

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

**Financial Report
with Supplemental Information
June 30, 2013**

City of Bloomfield Hills, Michigan

Contents

| | |
|---|-------|
| Report Letter | 1-3 |
| Management's Discussion and Analysis | 4-9 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11-12 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 13 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 14 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances | 15 |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Proprietary Funds: | |
| Statement of Net Position | 17 |
| Statement of Revenue, Expenses, and Changes in Net Position | 18 |
| Statement of Cash Flows | 19 |
| Fiduciary Fund - Statement of Fiduciary Net Position | 20 |
| Notes to Financial Statements | 21-38 |
| Required Supplemental Information | |
| Budgetary Comparison Schedule - General Fund | 40 |
| Note to Required Supplemental Information | 41 |
| Other Supplemental Information | |
| Nonmajor Governmental Funds: | 42 |
| Combining Balance Sheet | 43 |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances | 44 |

Independent Auditor's Report

To the Board of Directors
City of Bloomfield Hills, Oakland County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Oakland County, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Bloomfield Hills, Oakland County, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
City of Bloomfield Hills, Oakland County, Michigan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Oakland County, Michigan as of June 30, 2013 and the respective changes in its financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bloomfield Hill's basic financial statements. The other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bloomfield Hills, Oakland County, Michigan's basic financial statements. The nonmajor governmental funds combining statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

To the Board of Directors
City of Bloomfield Hills, Oakland County, Michigan

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

Plante & Moran, PLLC

October 8, 2013

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

Our discussion and analysis of the City of Bloomfield Hills, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it along with the City's financial statements, as it refers to many of the statements.

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide general information about the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and indicate whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they convey how the taxpayers' resources were consumed during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statement (i.e., Tax Collection Fund) provides financial information about activities for which the City acts solely as a trustee or agent.

Government-wide Financial Statements

The government-wide statements provide information about the City as a whole, using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets and liabilities. One of the major differences between the government-wide statements and the fund financial statements is the inclusion of depreciation in the government-wide statements.

We saw an increase in combined net position of \$1,149,044 this year. Net position, the difference between the City's assets and liabilities, is one way to measure the City's overall financial health. The statement of activities reflects all of the current year's revenue and expenses, regardless of when cash is actually received or paid. The government-wide financial statements of the City are divided into two categories. These two categories will be discussed in more detail later in this management's discussion and analysis.

Governmental Activities - Most of the City's basic services are included in governmental activities such as public safety, public works, and general administration, all of which are accounted for in the General Fund. Property taxes, state-shared revenue, charges for services, licenses and permits, and other revenue comprise total revenue for governmental activities. Also, included as governmental activities are the Major and Local Streets Funds, General Obligation Debt Fund, Drug Enforcement Fund, and Road Construction Fund.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities - Commonly referred to as an enterprise fund, this accounts for our water and sewer activity. These activities are funded through user fees in the form of water and sewer rates, meter charges, industrial surcharges, and capital projects fees.

The City as a Whole

The following table shows, in a condensed format, the net position for the current and prior fiscal year:

Summary Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Assets | | | | | | |
| Other assets | \$ 5,993,483 | \$ 6,701,824 | \$ 3,969,742 | \$ 3,382,926 | \$ 9,963,225 | \$ 10,084,750 |
| Capital assets | <u>15,096,254</u> | <u>15,459,374</u> | <u>5,844,674</u> | <u>5,236,008</u> | <u>20,940,928</u> | <u>20,695,382</u> |
| Total assets | 21,089,737 | 22,161,198 | 9,814,416 | 8,618,934 | 30,904,153 | 30,780,132 |
| Liabilities | | | | | | |
| Current liabilities | 987,897 | 1,339,745 | 507,193 | 564,745 | 1,495,090 | 1,904,490 |
| Long-term liabilities | <u>5,845,866</u> | <u>6,168,887</u> | <u>955,349</u> | <u>1,247,951</u> | <u>6,801,215</u> | <u>7,416,838</u> |
| Total liabilities | 6,833,763 | 7,508,632 | 1,462,542 | 1,812,696 | 8,296,305 | 9,321,328 |
| Net Position | | | | | | |
| Net investment in capital assets | 9,130,651 | 9,403,051 | 4,596,723 | 3,521,221 | 13,727,374 | 12,924,272 |
| Restricted | 590,645 | 954,092 | - | - | 590,645 | 954,092 |
| Unrestricted | <u>4,534,678</u> | <u>4,295,423</u> | <u>3,755,151</u> | <u>3,285,017</u> | <u>8,289,829</u> | <u>7,580,440</u> |
| Total net assets | \$ 14,255,974 | \$ 14,652,566 | \$ 8,351,874 | \$ 6,806,238 | \$ 22,607,848 | \$ 21,458,804 |

The City's combined net position is about \$22,600,000 as compared to about \$21,500,000 for the prior year. This represents a 5.4 percent increase. The governmental activities portion of net position decreased by \$396,592, or 2.7 percent, while the business-type activities increased by \$1,545,636, or 22.7 percent, for a net total change of \$1,149,044.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position during the current year and in the prior year:

