have been recorded for these along with a deferred inflow.

Proprietary funds and fiduciary funds 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.

***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:

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

**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, capital project 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.
- The General Obligation Debt Fund is used to account for the debt payment on bonds and other long-term liabilities.

**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.

**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. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) 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 as 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. Similarly, balances between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

***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 three months or less when acquired. Investments are stated at fair value.

**Inventories and Prepaid Items**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure (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 \$1,000 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:

Capital Asset Class	Depreciable Life - Years
Infrastructure	20-50
Sewer drains	50
Buildings and improvements	50
Equipment and vehicles	5-20
Information technology	3
Land improvements	20

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

**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 lives 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 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. The City reports deferred outflows related to pensions and OPEB, as detailed in Notes 8 and 9, respectively.

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 receivables collected beyond the City's period of availability, which are reported only in the governmental funds. The City also reports deferred inflows related to pensions and OPEB, as detailed in Notes 8 and 9, respectively.

**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, 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.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

## **Note 1 – Significant Accounting Policies (Continued)**

### **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.

### **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 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 City 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 passed, the limitation imposed by the ordinance remains in place until a similar action is taken (the passing 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 exist only 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 either to 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 2022 property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

**Pension**

The City offers defined benefit pension benefits to its employees. This plan is closed to all new hires. For general 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 position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions 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.

**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 accumulated 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 proprietary funds is charges to customers for sales or services. The Water and Sewer Fund also recognizes tap fees intended to cover the cost of connecting new customers to the system as operating revenue. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Leases**

The City is a lessor for a lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts. The City uses the actual rate charged to lessees as the discount rate for leases.

**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 January 1, 2000 is as follows:

Cumulative surplus at July 1, 2022	\$ 107,586
Current year permit revenue	990,389
Current year related expenditures	<u>495,135</u>
Current year shortfall	<u>495,254</u>
Cumulative surplus at June 30, 2023	<u><u>\$ 602,840</u></u>

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

### **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 loans 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 agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that mature no 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 banks for the deposit of its funds. 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 in accordance 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 \$12,113,759 of bank deposits that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

At year end, the City had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Pooled Investment- Oakland County Local Government Investment Pool	\$ 9,213,871	1.18 yrs

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**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, 2023, the credit quality ratings of debt securities are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Pooled Investment- Oakland County Local Govt. Pool	\$ 9,213,871	N/A	N/A

**Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (NAV) (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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 Calculated Net Asset Value per Share***

The City holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Identical Assets</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
	<u>Carrying Value</u>	<u>Commitments</u>		
Oakland County Local				
Government Investment Pool	\$ 9,213,871	\$ -	None	None
MERS Total Market Portfolio	5,577,259	-	None	None

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

The Oakland County Local Government Investment Pool (LGIP) is not registered with the 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.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 4 -Capital Assets**

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

**Governmental Activities**

Governmental Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, not depreciated:				
Land	\$ 339,638	\$ -	\$ -	\$ 339,638
Construction in progress	10,000	171,741	(10,000)	171,741
	<u>349,638</u>	<u>171,741</u>	<u>(10,000)</u>	<u>511,379</u>
Capital Assets, being depreciated:				
Building and Improvements	7,305,766	19,637	-	7,325,403
Equipment and vehicles	4,071,534	596,761	(192,148)	4,476,147
Land Improvements	292,207	-	-	292,207
Infrastructure	31,295,120	945,218	-	32,240,338
	<u>42,964,627</u>	<u>1,561,616</u>	<u>(192,148)</u>	<u>44,334,095</u>
Less: Accumulated Depreciation:				
Building and Improvements	3,372,933	157,869	-	3,530,802
Equipment and vehicles	3,434,880	257,985	(192,148)	3,500,717
Land Improvements	253,426	2,585	-	256,011
Infrastructure	19,162,900	1,066,775	-	20,229,675
	<u>26,224,139</u>	<u>1,485,214</u>	<u>(192,148)</u>	<u>27,517,205</u>
Governmental Activities				
Capital Assets, net	<u>\$ 17,090,126</u>	<u>\$ 248,143</u>	<u>\$ (10,000)</u>	<u>\$ 17,328,269</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 78,719
Public Safety	220,829
Public Works	1,185,666
	<u>\$ 1,485,214</u>

