



# Financial Report

with Supplemental Information

June 30, 2012

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**City of Bloomfield Hills  
Oakland County, Michigan**

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with Supplemental Information  
June 30, 2012**

# **City of Bloomfield Hills, Michigan**

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### Independent Auditor's Report

To the City Commission  
City of Bloomfield Hills  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Oakland County, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bloomfield Hills, Oakland County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Oakland County, Michigan as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedule, as identified on pages 3 through 8 and page 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Statement of Activities**  
**Year Ended June 30, 2012**

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

**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (2,572,130)	\$ -	\$ (2,572,130)
(3,486,215)	-	(3,486,215)
(1,389,122)	-	(1,389,122)
<u>(262,495)</u>	<u>-</u>	<u>(262,495)</u>
 (7,709,962)	 -	 (7,709,962)
 -	 <u>1,116,942</u>	 <u>1,116,942</u>
 (7,709,962)	 1,116,942	 (6,593,020)
 7,313,989	 -	 7,313,989
275,023	-	275,023
33,797	3,439	37,236
105,574	-	105,574
<u>214,783</u>	<u>-</u>	<u>214,783</u>
 <u>7,943,166</u>	 <u>3,439</u>	 <u>7,946,605</u>
 233,204	 1,120,381	 1,353,585
 <u>14,419,362</u>	 <u>5,685,857</u>	 <u>20,105,219</u>
 <b><u>\$ 14,652,566</u></b>	 <b><u>\$ 6,806,238</u></b>	 <b><u>\$ 21,458,804</u></b>

# **City of Bloomfield Hills, Michigan**

## **Governmental Funds** **Reconciliation of the Balance Sheet to the Statement of Net Assets** **June 30, 2012**

<b>Fund Balance Reported in Governmental Funds</b>	\$ 5,617,507
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,459,374
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	56,815
Delinquent personal property taxes are expected to be collected over several years and are not available to pay for current year expenditures	5,037
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,379,106)
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(56,344)
Compensated absences are not due and payable in the current period and are not reported in the funds	(383,284)
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	332,567
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 14,652,566</u></b>

# City of Bloomfield Hills, Michigan

## Governmental Funds

### Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 58,443
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	637,377
Depreciation expense	(1,266,672)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end

	(28,401)
--	----------

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets

	(85,406)
--	----------

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

	391,918
--	---------

Interest expense is recorded when incurred in the statement of activities

	2,572
--	-------

Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment

	112,213
--	---------

Other postemployment benefits contribution in excess of annual required contribution is recorded in the statement of activities and not in the governmental funds

	411,160
--	---------

<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 233,204</u>
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# City of Bloomfield Hills, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Fund
	Water and Sewer Fund
<b>Operating Revenue</b>	
Sale of water	\$ 1,970,400
Sewage disposal charges	<u>1,403,602</u>
	3,374,002
<b>Operating Expenses</b>	
Cost of water	1,536,101
Cost of sewage treatment	832,410
Operation and maintenance	51,533
Billing and administrative costs	293,309
Depreciation (Note 4)	<u>216,001</u>
	2,929,354
<b>Operating Income</b>	444,648
<b>Nonoperating Revenue (Expense)</b>	
Investment income	3,439
Interest expense	<u>(50,252)</u>
	(46,813)
<b>Income Before Contributions</b>	397,835
<b>Capital Contributions</b> - Tap fees and capital charges	<u>722,546</u>
<b>Change in Net Assets</b>	1,120,381
<b>Net Assets</b> - Beginning of year	<u>5,685,857</u>
<b>Net Assets</b> - End of year	<u><b>\$ 6,806,238</b></u>

# **City of Bloomfield Hills, Michigan**

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## **Fiduciary Funds Statement of Assets and Liabilities June 30, 2012**

	<u>Agency Funds</u>
<b>Assets</b> - Cash and cash equivalents	<u>\$ 471,171</u>
<b>Liabilities</b> - Refundable deposits	<u>\$ 471,171</u>

# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements** **June 30, 2012**

### **Note I - Nature of Business and Significant Accounting Policies**

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

#### **Reporting Entity**

The City of Bloomfield Hills, Michigan 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. Although blended component units are legal separate entities, in substance, they are part of the City's operations.

#### **Government-wide and Fund Financial Statements**

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

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

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

# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements** **June 30, 2012**

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund type:

**Agency Fund** - The agency fund accounts for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

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

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2012

### Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Land improvements	20 years
Building improvements	50 years
Machinery, equipment, and vehicles	5 to 20 years
Sewer drains	50 years
Infrastructure	20 to 50 years

**Deferred Revenue** - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2012, the deferred revenue balance represented \$5,037 of delinquent personal property taxes, \$56,815 of special assessments, and \$4,906 for a prepayment of property taxes, totaling \$66,758. At the end of the current fiscal year, \$61,852 of deferred revenue related to revenue that was unavailable and \$4,906 of deferred revenue related to revenue that was unearned.