Summary Condensed Income Statement

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 772,616 | \$ 897,862 | \$ 3,650,172 | \$ 3,454,115 | \$ 4,422,788 | \$ 4,351,977 |
| Operating grants and contributions | 323,775 | 316,990 | - | - | 323,775 | 316,990 |
| Capital grants and contributions | - | 9,494 | 1,040,062 | 998,113 | 1,040,062 | 1,007,607 |
| General revenue: | | | | | | |
| Property taxes | 7,269,450 | 7,313,989 | - | - | 7,269,450 | 7,313,989 |
| State-shared revenue | 286,441 | 275,023 | - | - | 286,441 | 275,023 |
| Unrestricted investment earnings | 58,930 | 25,557 | 21,467 | 3,439 | 80,397 | 28,996 |
| Franchise fees | 196,251 | 105,574 | - | - | 196,251 | 105,574 |
| Miscellaneous | 147,480 | 214,783 | - | - | 147,480 | 214,783 |
| Total revenue | 9,054,943 | 9,159,272 | 4,711,701 | 4,455,667 | 13,766,644 | 13,614,939 |
| Program Expenses | | | | | | |
| General government | 3,420,233 | 2,976,925 | - | - | 3,420,233 | 2,976,925 |
| Public safety | 4,061,056 | 3,988,061 | - | - | 4,061,056 | 3,988,061 |
| Public works | 1,749,842 | 1,689,093 | - | - | 1,749,842 | 1,689,093 |
| Water and sewer | - | - | 3,166,065 | 3,335,286 | 3,166,065 | 3,335,286 |
| Interest on long-term debt | 220,404 | 271,989 | - | - | 220,404 | 271,989 |
| Total program expenses | 9,451,535 | 8,926,068 | 3,166,065 | 3,335,286 | 12,617,600 | 12,261,354 |
| Change in Net Position | \$ (396,592) | \$ 233,204 | \$ 1,545,636 | \$ 1,120,381 | \$ 1,149,044 | \$ 1,353,585 |

Governmental Activities

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

The City's total governmental revenue totaled \$9,054,943 in 2013. Property taxes represent \$7,269,450, or 80 percent of the total. Charges for services totaled \$772,616 or 8.5 percent of total revenue. Charges for services primarily support the building department and public safety activities.

During fiscal year 2013, the City received capital improvement charge revenue of approximately \$1,040,000. This revenue will be set aside in the Water and Sewer Fund and will be used to fund current and future improvements to the water and sewer lines infrastructure.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

Business Activities

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

The Water and Sewer Fund's major revenue is fees paid by city residents based on actual metered water usage. The debt recorded in this fund is for the retirement of capital improvement bonds for sanitary sewer system improvements.

The business-type activity revenue totaled approximately \$4,700,000; of this total, \$21,467 was interest income. With expenditures totaling approximately \$3,200,000, there was a net position increase of \$1,545,636 in the current year.

Capital Assets and Debt Administration

At the end of fiscal year 2013, the City had \$20,940,000 invested in a wide range of capital assets in both governmental and business-type activities, including land, buildings, equipment, roads, and water and sewer lines. This amount increased \$245,000 from the previous year. See Note 4 to the financial statements for additional information.

The City continues to be committed to road projects. In 2010, the City borrowed \$4,000,000. Although the projects covered under this bond debt were completed in 2012, the City has continued road improvements by committing General Fund monies, as well as a portion of Major and Local Road Funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's significant funds, not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of revenue and expenditures for particular purposes. Some funds are required by state law and bonding requirements. Other funds are established to control and manage money for particular purposes.

The City has the following fund types:

Governmental Funds - All of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps the reader determine if there are more or fewer financial resources available to spend in the near future to finance the City's programs. In the annual financial statements, we refer to our funds as the General Fund, General Obligation Debt Fund, Road Construction Fund, and other nonmajor governmental funds.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

The following represents financial highlights for the year ended June 30, 2013:

- The City tax millage remained the same at 9.85. Of this, .35 mills were allocated by the Commission for road improvements. Property tax revenue in 2013 was \$7,279,789 (see page 15) compared to \$7,324,391 in the prior year, a decrease of approximately \$45,000. Since 2009, municipalities have watched as property tax values declined, causing property tax revenue to diminish. Since property taxes are the City's largest source of General Fund revenue, it has been difficult to continue to balance budgets, since during this same period expenses have continued to rise. However, it appears values are starting to rise. This is reflected in the City's 2013-2014 budget where property taxes are estimated to increase by about 1.2 percent.
- As a commitment to improving the City roads, the Commission dedicates .35 of general operating mills, which generated \$247,502 for the Construction Road Fund this year (see page 15). In 2013, Epping Lane and Kensington Road projects were completed and the engineering for Orchard Ridge North improvements began.
- In November 2011, the voters passed a library millage of .39 for the next three years to be levied in summer 2012, 2013, and 2014. With this new millage, residents and businesses have access to the Baldwin Library. The voters approved the millage in 2011 for inclusion on the 2012 tax roll, which generated tax revenue to the City in 2013. However, because library services began late in 2012, two quarters of 2012 expense were considered prepaid and booked in 2013. Therefore, 2013 shows two additional quarters of expense. This timing difference affected the 2013 budget to actual by approximately \$171,000, and caused tax revenue to be less than library expense. However, in the last year of the library contract, revenue will be greater than expense by approximately this same amount, smoothing out the difference.

Proprietary Fund - The City has one Proprietary Fund, the Water and Sewer Fund, which is considered an Enterprise Fund. An Enterprise Fund is a Proprietary Fund that is intended to be entirely self-supporting by customer usage fees. Proprietary fund statements, such as government-wide statements, provide both short- and long-term financial information.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Administration and City Commission monitored and, if necessary, amended the budget to prevent expenditures in excess of budget as required by the State of Michigan Budget Act. General Fund expenditures were \$81,887 more than the final amended budget.

From a General Fund revenue perspective, the City received more revenue than anticipated. Actual revenue was \$145,014 greater than the final amended revenue budget.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

In total, the General Fund had a favorable net effect (revenues less expenses) for the year. This means that the City utilized \$63,127 less fund balance than budgeted.

Economic Factors and the Future

There are several economic factors that will continue to challenge the City. The three major funding sources for cities are real and personal property taxes, state-shared revenue, and fees and charges. All three of these sources are subject to limitations that over the last few years and for the foreseeable future will prevent them from increasing at the rate of inflation. Expenses, on the other hand, continue to rise faster than inflation. Because we are a service provider, the majority of our costs are related to active and retired personnel costs. Double-digit increases in health care, pension costs, and the prefunding of retiree health care (GASB Statement No. 45) will continue to place a burden on overall City expenditures as we continue to rely on a declining tax base to maintain services.

For the 2013-2014 budget, the City Commission decided not to raise the operating tax millage, and as a result, the City will use approximately \$100,000 of General Fund fund balance to balance the budget.