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

**Business-type Activities**

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, not depreciated:				
Construction in progress	\$ 11,550	\$ 117,240	\$ -	\$ 128,790
Capital Assets, being depreciated:				
Sewer drains	1,388,637	1,836,575	-	3,225,212
Infrastructure	19,524,703	63,361	-	19,588,064
	<u>20,913,340</u>	<u>1,899,936</u>	<u>-</u>	<u>22,813,276</u>
Less: Accumulated Depreciation:				
Sewer drains	515,787	76,408	-	592,195
Infrastructure	5,598,343	741,765	-	6,340,108
	<u>6,114,130</u>	<u>818,173</u>	<u>-</u>	<u>6,932,303</u>
<b>Business-type Activities</b>				
Capital Assets, net	<u>\$ 14,810,760</u>	<u>\$ 1,199,003</u>	<u>\$ -</u>	<u>\$ 16,009,763</u>

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

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	General Obligation Debt Fund	\$ 1,637,341
General Fund	Capital Improvement Fund	313,974
Major Street Fund	Local Street Fund	225,167
Local Street Fund	Road Construction Fund	172,000
		<u>\$ 2,348,482</u>

The transfer from the General Fund to the General Obligation Debt Fund represents the use of unrestricted resources for debt payments. The transfer to the Capital Improvement Fund was for construction projects in accordance with budgetary authorizations. The transfer from the Major Street Fund to the Local Street Fund represents the sharing of gas and weight tax revenue in accordance with Act 51.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 6-Long-term Debt**

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

**Governmental Activities**

	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
2010 GO Limited Tax Bonds						
Issue Amount: \$4,000,000						
Maturing through 2025	2.0%-3.50%	\$ 1,500,000		-\$ 500,000	\$ 1,000,000	\$ 500,000
2014 GO Limited Tax Pension Bonds						
Issue Amount: \$15,860,000						
Maturing through 2034	.40%-4.00%	2,325,000		-\$ 750,000	1,575,000	775,000
2021 GO Limited Tax Pension Obligation Refunding Bonds						
Issue Amount: \$9,915,000						
Maturing through 2034	.16%-2.29%	9,740,000		-\$ 150,000	9,590,000	155,000
Total General Obligation Bonds		\$ 13,565,000		-\$ 1,400,000	\$ 12,165,000	\$ 1,430,000
Compensated Absences		\$ 403,196	\$ 428,347	\$ 337,176	\$ 494,367	\$ 66,753
		\$ 13,968,196	\$ 428,347	\$ 1,737,176	\$ 12,659,367	\$ 1,496,753

**Business-type Activities**

	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:						
General Obligation Bonds:						
2015 Water Infrastructure Improvement Bonds						
Issue Amount: \$3,295,000						
Maturing through 2026	2.0%-2.25%	\$ 1,400,000		-\$ 335,000	\$ 1,065,000	\$ 345,000
Bond Issuance Premiums		\$ 28,192		-\$ 7,055	\$ 21,137	\$ 7,049
		\$ 1,428,192		-\$ 342,055	\$ 1,086,137	\$ 352,049

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

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

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,430,000	\$ 225,074	\$ 345,000	\$ 17,850
2025	1,455,000	182,453	355,000	12,850
2026	970,000	156,077	365,000	3,650
2027	980,000	146,548	-	-
2028	990,000	134,369	-	-
2029-2033	5,230,000	401,109	-	-
2034	1,110,000	12,726	-	-
	<u>\$ 12,165,000</u>	<u>\$ 1,258,356</u>	<u>\$ 1,065,000</u>	<u>\$ 34,350</u>

**Note 7-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 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 Michigan Municipal Risk Management Authority's state 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. A portion of the excess insurance coverage is underwritten by the Authority itself.

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 through Delta Dental.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

## **Note 8-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 that covers all general, public safety union, and department of public works employees. This plan is closed to 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.mersofmich.com](http://www.mersofmich.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 3 to 5 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 date of hire. The vesting period is 8 to 10 years.