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for half of the unpaid accumulated sick leave since the City has a policy to pay half the amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

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

Cumulative shortfall - July 1, 2011	\$	(11,026)
Current year building permit revenue		401,787
Related expenses:		
Direct costs	\$	241,421
Estimated indirect costs		<u>36,604</u> 278,025
Current year surplus		<u>123,762</u>
Cumulative surplus - June 30, 2012	\$	<u>112,736</u>

### **Note 3 - Deposits and Investments**

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

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2012

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

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
<b>Primary Government</b>		
Pooled investment - Oakland County	\$ 1,445,291	326

#### Credit Risk

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

Investment Type	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Pooled investment - Oakland County	\$ 1,445,291	Not rated	N/A

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2012

### Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 58,873
Public safety	933,060
Public works	<u>274,739</u>
Total governmental activities	\$ 1,266,672
Business-type activities - Water and sewer	<u>\$ 216,001</u>

**Construction Commitments** - The City has an active road construction project at year end. At year end, the City's commitment with the contractor is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road and water and sewer construction project	\$ 263,024	\$ 1,076,214

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

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Capital Projects Fund - Road Construction Fund	\$ 15,571
	Other nonmajor governmental funds - General Obligation Debt Fund	<u>571,000</u>
	Total	<u>\$ 586,571</u>
Other nonmajor governmental funds - Major Streets Fund	Other nonmajor governmental funds - Local Streets Fund	<u>\$ 99,611</u>

The transfers from the General Fund to the Capital Projects Fund and the General Obligation Debt Fund represent the use of unrestricted resources to fund construction projects and to service debt payments, in accordance with budgetary authorizations; and the transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenue in accordance with Act 51.

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2012

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

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
2009 General Obligation Debt - SOCWA bonds:						
Amount of issue - \$945,000						
Maturing through 2017	2.00%-3.25%	\$ 870,000	\$ -	\$ (100,000)	\$ 770,000	\$ 100,000
State Revolving Fund Loan Bloomfield Hills - Michigan State Revolving Loan Fund:						
Amount of issue - \$250,000						
Maturing through 2015	2.25%	45,000	\$ -	(10,000)	35,000	10,000
County contractual obligations:						
Bloomfield Village CSO Drainage Bonds, Series 1994 A:						
Amount of issue - \$161,233						
Maturing through 2017	2.00%	53,486	\$ -	(8,486)	45,000	8,743
Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001A:						
Amount of issue - \$141,432						
Maturing through 2017	5.14%	57,602	\$ -	(10,029)	47,573	9,771
Bloomfield Village CSO Drain Bonds Series, C/2001B:						
Amount of issue - \$242,750						
Maturing through 2017	2.0%-3.0%	207,520	\$ -	(34,458)	173,062	38,830
City of Bloomfield Hills CSO Drainage District Drain Refunding Bonds, Series 2003:						
Amount of issue - \$1,125,000						
Maturing through 2017	2.25%-3.38%	554,885	\$ -	(105,225)	449,660	105,000
Total bonds payable		\$ 1,788,493	\$ -	\$ (268,198)	\$ 1,520,295	\$ 272,344

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 413,503	\$ 215,172	\$ 628,675	\$ 272,344	\$ 39,988	\$ 312,332
2014	370,801	200,308	571,109	292,602	32,828	325,430
2015	421,850	186,259	608,109	321,573	24,485	346,058
2016	522,952	169,907	692,859	331,573	14,865	346,438
2017	550,000	149,063	699,063	302,203	4,887	307,090
2018	700,000	126,375	826,375	\$ -	\$ -	\$ -
2019	800,000	101,313	901,313	\$ -	\$ -	\$ -
2020	300,000	83,000	383,000	\$ -	\$ -	\$ -
2021	400,000	72,250	472,250	\$ -	\$ -	\$ -
2022	400,000	59,250	459,250	\$ -	\$ -	\$ -
2023	500,000	43,750	543,750	\$ -	\$ -	\$ -
2024	500,000	26,250	526,250	\$ -	\$ -	\$ -
2025	500,000	8,750	508,750	\$ -	\$ -	\$ -
Total	\$ 6,379,106	\$ 1,441,647	\$ 7,820,753	\$ 1,520,295	\$ 117,053	\$ 1,637,348

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2012

### Note 8 - Defined Benefit Pension Plan (Continued)

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 1.7 percent and 5 percent of gross wages.

**Annual Pension Cost** - For the year ended June 30, 2012, the City's annual pension cost of \$883,006 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) the assumption that benefits will increase 2.5 percent per year annually after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis for the general administration, public works, and executive divisions and on an open basis for the public safety dispatch, public safety officers, public safety command, and executive divisions. The remaining amortization period is between 10 and 30 years.