The City will again levy 10.24 in tax millage for 2014; 9.85 operating mills (.35 mills designated for road improvements) and .39 of voted millage for contractual services with the Baldwin Library. Property tax revenue is budgeted at 79 percent of the City's General Fund budget. The City will continue to monitor the need for increases to millage rates as State revenue sharing, which is our second largest revenue source, either declines or is stagnant. Also, on the horizon is the possible elimination of personal property tax which could reduce already stressed revenue by approximately \$240,000.

The City continues to look for ways to reduce expenditures through union negotiations, staffing, and possible consolidation of services with neighboring communities. Furthermore, the City's fund balance is evaluated during each budget approval process to ensure the balance remains healthy. The City continues to receive an AAA bond rating, the highest rating given by Standard & Poor's.

Contacting the City's Financial Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the city administration at (248) 644-1520 and, as always, you are welcome to visit our website at www.bloomfieldhillsmi.net.

City of Bloomfield Hills, Michigan

Statement of Net Position June 30, 2013

| | Primary Government | | |
|-------------------------------------|-------------------------|--------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents (Note 3) | \$ 4,816,920 | \$ 2,185,636 | \$ 7,002,556 |
| Receivables (Note 1): | | | |
| Customers | - | 1,574,253 | 1,574,253 |
| Accrued interest receivable | 10,000 | - | 10,000 |
| Other receivables | 750 | - | 750 |
| Due from other governmental units | 249,658 | 209,853 | 459,511 |
| Delinquent personal property taxes | 6,509 | - | 6,509 |
| Special assessments receivable | 45,005 | - | 45,005 |
| Prepaid expenses | 132,150 | - | 132,150 |
| Net OPEB asset (Note 10) | 732,491 | - | 732,491 |
| Capital assets - Net (Note 4): | | | |
| Assets not subject to depreciation | 449,296 | - | 449,296 |
| Assets subject to depreciation | 14,646,958 | 5,844,674 | 20,491,632 |
| Total assets | 21,089,737 | 9,814,416 | 30,904,153 |
| Liabilities | | | |
| Accounts payable | 267,551 | 208,062 | 475,613 |
| Accrued liabilities and other | 167,770 | 6,529 | 174,299 |
| Deferred revenue (Note 1) | 1,775 | - | 1,775 |
| Noncurrent liabilities: | | | |
| Due within one year (Note 6): | | | |
| Compensated absences | 180,000 | - | 180,000 |
| Current portion of long-term debt | 370,801 | 292,602 | 663,403 |
| Due in more than one year (Note 6): | | | |
| Compensated absences | 251,064 | - | 251,064 |
| Long-term debt | 5,594,802 | 955,349 | 6,550,151 |
| Total liabilities | 6,833,763 | 1,462,542 | 8,296,305 |
| Net Position | | | |
| Net investment in capital assets | 9,130,651 | 4,596,723 | 13,727,374 |
| Restricted for: | | | |
| Streets and highways | 438,213 | - | 438,213 |
| Drug enforcement | 6,322 | - | 6,322 |
| Construction code activity | 146,110 | - | 146,110 |
| Unrestricted | 4,534,678 | 3,755,151 | 8,289,829 |
| Total net position | \$ 14,255,974 | \$ 8,351,874 | \$ 22,607,848 |

City of Bloomfield Hills, Michigan

| Functions/Programs | Program Revenue | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,420,233 | \$ 379,341 | \$ - | \$ - |
| Public safety | 4,061,056 | 393,275 | 12,183 | - |
| Public works | 1,749,842 | - | 311,592 | - |
| Interest on long-term debt | 220,404 | - | - | - |
| Total governmental activities | 9,451,535 | 772,616 | 323,775 | - |
| Business-type activities - Water and Sewer Fund | 3,166,065 | 3,650,172 | - | 1,040,062 |
| Total primary government | \$ 12,617,600 | \$ 4,422,788 | \$ 323,775 | \$ 1,040,062 |
| General revenues: | | | | |
| Property taxes | | | | |
| State-shared revenue | | | | |
| Unrestricted investment income | | | | |
| Franchise fees | | | | |
| Miscellaneous | | | | |
| Total general revenues | | | | |
| Change in Net Position | | | | |
| Net Position - Beginning of year | | | | |
| Net Position - End of year | | | | |

Statement of Activities
Year Ended June 30, 2013

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|---------------------------------|----------------------|------------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (3,040,892) | \$ - | \$ (3,040,892) | \$ - |
| (3,655,598) | - | (3,655,598) | - |
| (1,438,250) | - | (1,438,250) | - |
| (220,404) | - | (220,404) | - |
| (8,355,144) | - | (8,355,144) | - |
| - 1,524,169 | <u>1,524,169</u> | <u>1,524,169</u> | - |
| (8,355,144) | <u>1,524,169</u> | <u>(6,830,975)</u> | - |
| 7,269,450 | - | 7,269,450 | - |
| 286,441 | - | 286,441 | - |
| 58,930 | 21,467 | 80,397 | - |
| 196,251 | - | 196,251 | - |
| 147,480 | - | 147,480 | - |
| 7,958,552 | <u>21,467</u> | <u>7,980,019</u> | - |
| (396,592) | <u>1,545,636</u> | <u>1,149,044</u> | - |
| 14,652,566 | <u>6,806,238</u> | <u>21,458,804</u> | - |
| \$ 14,255,974 | \$ 8,351,874 | \$ 22,607,848 | \$ - |