### ***Employees Covered by Benefit Terms***

At the December 31, 2022 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	50
Inactive plan members entitled to but not yet receiving benefits	6
Active Plan Members	<u>15</u>
Total Employees covered by the plan	<u>71</u>

### ***Contributions***

Article 9, Section 24 of the State of Michigan constitution requires public employers to make pension contributions in accordance with an actuarial valuation. 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, 2023, the average active employee contribution rate was 5.0 percent of annual pay.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 8-Defined Benefit Pension Plans (continued)**

**Net Pension Liability**

The net pension liability reported at June 30, 2023 was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 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
Balance at January 1, 2022	\$ 43,400,511	\$ 35,576,054	\$ 7,824,457
Service Cost	333,443	-	333,443
Interest	3,062,380	-	3,062,380
Differences between expected and actual experience	1,523,396	-	1,523,396
Contributions-Employer	-	1,359,180	(1,359,180)
Contributions-Employee	-	173,199	(173,199)
Net Investment Loss	-	(3,912,524)	3,912,524
Benefit Payments, including refunds	(2,655,013)	(2,655,013)	-
Administrative Expenses	-	(64,554)	64,554
Net Changes	<u>2,264,206</u>	<u>(5,099,712)</u>	<u>7,363,918</u>
Balance at December 31, 2022	<u>\$ 45,664,717</u>	<u>\$ 30,476,342</u>	<u>\$ 15,188,375</u>

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

For the year ended June 30, 2023, the City recognized pension expense of \$3,111,444. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 761,698	\$ -
Net difference between projected and actual earnings on pension plan investments	2,825,713	-
Employer contributions to the plan subsequent to the measurement date	<u>775,242</u>	<u>-</u>
Total	<u>\$ 4,362,653</u>	<u>\$ -</u>

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 8-Defined Benefit Pension Plans (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date, which will impact the net pension liability in fiscal year 2023, rather than pension expense.

Years Ending	
June 30	Amount
2024	\$ 943,496
2025	497,485
2026	874,172
2027	1,272,258

**Discount Rate**

As shown below, the discount rate of 7.25% used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

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.

**Investment Rate of Return**

Best estimates of arithmetic real rates of return as of the December 31, 2022 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%	4.50%
Global Fixed Income	20%	2.00%
Private Investments	20%	7.00%

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 8-Defined Benefit Pension Plans (continued)**

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25 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% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net Pension Liability	\$ <u>20,868,579</u>	\$ <u>15,188,375</u>	\$ <u>10,507,464</u>

***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 pensions, 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 9 – 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 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.

***Benefits Provided***

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

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 9 – Other Postemployment Benefit Plan – (Continued)**

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	<u>June 30, 2023</u>
Inactive plan members currently receiving benefits	42
Active plan members	13
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; however, the City does make discretionary contributions to the trust. For the fiscal year ended June 30, 2023, the City made payments for postemployment health benefit premiums of \$652,308, and the City contributed \$750,000 into a prefunded retiree health care fund held by MERS.

**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, 2023 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, 2023 measurement date. The June 30, 2023 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, which used update procedures to roll forward the estimated liability to June 20, 2023.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Changes in Net OPEB Liability			
<hr/>			
Balance at July 1, 2022	\$ 11,338,348	\$ 4,480,107	\$ 6,858,241
<hr/>			
Changes for the year:			
Service Cost	61,605	-	61,605
Interest	775,552	-	775,552
Difference between expected and actual experience	(814,497)	-	(814,497)
Changes in Assumptions	-	-	-
Contributions - Employer	-	1,402,308	(1,402,308)
Net Investment Income	-	356,167	(356,167)
Benefit Payments, including refunds	(652,308)	(652,308)	-
Administrative Expenses	-	(9,015)	9,015
Net Changes	<hr/> <u>(629,648)</u>	<hr/> <u>1,097,152</u>	<hr/> <u>(1,726,800)</u>
<hr/>			
Balance at June 30, 2023	\$ 10,708,700	\$ 5,577,259	\$ 5,131,441

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note – 9 Other Postemployment Benefit Plan (Continued)**

**OPEB Expense and Deferred Outflows of Resources and deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the City recognized \$204,884 of OPEB expense.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 418,992
Changes in Assumptions	460,394	-
Net difference between projected and actual earnings on OPEB investments	194,056	-
Total	<u>\$ 654,450</u>	<u>\$ 418,992</u>

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

Years Ending	
June 30	Amount
2024	\$ 84,274
2025	12,557
2026	142,038
2027	(3,411)