	Fiscal Year Ended June 30		
	2010	2011	2012
Annual pension cost (APC)	\$ 853,645	\$ 890,391	\$ 883,006
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -

  

	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial value of assets	\$ 15,651,148	\$ 15,651,378	\$ 15,693,243
Actuarial accrued liability (AAL) (entry age)	\$ 26,586,401	\$ 26,757,641	\$ 27,636,950
Unfunded AAL (UAAL)	\$ 10,935,253	\$ 11,106,263	\$ 11,943,707
Funded ratio	58.9 %	58.5 %	56.8 %
Covered payroll	\$ 2,353,244	\$ 2,531,426	\$ 2,244,043
UAAL as a percentage of covered payroll	464.7 %	438.7 %	532.2 %

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2012

### Note 10 - Other Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 529,842
Interest on net OPEB obligation	5,894
Annual required contribution adjustment	<u>2,814</u>
Annual OPEB cost	538,550
Amounts contributed:	
Payments of current premiums	(724,710)
Advance funding	<u>(225,000)</u>
Total contributed	<u>(949,710)</u>
Increase in net OPEB asset	(411,160)
OPEB obligation - Beginning of year	<u>78,593</u>
OPEB asset - End of year	<u>\$ (332,567)</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Net OPEB Obligation (Asset)
6/30/10	1/1/09	\$ 988,433	\$ 23,216
6/30/11	1/1/09	988,646	78,593
6/30/12	1/1/12	529,842	(332,567)

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

The funding progress of the plan as of the most recent valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/09	\$ -	\$ 11,358,067	\$ 11,358,067	-	\$ 1,910,384	594.5
1/1/12	428,359	9,817,918	9,389,559	4.4	1,999,296	469.6

# City of Bloomfield Hills, Michigan

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## Notes to Financial Statements June 30, 2012

### Note 11 - Upcoming Accounting Pronouncements (Continued)

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

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65 will be implemented for the City's 2013-2014 fiscal year.

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

## **Required Supplemental Information**

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# **City of Bloomfield Hills, Michigan**

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## **Note to Required Supplemental Information Year Ended June 30, 2012**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds except for the General Fund's admin fee reimbursement, which is included in other revenue instead of public works expenditures for \$260,000 in the original and amended budget and \$165,352 actual. During the year, the budget was amended in a legally permissible manner.

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

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

1. On or before April 30, the finance director/treasurer and the city manager prepare a proposed operating budget for the fiscal year commencing July 1 and submit it to the City Commission. The budget must be adopted through a passage of a budget resolution no later than May 31.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by department and fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the Commission receives the requests to amend the activity budget. All amendments must be approved by a vote of the City Commission. Changes in line items within an activity may be made and approved by the finance director/treasurer.

## **Other Supplemental Information**

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# City of Bloomfield Hills, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2012

	Special Revenue Funds				Debt Service Funds		Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	General Obligation Debt Fund			
<b>Revenue</b>							
Licenses and permits	\$ 3,500	\$ 10,654	\$ -	\$ -	\$ 14,154		
Federal grants	-	-	3,653	-	3,653		
State sources	199,222	94,792	-	-	-	294,014	
Investment income	3,973	2,098	43	-	-	6,114	
<b>Total revenue</b>	<b>206,695</b>	<b>107,544</b>	<b>3,696</b>	<b>-</b>	<b>317,935</b>		
<b>Expenditures</b>							
Current:							
Public safety	-	-	6,339	-	6,339		
Public works	89,039	198,965	-	-	-	288,004	
Debt service	-	-	-	571,931	571,931		
<b>Total expenditures</b>	<b>89,039</b>	<b>198,965</b>	<b>6,339</b>	<b>571,931</b>	<b>866,274</b>		
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>117,656</b>	<b>(91,421)</b>	<b>(2,643)</b>	<b>(571,931)</b>	<b>(548,339)</b>		
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	99,611	-	571,000	670,611		
Transfers out	(99,611)	-	-	-	-	(99,611)	
<b>Total other financing (uses) sources</b>	<b>(99,611)</b>	<b>99,611</b>	<b>-</b>	<b>571,000</b>	<b>571,000</b>		
<b>Net Change in Fund Balances</b>	<b>18,045</b>	<b>8,190</b>	<b>(2,643)</b>	<b>(931)</b>	<b>22,661</b>		
<b>Fund Balances - Beginning of year</b>	<b>493,784</b>	<b>271,147</b>	<b>5,020</b>	<b>2,986</b>	<b>772,937</b>		
<b>Fund Balances - End of year</b>	<b>\$ 511,829</b>	<b>\$ 279,337</b>	<b>\$ 2,377</b>	<b>\$ 2,055</b>	<b>\$ 795,598</b>		