City of Bloomfield Hills, Michigan

Governmental Funds Balance Sheet June 30, 2013

| | Capital Projects | | | | Total Governmental Funds |
|--|-----------------------------|-------------------|-----------------------------------|---------------------|--------------------------------|
| | Fund - Road Construction | | Nonmajor Governmental Funds | | |
| | General Fund | Fund | General Fund | Funds | |
| Assets | | | | | |
| Cash and cash equivalents (Note 3) | \$ 4,197,539 | \$ 204,869 | \$ 414,512 | \$ 4,816,920 | |
| Receivables: | | | | | |
| Special assessments receivable | 45,005 | - | - | 45,005 | |
| Accrued interest receivable | 10,000 | - | - | 10,000 | |
| Other receivables | 750 | - | - | 750 | |
| Due from other governmental units | 205,378 | - | 44,280 | 249,658 | |
| Delinquent personal property taxes | 6,509 | - | - | 6,509 | |
| Prepaid expenses and other assets | 132,150 | - | - | 132,150 | |
| Total assets | \$ 4,597,331 | \$ 204,869 | \$ 458,792 | \$ 5,260,992 | |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 243,152 | \$ 10,505 | \$ 13,894 | \$ 267,551 | |
| Accrued liabilities and other | 114,866 | - | - | 114,866 | |
| Deferred revenue (Note 1) | 53,289 | - | - | 53,289 | |
| Total liabilities | 411,307 | 10,505 | 13,894 | 435,706 | |
| Fund Balances | | | | | |
| Nonspendable - Prepaid expenses | 132,150 | - | - | 132,150 | |
| Restricted: | | | | | |
| Roads | - | - | 438,213 | 438,213 | |
| Construction code activity (Note 2) | 146,110 | - | - | 146,110 | |
| Drug enforcement | - | - | 6,322 | 6,322 | |
| Assigned: | | | | | |
| Subsequent year's budget | 111,803 | - | - | 111,803 | |
| Debt service | - | - | 363 | 363 | |
| Road projects | - | 194,364 | - | 194,364 | |
| Compensated absences | 431,064 | - | - | 431,064 | |
| Other postemployment benefit obligation | 1,500,000 | - | - | 1,500,000 | |
| Unassigned | 1,864,897 | - | - | 1,864,897 | |
| Total fund balances | 4,186,024 | 194,364 | 444,898 | 4,825,286 | |
| Total liabilities and fund balances | \$ 4,597,331 | \$ 204,869 | \$ 458,792 | \$ 5,260,992 | |

City of Bloomfield Hills, Michigan

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of
Net Position
June 30, 2013

| Fund Balance Reported in Governmental Funds | \$ 4,825,286 |
|---|-----------------------------|
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | 15,096,254 |
| Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures | 45,005 |
| Delinquent personal property taxes are expected to be collected over several years and are not available to pay for current year expenditures | 6,509 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | (5,965,603) |
| Accrued interest payable is not due and payable in the current period and is not reported in the funds | (52,904) |
| Compensated absences are not due and payable in the current period and are not reported in the funds | (431,064) |
| Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds | 732,491 |
| Net Position of Governmental Activities | <u>\$ 14,255,974</u> |

City of Bloomfield Hills, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

| | Capital Projects | | | |
|--|---------------------|--------------------------|-----------------------------|--------------------------|
| | General Fund | Fund - Road Construction | Nonmajor Governmental Funds | Total Governmental Funds |
| | | Fund | | |
| Revenue | | | | |
| Property taxes (Note 1) | \$ 7,032,287 | \$ 247,502 | \$ - | \$ 7,279,789 |
| Licenses and permits | 571,361 | - | 14,437 | 585,798 |
| Federal sources | - | - | 7,999 | 7,999 |
| State sources | 298,904 | - | 297,155 | 596,059 |
| Charges for services | 49,405 | - | - | 49,405 |
| Fines and forfeitures | 339,822 | - | - | 339,822 |
| Interest | 58,930 | - | - | 58,930 |
| Other | 147,480 | - | - | 147,480 |
| Total revenue | 8,498,189 | 247,502 | 319,591 | 9,065,282 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,011,783 | - | - | 3,011,783 |
| District court | 369,204 | - | - | 369,204 |
| Public safety | 4,060,060 | - | 4,054 | 4,064,114 |
| Public works | 471,401 | 2,232 | 462,212 | 935,845 |
| Capital outlay | 160,970 | 475,906 | 202,333 | 839,209 |
| Debt service | 77,417 | - | 559,931 | 637,348 |
| Total expenditures | 8,150,835 | 478,138 | 1,228,530 | 9,857,503 |
| Excess of Revenue Over (Under) Expenditures | 347,354 | (230,636) | (908,939) | (792,221) |
| Other Financing Sources (Uses) | | | | |
| Transfers in (Note 5) | - | 425,000 | 658,984 | 1,083,984 |
| Transfers out (Note 5) | (983,239) | - | (100,745) | (1,083,984) |
| Total other financing (uses) sources | (983,239) | 425,000 | 558,239 | - |
| Net Change in Fund Balances | (635,885) | 194,364 | (350,700) | (792,221) |
| Fund Balances - Beginning of year | 4,821,909 | - | 795,598 | 5,617,507 |
| Fund Balances - End of year | \$ 4,186,024 | \$ 194,364 | \$ 444,898 | \$ 4,825,286 |

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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (792,221)

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 | 831,901 |
| Depreciation expense | (1,195,021) |

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 (10,338)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 413,503

Interest expense is recorded when incurred in the statement of activities 3,440

Increase 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 (47,780)

Other postemployment benefits contribution in excess of annual required contribution is recorded in the statement of activities and not in the governmental funds 399,924

Change in Net Position of Governmental Activities \$ (396,592)

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

| | <u>Enterprise Fund</u> |
|--|------------------------|
| | <u>Water and</u> |
| | <u>Sewer Fund</u> |
| Assets | |
| Current assets: | |
| Cash and cash equivalents (Note 3) | \$ 2,185,636 |
| Receivables: | |
| Receivables from sales to customers on account | 1,574,253 |
| Due from other governmental units | <u>209,853</u> |
| Total current assets | 3,969,742 |
| Noncurrent assets - Capital assets (Note 4) | <u>5,844,674</u> |
| Total assets | 9,814,416 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 208,062 |
| Accrued liabilities and other | 6,529 |
| Current portion of long-term debt (Note 6) | <u>292,602</u> |
| Total current liabilities | 507,193 |
| Noncurrent liabilities - Long-term debt (Note 6) | <u>955,349</u> |
| Total liabilities | <u>1,462,542</u> |
| Net Position | |
| Net investment in capital assets | 4,596,723 |
| Unrestricted | <u>3,755,151</u> |
| Total net position | <u>\$ 8,351,874</u> |