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using an inflation assumption of 3.00 percent; assumed salary increases (including inflation) of between 3.0 percent; an investment rate of return (net investment expenses) of 7.00 percent; a health care cost trend rate of 7.00 percent, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent; and the Pub-2010 Mortality Tables. These assumptions were applied to all periods included in the measurement.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note – 9 Other Postemployment Benefit Plan (Continued)**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed the City will continue to fund OPEB benefits on a pay as you go basis. 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***

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of plan investment expense, was -3.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2023 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 tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	60%	4.50%
Global Fixed Income	20%	2.00%
Private Investments	20%	7.00%

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note – 9 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 7.00 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% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 6,372,551	\$ 5,131,441	\$ 3,860,684

**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 7.25 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 higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 3,810,743	\$ 5,131,441	\$ 6,436,602

**OPEB Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is not available in the 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 of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF BLOOMFIELD HILLS  
Notes to Financial Statements  
June 30, 2023

**Note 10 – Defined Contribution Pension Plan**

The City participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined contribution pension plan. In a defined contribution pension 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. The plan is provided to full-time non union 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 14.5 percent for public safety officers, including command officers. The City's contribution for the fiscal year ended June 30, 2023 was \$207,736.

**Note 11 – Upcoming Accounting Pronouncements**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences as well as the disclosure requirements. This statement requires that the compensated absence liability be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. This statement is effective for the City's financial statements beginning with the fiscal year ending June 30, 2025.

## REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF BLOOMFIELD HILLS**

**Required Supplemental Information**

**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Nine Plan Years**  
**Years Ended December 31**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service Cost	\$ 333,443	\$ 288,398	\$ 281,895	\$ 299,896	\$ 316,016	\$ 311,343	\$ 303,737	\$ 321,098	\$ 349,720
Interest	3,062,380	3,034,616	2,840,526	2,845,893	2,841,279	2,772,061	2,637,009	2,527,139	2,464,654
Differences between expected and actual experience	1,523,396	(56,452)	818,177	(141,974)	(653,783)	189,169	1,101,092	77,828	-
Changes in assumptions	-	1,657,672	1,176,110	1,297,081	-	-	-	1,614,918	-
Benefit payments, including refunds	(2,655,013)	(2,617,368)	(2,514,918)	(2,465,504)	(2,410,044)	(2,409,333)	(2,305,661)	(2,097,660)	(1,987,664)
Net Change in Total Pension Liability	2,264,206	2,306,866	2,601,790	1,835,392	93,468	863,240	1,736,177	2,443,303	826,710
Total Pension Liability, Beg. of year	43,400,511	41,093,645	38,491,855	36,656,463	36,562,995	35,699,755	33,963,578	31,520,275	30,693,565
Total Pension Liability, End of year	\$ 45,664,717	\$ 43,400,511	\$ 41,093,645	\$ 38,491,855	\$ 36,656,463	\$ 36,562,995	\$ 35,699,755	\$ 33,963,578	\$ 31,520,275
Plan Fiduciary Net Position:									
Contributions - Employer	\$ 1,359,180	\$ 1,049,604	\$ 851,808	\$ 698,124	\$ 514,950	\$ 334,374	\$ 269,316	\$ 283,701	\$ 16,952,688
Contributions - Employee	173,199	82,468	87,593	95,240	96,641	95,191	98,682	109,331	118,386
Net Investment Income (Loss)	(3,912,524)	4,341,923	4,121,498	3,767,776	(1,174,098)	3,804,392	3,148,653	(443,558)	937,384
Administrative Expenses	(64,554)	(51,544)	(59,968)	(64,850)	(59,459)	(60,403)	(62,233)	(65,737)	(34,875)
Benefit payments, including refunds	(2,655,013)	(2,617,368)	(2,514,918)	(2,465,504)	(2,410,044)	(2,409,333)	(2,305,661)	(2,097,660)	(1,987,664)
Other	-	18,953	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(5,099,712)	2,824,036	2,486,013	2,030,786	(3,032,010)	1,764,221	1,148,757	(2,213,923)	15,985,919
Plan Fiduciary Net Position, Beg. of year	35,576,054	32,752,018	30,266,005	28,235,219	31,267,229	29,503,008	28,354,251	30,568,174	14,582,255
Plan Fiduciary Net Position, End of year	\$ 30,476,342	\$ 35,576,054	\$ 32,752,018	\$ 30,266,005	\$ 28,235,219	\$ 31,267,229	\$ 29,503,008	\$ 28,354,251	\$ 30,568,174
City's Net Pension Liability - Ending	\$ 15,188,375	\$ 7,824,457	\$ 8,341,627	\$ 8,225,850	\$ 8,421,244	\$ 5,295,766	\$ 6,196,747	\$ 5,609,327	\$ 952,101
Plan Fiduciary Net Position as a Percent of Total Pension Liability	66.74%	81.97%	79.70%	78.63%	77.03%	85.52%	82.64%	83.48%	96.98%
Covered Employee Payroll	\$ 1,629,961	\$ 1,568,464	\$ 1,751,860	\$ 1,830,511	\$ 1,932,814	\$ 1,903,821	\$ 1,859,858	\$ 2,025,423	\$ 2,211,532
City's Net Pension Liability as a Percent of Covered Employee Payroll	931.82%	498.86%	476.16%	449.37%	435.70%	278.17%	333.18%	276.95%	43.05%

**CITY OF BLOOMFIELD HILLS**  
**Required Supplemental Information**  
**Schedule of City Pension Contributions**  
Last Ten Plan Years  
Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,359,180	\$ 1,049,604	\$ 851,808	\$ 698,124	\$ 514,950	\$ 334,374	\$ 269,316	\$ 275,820	\$ 1,262,614	\$ 1,025,420
Contributions in relation to the actuarially determined contribution	<u>1,359,180</u>	<u>1,049,604</u>	<u>851,808</u>	<u>698,124</u>	<u>514,950</u>	<u>334,374</u>	<u>269,316</u>	<u>275,820</u>	<u>1,262,614</u>	<u>1,025,420</u>
Contribution Deficiency	\$ <u><u>-</u></u>									
Covered Payroll	\$ 1,629,961	\$ 1,568,464	\$ 1,751,860	\$ 1,830,511	\$ 1,932,814	\$ 1,903,821	\$ 1,859,858	\$ 2,025,423	\$ 2,211,532	\$ 1,981,561
Contributions as a Percentage of Covered Payroll	83.39%	66.92%	48.62%	38.14%	26.64%	17.56%	14.48%	13.62%	57.09%	51.75%

Actuarial valuation information relative to the determination of contributions:

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 each year, which is 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  
 Amortization Method  
 Remaining Amortization Period  
 Asset Valuation Method  
 Inflation  
 Salary Increases  
 Investment Rate of Return  
 Retirement Age  
 Mortality

Entry age  
 Level percentage of pay, closed  
 17 years  
 5 year smoothed market  
 2.50%  
 3.75%  
 7.35%  
 60  
 Pub-2010 Mortality Tables

**CITY OF BLOOMFIELD HILLS**

**Required Supplemental Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**Last Six Fiscal Years**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service Cost	\$ 61,605	\$ 89,294	\$ 91,347	\$ 89,976	\$ 90,842	\$ 118,778
Interest	775,552	705,496	747,510	809,534	875,542	887,837
Differences between expected and actual experience	(814,497)	(35,232)	(805,229)	(877,969)	(1,195,234)	(1,706,693)
Changes in Assumptions	-	1,381,184	-	303,545	830,388	830,388
Benefit payments, including refunds	(652,308)	(612,500)	(594,213)	(608,676)	(634,850)	(650,990)
Net Change in Total OPEB Liability	(629,648)	1,528,242	(560,585)	(283,590)	(33,312)	(520,680)
Total OPEB Liability, Beginning of year	111,338,348	9,810,106	10,370,691	10,654,281	11,517,981	12,038,661
Total OPEB Liability, End of year	\$ 10,708,700	\$ 11,338,348	\$ 9,810,106	\$ 10,370,691	\$ 11,484,669	\$ 11,517,981
Plan Fiduciary Net Position:						
Contributions - Employer	\$ 1,402,308	\$ 1,212,500	\$ 944,213	\$ 908,676	\$ 634,850	\$ 650,990
Net Investment (Loss) Income	356,167	(391,350)	884,114	68,034	77,470	289,335
Administrative Expenses	(9,015)	(7,952)	(6,529)	(5,335)	(5,493)	(2,431)
Benefit payments, including refunds	(652,308)	(612,500)	(594,213)	(608,676)	(634,850)	(650,990)
Net Change in Plan Fiduciary Net Position	1,097,152	200,698	1,227,585	362,699	71,977	286,904
Plan Fiduciary Net Position, Beginning of year	4,480,107	4,279,409	3,051,824	2,689,125	2,617,148	2,330,244
Plan Fiduciary Net Position, End of year	\$ 5,577,259	\$ 4,480,107	\$ 4,279,409	\$ 3,051,824	\$ 2,689,125	\$ 2,617,148
Net OPEB Liability - Ending	\$ 5,131,441	\$ 6,858,241	\$ 5,530,697	\$ 7,318,867	\$ 8,795,544	\$ 8,900,833
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	52.08%	39.51%	43.62%	29.43%	23.41%	22.72%
Covered Employee Payroll	\$ 1,112,948	\$ 1,152,509	\$ 1,199,733	\$ 1,320,807	\$ 1,537,841	\$ 1,482,256
Net OPEB Liability as a Percent of Covered Employee Payroll	461.07%	595.07%	460.99%	554.12%	571.94%	600.49%