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

| | <u>Enterprise Fund</u> Water and Sewer Fund |
|---|---|
| Operating Revenue | |
| Sale of water | \$ 1,989,222 |
| Sewage disposal charges | <u>1,660,950</u> |
| | |
| Total operating revenue | 3,650,172 |
| Operating Expenses | |
| Cost of water | 1,695,152 |
| Cost of sewage treatment | 801,836 |
| Operation and maintenance | 150,693 |
| Billing and administrative costs | 212,276 |
| Depreciation (Note 4) | <u>266,748</u> |
| | |
| Total operating expenses | 3,126,705 |
| Operating Income | 523,467 |
| Nonoperating Revenue (Expenses) | |
| Investment income | 21,467 |
| Interest expense | <u>(39,360)</u> |
| | |
| Total nonoperating expense | (17,893) |
| Income Before Contributions | 505,574 |
| Capital Contributions - Tap fees and capital charges | <u>1,040,062</u> |
| Change in Net Position | 1,545,636 |
| Net Position - Beginning of year | <u>6,806,238</u> |
| Net Position - End of year | <u><u>\$ 8,351,874</u></u> |

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

| | Enterprise Fund |
|--|----------------------------|
| | Water and Sewer Fund |
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 3,612,505 |
| Payments to suppliers | (2,877,488) |
| Payments to employees | <u>(67,525)</u> |
| Net cash provided by operating activities | 667,492 |
| Cash Flows from Capital and Related Financing Activities | |
| Tap fees and capital charges | 1,040,062 |
| Purchase of capital assets | (875,414) |
| Principal and interest paid on capital debt | <u>(311,704)</u> |
| Net cash used in capital and related financing activities | (147,056) |
| Cash Flows from Investing Activities - Investment income | <u>23,509</u> |
| Net Increase in Cash and Cash Equivalents | 543,945 |
| Cash and Cash Equivalents - Beginning of year | <u>1,641,691</u> |
| Cash and Cash Equivalents - End of year | <u>\$ 2,185,636</u> |
| Reconciliation of Operating Income to Net Cash from Operating Activities | |
| Operating income | \$ 523,467 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation and amortization | 266,748 |
| Changes in assets and liabilities: | |
| Receivables | (37,667) |
| Due from other governmental units | (7,246) |
| Accounts payable and other liabilities | <u>(77,810)</u> |
| Net cash provided by operating activities | <u>\$ 667,492</u> |

City of Bloomfield Hills, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

| | <u>Agency Funds</u> |
|---|-------------------------|
| Assets - Cash and cash equivalents | <u>\$ 511,580</u> |
| Liabilities - Refundable deposits | <u>\$ 511,580</u> |

City of Bloomfield Hills, Michigan

Notes to Financial Statements

June 30, 2013

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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. 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, delinquent personal property taxes and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

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

Road Construction Fund - The Road Construction Fund is used to account for the road repair and replacement project, for which bonds are issued to fund the project. The Commission has an ongoing plan to rehabilitate City roads.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer services to citizens that are financed primarily by a user charge for the provision of those services. The activity of the water distribution and sewage collection systems is administered by Oakland County.

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.

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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

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

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.

The City's 2012 tax is levied and collectible on July 1, 2012 and is recognized as revenue in the year ended June 30, 2013 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2012 taxable valuation of the City totaled \$714 million, on which taxes levied consisted of 9.85 mills for operating purposes and 0.39 mills for Library services. This resulted in approximately \$6.7 million for operating, \$275,000 for the Library, and \$248,000 for road projects. The operating and library amounts are recognized in the General Fund and the road projects amount is recognized in the Capital Projects Fund financial statements as tax revenue.

Assets, Liabilities, and Net Position or Equity

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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2013

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the 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 fair market value at the date of donation.

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, 2013, the deferred revenue balance represents \$45,005 of special assessments, \$6,509 of delinquent personal property taxes, and \$1,775 of other, totaling \$53,289. At the end of the current fiscal year, \$51,514 of deferred revenue related to revenue that was unavailable and \$1,775 of deferred revenue related to revenue that was unearned.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

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

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 position. 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.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the City Commission for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Commission.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

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

- Assigned - Intent to spend resources on specific purposes expressed by the City Commission
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

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.

Implementation of GASB Statement No. 63 - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The 2013 financial report reflects the implementation of this statement. 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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

Note 2 - Stewardship, Compliance, and Accountability

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

| | |
|--------------------------------------|-----------------------|
| Cumulative surplus - July 1, 2012 | \$ 112,736 |
| Current year building permit revenue | 368,960 |
| Related expenses: | |
| Direct costs | \$ 251,802 |
| Estimated indirect costs | <u>83,784</u> 335,586 |
| Current year surplus | <u>33,374</u> |
| Cumulative surplus - June 30, 2013 | <u>\$ 146,110</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.

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

Note 3 - Deposits and Investments (Continued)

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 \$5,404,084 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$750,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, \$2,200,744 of investment securities were uninsured and unregistered, with securities held by the Oakland County Investment Pool.

Concentration of Custodial Credit Risk of Investments - Oakland County Investment Pool's investment policy allows for no more than 15 percent be invested with any single financial institution.

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

At year end, the City had the following investments:

| Investment | Fair Value | Weighted Average Maturity (Days) |
|------------------------------------|--------------|----------------------------------|
| Primary Government | | |
| Pooled investment - Oakland County | \$ 2,200,744 | 721 |

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2013

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 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 |
|------------------------------------|--------------|-----------|---------------------|
| Primary Government | | | |
| Pooled investment - Oakland County | \$ 2,200,744 | Not rated | N/A |

Note 4 - Capital Assets

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

| Governmental Activities | Balance July 1, 2012 | Reclassifications | Additions | Disposals | Balance June 30, 2013 |
|--|-------------------------|-------------------|--------------|-----------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 339,638 | \$ - | \$ - | \$ - | \$ 339,638 |
| Construction in progress | 391,009 | (391,009) | 109,658 | - | 109,658 |
| Subtotal | 730,647 | (391,009) | 109,658 | - | 449,296 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 6,838,407 | (8,653) | 3,457 | - | 6,833,211 |
| Machinery, equipment, and vehicles | 4,181,490 | 8,653 | 150,205 | (208,302) | 4,132,046 |
| Land improvements | 240,500 | - | - | - | 240,500 |
| Infrastructure | 20,586,763 | 391,009 | 568,581 | - | 21,546,353 |
| Subtotal | 31,847,160 | 391,009 | 722,243 | (208,302) | 32,752,110 |
| Accumulated depreciation: | | | | | |
| Buildings and improvements | 1,868,165 | 1,770 | 148,499 | - | 2,018,434 |
| Machinery, equipment, and vehicles | 3,219,321 | (1,770) | 257,102 | (208,302) | 3,266,351 |
| Land improvements | 174,363 | - | 12,025 | - | 186,388 |
| Infrastructure | 11,856,584 | - | 777,395 | - | 12,633,979 |
| Subtotal | 17,118,433 | - | 1,195,021 | (208,302) | 18,105,152 |
| Net capital assets being depreciated | 14,728,727 | 391,009 | (472,778) | - | 14,646,958 |
| Net capital assets | \$ 15,459,374 | \$ - | \$ (363,120) | \$ - | \$ 15,096,254 |

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Capital Assets (Continued)

| Business-type Activities | Balance July 1, 2012 | Reclassifications | Additions | Disposals | Balance June 30, 2013 |
|---|-------------------------|-------------------|------------|-----------|--------------------------|
| Capital assets not being depreciated - Construction in progress | \$ 139,504 | \$ (139,504) | \$ - | \$ - | \$ - |
| Capital assets being depreciated: | | | | | |
| Sewer drains | 1,388,637 | - | - | - | 1,388,637 |
| Infrastructure | 4,653,330 | 139,504 | 875,414 | - | 5,668,248 |
| Subtotal | 6,041,967 | 139,504 | 875,414 | - | 7,056,885 |
| Accumulated depreciation: | | | | | |
| Sewer drains | 119,027 | - | 39,676 | - | 158,703 |
| Infrastructure | 826,436 | - | 227,072 | - | 1,053,508 |
| Subtotal | 945,463 | - | 266,748 | - | 1,212,211 |
| Net capital assets being depreciated | 5,096,504 | 139,504 | 608,666 | - | 5,844,674 |
| Net capital assets | \$ 5,236,008 | \$ - | \$ 608,666 | \$ - | \$ 5,844,674 |

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

Governmental activities:

| | |
|--|--------------|
| General government | \$ 55,816 |
| Public safety | 897,266 |
| Public works | 241,939 |
| Total governmental activities | \$ 1,195,021 |
| Business-type activities - Water and sewer | \$ 266,748 |

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:

| | Spent to Date | Remaining Commitment |
|---|---------------|-------------------------|
| Road and water and sewer construction project | \$ - | \$ 801,664 |

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

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 | Other nonmajor governmental funds - General Obligation | |
| | Debt Fund | \$ 558,239 |
| | Capital Projects Fund | <u>425,000</u> |
| | Total | \$ <u>983,239</u> |
| Other nonmajor governmental funds - Major Streets Fund | Other nonmajor governmental funds - Local Streets Fund | \$ <u>100,745</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.

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

| | Interest Rate Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|------------|--------------|----------------|---------------------|
| Governmental Activities | | | | | | |
| Road Construction Bonds: | | | | | | |
| Amount of issue - \$3,000,000 | 3.75%-5.25% | \$ 2,350,000 | \$ - | \$ (250,000) | \$ 2,100,000 | \$ 250,000 |
| Maturing through 2018 | | | | | | |
| General Obligation Limited Tax Bonds, Series 2010: | | | | | | |
| Amount of issue - \$4,000,000 | 2.0%-3.5% | 3,900,000 | - | (100,000) | 3,800,000 | 100,000 |
| Maturing through 2025 | | | | | | |
| 2008 Road Grader Obligation: | | | | | | |
| Amount of issue - \$75,975 | 4.50% | 15,861 | - | (15,861) | - | - |
| Maturing through 2013 | | | | | | |
| 2009 Sterling Big Truck Obligation: | | | | | | |
| Amount of issue - \$105,000 | 4.07% | 27,839 | - | (27,839) | - | - |
| Maturing through 2013 | | | | | | |
| 2012 Advanced Wireless Telecom Installment Purchase Obligation: | | | | | | |
| Amount of issue - \$85,406 | 0.00% | 85,406 | - | (19,803) | 65,603 | 20,801 |
| Maturing through 2015 | | | | | | |
| Total bonds payable | | 6,379,106 | - | (413,503) | 5,965,603 | 370,801 |
| Other long-term obligations - Employee compensated absences | | 383,284 | 220,475 | (172,695) | 431,064 | 180,000 |
| Total governmental activities | | \$ 6,762,390 | \$ 220,475 | \$ (586,198) | \$ 6,396,667 | \$ 550,801 |
| | Interest Rate Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Business-type Activities | | | | | | |
| 2009 General Obligation Debt - SOCWA bonds: | | | | | | |
| Amount of issue - \$945,000 | 2.00%-3.25% | \$ 770,000 | \$ - | \$ (100,000) | \$ 670,000 | \$ 125,000 |
| Maturing through 2017 | | | | | | |
| State Revolving Fund Loan Bloomfield Hills - Michigan State Revolving Loan Fund: | | | | | | |
| Amount of issue - \$250,000 | 2.25% | 35,000 | - | (10,000) | 25,000 | 10,000 |
| Maturing through 2015 | | | | | | |
| County contractual obligations: | | | | | | |
| Bloomfield Village CSO Drainage Bonds, Series 1994 A: | | | | | | |
| Amount of issue - \$161,233 | 2.00% | 45,000 | - | (8,743) | 36,257 | 8,743 |
| Maturing through 2017 | | | | | | |
| Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001A: | | | | | | |
| Amount of issue - \$141,432 | 5.14% | 47,573 | - | (9,771) | 37,802 | 11,058 |
| Maturing through 2017 | | | | | | |
| Bloomfield Village CSO Drain Bonds Series, C/2001B: | | | | | | |
| Amount of issue - \$242,750 | 2.0%-3.0% | 173,062 | - | (38,830) | 134,232 | 37,801 |
| Maturing through 2017 | | | | | | |
| City of Bloomfield Hills CSO Drainage District Drain Refunding Bonds, Series 2003: | | | | | | |
| Amount of issue - \$1,125,000 | 2.25%-3.38% | 449,660 | - | (105,000) | 344,660 | 100,000 |
| Maturing through 2017 | | | | | | |
| Total business-type activities | | \$ 1,520,295 | \$ - | \$ (272,344) | \$ 1,247,951 | \$ 292,602 |