**CITY OF BLOOMFIELD HILLS**  
**Required Supplemental Information**  
**Schedule of OPEB Contributions**  
**Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 652,308	\$ 612,500	\$ 594,213	\$ 617,882	\$ 666,602	\$ 718,126	\$ 670,697	\$ 650,982	\$ 629,451	\$ 529,842
Contributions in relation to the actuarially determined contribution	<u>1,402,308</u>	<u>1,212,500</u>	<u>944,213</u>	<u>908,676</u>	<u>634,850</u>	<u>650,990</u>	<u>597,003</u>	<u>887,665</u>	<u>743,166</u>	<u>892,917</u>
Contribution Excess (Deficiency)	<u><u>\$ 750,000</u></u>	<u><u>\$ 600,000</u></u>	<u><u>\$ 350,000</u></u>	<u><u>\$ 290,794</u></u>	<u><u>\$ (31,752)</u></u>	<u><u>\$ (67,136)</u></u>	<u><u>\$ (73,694)</u></u>	<u><u>\$ 236,683</u></u>	<u><u>\$ 113,715</u></u>	<u><u>\$ 363,075</u></u>
Covered Employee Payroll	\$ 1,112,948	\$ 1,152,509	\$ 1,199,733	\$ 1,320,807	\$ 1,537,841	\$ 1,482,256	\$ 1,715,716	\$ 1,715,716	\$ 1,715,716	\$ 1,999,296
Contributions as a Percentage of Covered Employee Payroll	126.00%	105.21%	78.70%	68.80%	41.28%	43.92%	34.80%	51.74%	43.32%	44.66%

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	22 years
Asset Valuation Method	5 year smoothed
Inflation	2.50%
Health care trend rates	7.0% pre-65 and 6.25% post-65
Salary Increases	3.75%
Investment Rate of Return	7.00%
Retirement Age	60
Mortality	Pub-2010 General and Safety Headcount-weighted

**CITY OF BLOOMFIELD HILLS**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenue:</b>				
Property Taxes	\$ 10,302,000	\$ 10,282,735	\$ 10,281,280	\$ (1,455)
Intergovernmental	443,443	560,880	566,039	5,159
Charges for Services	267,008	267,008	222,914	(44,094)
Fines and Forfeitures	40,000	34,285	34,285	-
Licenses and Permits	562,224	1,165,570	1,174,784	9,214
Investment Income	20,000	102,000	98,668	(3,332)
Other Revenue	127,983	150,265	159,780	9,515
<b>Total Revenue</b>	<b>11,762,658</b>	<b>12,562,743</b>	<b>12,537,750</b>	<b>(24,993)</b>
<b>Expenditures:</b>				
<b>Current Services:</b>				
General Government	2,393,982	2,393,329	2,314,770	78,559
Public Safety	6,268,716	6,774,305	6,749,732	24,573
Public Works	1,039,273	1,071,273	1,070,272	1,001
<b>Total Expenditures</b>	<b>9,701,971</b>	<b>10,238,907</b>	<b>10,134,774</b>	<b>104,133</b>
Excess (Deficiency) of Revenues Over Expenditures	2,060,687	2,323,836	2,402,976	79,140
<b>Other Financing Uses:</b>				
Transfers Out	(1,931,315)	(1,951,315)	(1,951,315)	-
Net Change in Fund Balance	129,372	372,521	451,661	79,140
Fund Balance - Beginning	5,853,366	5,853,366	5,853,366	-
<b>Fund Balance - Ending</b>	<b>\$ 5,982,738</b>	<b>\$ 6,225,887</b>	<b>\$ 6,305,027</b>	<b>\$ 79,140</b>

CITY OF BLOOMFIELD HILLS  
Notes to Required Supplemental Information  
June 30, 2023

***Budgetary Information***

The City adopts its annual budgets on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Funds. During the year, the budget was amended in a legally permissible manner. 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. All budgets lapse at year end.