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

Note 6 - Long-term Debt (Continued)

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 |
| 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 | - | - | - |
| 2019-2023 | 2,400,000 | 359,563 | 2,759,563 | - | - | - |
| 2024-2025 | 1,000,000 | 35,000 | 1,035,000 | - | - | - |
| Total | \$ 5,965,603 | \$ 1,226,475 | \$ 7,192,078 | \$ 1,247,951 | \$ 77,065 | \$ 1,325,016 |

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for various drain projects. The remaining principal and interest to be paid on the bonds total \$583,465. During the current year, net revenue of the system was \$973,832 compared to the annual debt requirements of \$180,882.

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 has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, and participates in the Michigan Municipal Risk Management Authority (MMRMA) state pool for claims related to general liability. 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 League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

Note 7 - Risk Management (Continued)

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 excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the authority itself.

Note 8 - Defined Benefit Pension Plan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all public safety union employees and department of public works (DPW) union employees. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

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 5 percent of gross wages.

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$1,003,469 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, 2010 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 10-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 | | |
|-------------------------------|----------------------------------|-------------|--------------|
| | 2011 | 2012 | 2013 |
| Annual pension cost (APC) | \$ 890,391 | \$ 883,006 | \$ 1,003,469 |
| Percentage of APC contributed | 100 % | 100 % | 100 % |
| Net pension obligation | \$ - | \$ - | \$ - |

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

Note 8 - Defined Benefit Pension Plan (Continued)

| | Actuarial Valuation as of December 31 | | |
|--|---------------------------------------|---------------|---------------|
| | 2010 | 2011 | 2012 |
| Actuarial value of assets | \$ 15,693,243 | \$ 15,586,102 | \$ 15,434,544 |
| Actuarial accrued liability (AAL) (entry age) | \$ 27,636,950 | \$ 28,937,448 | \$ 30,466,201 |
| Unfunded AAL (UAAL) | \$ 11,943,707 | \$ 13,351,346 | \$ 15,031,657 |
| Funded ratio | 56.8 % | 53.9 % | 50.7 % |
| Covered payroll | \$ 2,244,043 | \$ 2,221,442 | \$ 2,423,543 |
| UAAL as a percentage of covered payroll | 532.2 % | 601.0 % | 620.2 % |

Note 9 - Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time nonunion employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by a City Commission approved resolution, the City contributes 1 percent of employees' gross earnings for full-time nonunion employees. The City's total full-time nonunion payroll during the current year was \$362,600. The current year contribution was calculated based on covered payroll, resulting in an employer contribution of \$3,626.

Nonunion full-time employees also receive a 15 percent contribution toward their deferred compensation plan. These employees are not required, but many elect to make contributions to the plan. Both plans are fully vested immediately.

Note 10 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. This is a pay-as-you-go plan administered by the City. The City also pre-funds the plan with a trust account through ICMA.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Commission through annual budget resolutions.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years for active employees and current retirees. This valuation's computed contribution and actual funding are summarized as follows:

| | |
|--|---------------------|
| Annual required contribution (recommended) | \$ 529,842 |
| Interest on net OPEB obligation | (32,262) |
| Adjustment to the annual required contribution | <u>10,519</u> |
| Annual OPEB cost | 508,099 |
| Amounts contributed: | |
| Payments of current premiums | (683,023) |
| Advance funding | <u>(225,000)</u> |
| Total contributed | <u>(908,023)</u> |
| Decrease in net OPEB asset | (399,924) |
| OPEB asset - Beginning of year | <u>(332,567)</u> |
| OPEB asset - End of year | <u>\$ (732,491)</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) |
|-------------------|--------------------------|-------------------------------|-----------------------------|
| 6/30/11 | 1/1/09 | \$ 988,646 | \$ 78,593 |
| 6/30/12 | 1/1/12 | 529,842 | (332,567) |
| 6/30/13 | 1/1/12 | 529,842 | (732,491) |

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Other Postemployment Benefits (Continued)

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 |

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements of 0.5 percent to an ultimate rate of 4 percent after eight years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2013 is 30 years for active and retiree participants.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2013**

Note 11 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued 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 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