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 on 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 budget is adopted by department and fund on a departmental basis. Line item detail is provided as a general guideline. 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.

## OTHER SUPPLEMENTAL INFORMATION

**CITY OF BLOOMFIELD HILLS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	<b>Special Revenue Funds</b>		
	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>Drug Enforcement Fund</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 123,783	\$ 602,318	\$ 1,120
Receivables	-	-	-
Due from State	76,373	35,536	-
Total Assets	<u>\$ 200,156</u>	<u>\$ 637,854</u>	<u>\$ 1,120</u>
<b><u>Liabilities and Fund Balance</u></b>			
Liabilities:			
Accounts Payable	\$ -	\$ 25,476	\$ -
Fund Balance:			
Restricted for Roads	200,156	612,378	-
Restricted for Drug Enforcement	-	-	1,120
Assigned for Capital Projects	-	-	-
Total Fund Balance	<u>200,156</u>	<u>612,378</u>	<u>1,120</u>
Total Liabilities and Fund Balance	<u>\$ 200,156</u>	<u>\$ 637,854</u>	<u>\$ 1,120</u>

**Capital Project Funds**

<b>Capital Improvement Fund</b>	<b>Road Construction Fund</b>	<b>Total</b>
\$ 9,248	\$ 134,793	\$ 871,262
9,040	-	9,040
-	-	111,909
<b>\$ 18,288</b>	<b>\$ 134,793</b>	<b>\$ 992,211</b>

\$ 17,485 \$ - \$ 42,961

-	134,793	947,327
-	-	1,120
803	-	803
<b>803</b>	<b>134,793</b>	<b>949,250</b>
<b>\$ 18,288</b>	<b>\$ 134,793</b>	<b>\$ 992,211</b>

**CITY OF BLOOMFIELD HILLS**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

	<b>Special Revenue Funds</b>		
	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>Drug Enforcement Fund</b>
Revenue:			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental	456,067	244,172	-
Special Assessments	-	259,793	-
Investment Income	-	-	-
Other Revenue	-	-	-
Total Revenue	<u>456,067</u>	<u>503,965</u>	<u>-</u>
Expenditures:			
Public Works	240,861	255,555	-
Capital Outlay	-	217,815	-
Total Expenditures	<u>240,861</u>	<u>473,370</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>215,206</u>	<u>30,595</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers In	-	225,167	-
Transfers Out	(225,167)	(172,000)	-
Total Other Financing Sources	<u>(225,167)</u>	<u>53,167</u>	<u>-</u>
Net Change in Fund Balance	<u>(9,961)</u>	<u>83,762</u>	<u>-</u>
Fund Balance - Beginning	<u>210,117</u>	<u>528,616</u>	<u>1,120</u>
Fund Balance - Ending	<u>\$ 200,156</u>	<u>\$ 612,378</u>	<u>\$ 1,120</u>

<b>Capital Project Funds</b>			
<b>Capital Improvement Fund</b>	<b>Road Construction Fund</b>	<b>Total</b>	
\$ -	\$ 535,424	\$ 535,424	
-	-	700,239	
-	-	259,793	
-	293	293	
<u>46,564</u>	<u>-</u>	<u>46,564</u>	
<u>46,564</u>	<u>535,717</u>	<u>1,542,313</u>	
-	-	496,416	
363,758	936,248	1,517,821	
<u>363,758</u>	<u>936,248</u>	<u>2,014,237</u>	
<u>(317,194)</u>	<u>(400,531)</u>	<u>(471,924)</u>	
313,974	172,000	711,141	
-	-	(397,167)	
<u>313,974</u>	<u>172,000</u>	<u>313,974</u>	
(3,220)	(228,531)	(157,950)	
<u>4,023</u>	<u>363,324</u>	<u>1,107,200</u>	
<u>\$ 803</u>	<u>\$ 134,793</u>	<u>\$ 949,250</u>	