City of Bloomfield Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|---------------------------------|
| Revenue | | | | |
| Property taxes | \$ 7,104,761 | \$ 7,031,959 | \$ 7,032,287 | \$ 328 |
| Licenses and permits | 432,500 | 485,490 | 571,361 | 85,871 |
| State-shared revenue and grants | 288,188 | 288,188 | 298,904 | 10,716 |
| Charges for services | 62,100 | 48,875 | 49,405 | 530 |
| Fines and forfeitures | 469,445 | 327,945 | 339,822 | 11,877 |
| Investment income | 48,074 | 39,074 | 58,930 | 19,856 |
| Other revenue: | | | | |
| Special assessments | 10,544 | 10,544 | 11,810 | 1,266 |
| Other miscellaneous income | 53,100 | 121,100 | 135,670 | 14,570 |
| Total revenue | 8,468,712 | 8,353,175 | 8,498,189 | 145,014 |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| City Commission | 800 | 1,490 | 1,874 | (384) |
| City manager | 131,495 | 131,695 | 131,253 | 442 |
| Treasurer | 110,919 | 92,573 | 91,212 | 1,361 |
| Assessing | 47,200 | 47,200 | 47,015 | 185 |
| General administration | 1,510,959 | 1,537,909 | 1,524,408 | 13,501 |
| Clerk | 95,000 | 99,562 | 91,296 | 8,266 |
| Buildings and grounds | 165,300 | 175,300 | 184,737 | (9,437) |
| Attorney | 215,000 | 221,000 | 204,506 | 16,494 |
| Building and planning | 273,937 | 281,516 | 275,466 | 6,050 |
| Engineering | 26,300 | 26,300 | 19,823 | 6,477 |
| Library * | 271,428 | 268,828 | 440,193 | (171,365) |
| Total general government | 2,848,338 | 2,883,373 | 3,011,783 | (128,410) |
| 48th District Court | 445,284 | 369,200 | 369,204 | (4) |
| Public safety | 4,105,473 | 4,065,473 | 4,060,060 | 5,413 |
| Public works | 535,279 | 505,279 | 471,401 | 33,878 |
| Capital outlay | 152,531 | 165,225 | 160,970 | 4,255 |
| Debt service | 80,398 | 80,398 | 77,417 | 2,981 |
| Total expenditures | 8,167,303 | 8,068,948 | 8,150,835 | (81,887) |
| Excess of Revenue Over Expenditures | 301,409 | 284,227 | 347,354 | 63,127 |
| Other Financing Uses - Transfers out | (758,239) | (983,239) | (983,239) | - |
| Net Change in Fund Balance | (456,830) | (699,012) | (635,885) | 63,127 |
| Fund Balance - Beginning of year | 4,821,909 | 4,821,909 | 4,821,909 | - |
| Fund Balance - End of year | \$ 4,365,079 | \$ 4,122,897 | \$ 4,186,024 | \$ 63,127 |

* See note to required supplemental information on the following page for explanation.

City of Bloomfield Hills, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

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

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

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

1. On or before 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.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Bloomfield Hills incurred significant expenditures that were in excess of the amounts budgeted, as follows:

| | Amended Budget | Actual | Variance |
|------------------------------|-------------------|------------|--------------|
| General government - Library | \$ 268,828 | \$ 440,193 | \$ (171,365) |

These expenditures were over budget as the expenditures were more than anticipated based on an entry required at year end related to prepaid expenses in which the budget could not be amended. It was necessary to book two additional quarters of library expense from 2012 in 2013, creating a timing difference for this fiscal year. However, the difference will be reversed in the last year of the library contract.

Other Supplemental Information

City of Bloomfield Hills, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

| | Special Revenue Funds | | | Debt Service Fund | | Total Nonmajor Governmental Funds |
|--|-----------------------|-----------------------|-----------------------------|------------------------------------|-------------------|--|
| | Major Streets Fund | Local Streets Fund | Drug Enforcement Fund | General Obligation Debt Fund | | |
| | | | | | | |
| Assets | | | | | | |
| Cash and investments | \$ 280,654 | \$ 127,173 | \$ 6,322 | \$ 363 | \$ 414,512 | |
| Receivables | 13,344 | 30,936 | - | - | 44,280 | |
| Total assets | \$ 293,998 | \$ 158,109 | \$ 6,322 | \$ 363 | \$ 458,792 | |
| Liabilities and Fund Balances | | | | | | |
| Liabilities - Accounts payable | \$ 4,355 | \$ 9,539 | \$ - | \$ - | \$ 13,894 | |
| Fund Balances | | | | | | |
| Restricted: | | | | | | |
| Roads | 289,643 | 148,570 | - | - | 438,213 | |
| Drug enforcement | - | - | 6,322 | - | 6,322 | |
| Assigned - Debt service | - | - | - | 363 | 363 | |
| Total fund balances | 289,643 | 148,570 | 6,322 | 363 | 444,898 | |
| Total liabilities and fund balances | \$ 293,998 | \$ 158,109 | \$ 6,322 | \$ 363 | \$ 458,792 | |

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, 2013

| | Special Revenue Funds | | | Debt Service Fund | | Total Nonmajor Governmental Funds |
|--|-----------------------|--------------------|-----------------------|------------------------------|-------------------|-----------------------------------|
| | Major Streets Fund | Local Streets Fund | Drug Enforcement Fund | General Obligation Debt Fund | | |
| | | | | | | |
| Revenue | | | | | | |
| Licenses and permits | \$ 3,609 | \$ 10,828 | \$ - | \$ - | \$ 14,437 | |
| Federal grants | - | - | 7,999 | - | 7,999 | |
| State sources | 201,491 | 95,664 | - | - | 297,155 | |
| Total revenue | 205,100 | 106,492 | 7,999 | - | 319,591 | |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | 4,054 | - | 4,054 | |
| Public works | 124,208 | 338,004 | - | - | 462,212 | |
| Capital outlay | 202,333 | - | - | - | 202,333 | |
| Debt service | - | - | - | 559,931 | 559,931 | |
| Total expenditures | 326,541 | 338,004 | 4,054 | 559,931 | 1,228,530 | |
| Excess of Revenue (Under) Over Expenditures | (121,441) | (231,512) | 3,945 | (559,931) | (908,939) | |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | 100,745 | - | 558,239 | 658,984 | |
| Transfers out | (100,745) | - | - | - | (100,745) | |
| Total other financing (uses) sources | (100,745) | 100,745 | - | 558,239 | 558,239 | |
| Net Change in Fund Balances | (222,186) | (130,767) | 3,945 | (1,692) | (350,700) | |
| Fund Balances - Beginning of year | 511,829 | 279,337 | 2,377 | 2,055 | 795,598 | |
| Fund Balances - End of year | \$ 289,643 | \$ 148,570 | \$ 6,322 | \$ 363 | \$ 444,898 | |