

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

---

**Financial Report  
with Supplemental Information  
June 30, 2014**

# **City of Bloomfield Hills, Michigan**

---

## **Contents**

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds - Statement of Fiduciary Net Position	19
Notes to Financial Statements	20-38
<b>Required Supplemental Information</b>	39
Budgetary Comparison Schedule - General Fund	40
Defined Benefit Pension System Schedule	41
OPEB System Schedule	42
Note to Required Supplemental Information	43
<b>Other Supplemental Information</b>	44
Nonmajor Governmental Funds:	
Combining Balance Sheet	45
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	46

## Independent Auditor's Report

To the Members of the City Commission  
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, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our 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, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, during the City's 2013-2014 fiscal year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplemental Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bloomfield Hills, Oakland County, Michigan'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 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 27, 2014

# **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, 2014. 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 \$1,579,179 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:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Other assets	\$ 6,353,110	\$ 5,993,483	\$ 4,680,159	\$ 3,969,742	\$ 11,033,269	\$ 9,963,225
Capital assets	<u>14,877,698</u>	<u>15,096,254</u>	<u>6,061,386</u>	<u>5,844,674</u>	<u>20,939,084</u>	<u>20,940,928</u>
Total assets	21,230,808	21,089,737	10,741,545	9,814,416	31,972,353	30,904,153
<b>Liabilities</b>						
Current liabilities	1,072,857	987,897	537,056	507,193	1,609,913	1,495,090
Long-term liabilities	<u>5,541,637</u>	<u>5,845,866</u>	<u>633,776</u>	<u>955,349</u>	<u>6,175,413</u>	<u>6,801,215</u>
Total liabilities	6,614,494	6,833,763	1,170,832	1,462,542	7,785,326	8,296,305
<b>Net Position</b>						
Net investment in capital assets	9,204,362	9,130,651	5,106,037	4,596,723	14,310,399	13,727,374
Restricted	532,538	590,645	-	-	532,538	590,645
Unrestricted	<u>4,879,414</u>	<u>4,534,678</u>	<u>4,464,676</u>	<u>3,755,151</u>	<u>9,344,090</u>	<u>8,289,829</u>
Total net position	<b>\$ 14,616,314</b>	<b>\$ 14,255,974</b>	<b>\$ 9,570,713</b>	<b>\$ 8,351,874</b>	<b>\$ 24,187,027</b>	<b>\$ 22,607,848</b>

The City's combined net position is about \$24,190,000 as compared to about \$22,600,000 for the prior year. This represents a 7.0 percent increase. The governmental activities portion of net position increased by \$360,340, or 2.4 percent, while the business-type activities increased by \$1,218,839, or 14.6 percent, for a net total change of \$1,579,179.

# 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:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,040,166	\$ 772,616	\$ 2,638,336	\$ 3,650,172	\$ 3,678,502	\$ 4,422,788
Operating grants and contributions	345,932	323,775	-	-	345,932	323,775
Capital grants and contributions	-	-	1,474,887	1,040,062	1,474,887	1,040,062
General revenue:						
Property taxes	7,409,722	7,269,450	-	-	7,409,722	7,269,450
State-shared revenue	290,232	286,441	-	-	290,232	286,441
Unrestricted investment earnings	57,416	58,930	43,294	21,467	100,710	80,397
Franchise fees	132,959	196,251	-	-	132,959	196,251
Miscellaneous	230,145	147,480	102,479	-	332,624	147,480
Total revenue	9,506,572	9,054,943	4,258,996	4,711,701	13,765,568	13,766,644
<b>Program Expenses</b>						
General government	3,073,773	3,456,828	-	-	3,073,773	3,456,828
Public safety	3,973,319	4,056,058	-	-	3,973,319	4,056,058
Public works	1,900,100	1,749,842	-	-	1,900,100	1,749,842
Water and sewer	-	-	3,040,157	3,166,065	3,040,157	3,166,065
Interest on long-term debt	199,040	220,404	-	-	199,040	220,404
Total program expenses	9,146,232	9,483,132	3,040,157	3,166,065	12,186,389	12,649,197
<b>Change in Net Position</b>	<b>\$ 360,340</b>	<b>\$ (428,189)</b>	<b>\$ 1,218,839</b>	<b>\$ 1,545,636</b>	<b>\$ 1,579,179</b>	<b>\$ 1,117,447</b>

### 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 \$9,506,572 in 2014. Property taxes represent \$7,409,722 or 78 percent of the total. Charges for services totaled \$1,040,166 or 11 percent of total revenue. Charges for services primarily support the building department and public safety activities.

During fiscal year 2014, the City received capital improvement charge revenue of approximately \$1,475,000. 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.

### 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.

# **City of Bloomfield Hills, Michigan**

---

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

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 \$4,259,000; of this total, \$43,294 was interest income. With expenditures totaling approximately \$3,040,000, there was a net position increase of \$1,218,839 in the current year.

### **Capital Assets and Debt Administration**

At the end of fiscal year 2014, 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 decreased \$1,800 from the previous year. See Note 6 to the financial statements for additional information.

The City continues to be committed to road projects. In 2014, the City completed the Orchard Ridge North road project and preliminary engineering on the upcoming road projects: Joyce/Yarboro, South Cranbrook, and Vaughn roads. The Joyce/Yarboro project is slated for completion in the 2014-2015 fiscal year, while the South Cranbrook and Vaughn road construction is projected to completed in 2015-2016. Since most of the sewer and water infrastructure for South Cranbrook and Vaughn roads is located directly beneath the road, the City has elected to bond for the water and sewer portion of the construction, and will increase the millage for next fiscal year by .75 mills to cover the road portion of this construction.

### **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, 2014:

- The City tax millage remained at 9.85. Of this, .35 mills were allocated by the Commission for road improvements. Property tax revenue in 2014 was \$7,420,424 (see page 15) compared to \$7,279,789 in the prior year, an increase of approximately \$140,000. This represents a 1.9 percent increase over last fiscal year. Over the past five years, municipalities have struggled as property taxes decreased while the cost of doing business has continued to rise. Just as taxes have begun to rebound, municipalities will have to cope with the elimination of personal property taxes. In August 2014, voters approved the allocation of State Use tax dollars to supplement this lost revenue. However, the City will not see any reimbursement by the State for two years. On a positive note, with such a small business base in the City, we estimate a loss before reimbursement of only \$30,000. Since property taxes are the City's largest source of General Fund revenue, even a small amount of loss dollars is crucial to the budget.
- As a commitment to improving the City roads, the Commission dedicates .35 of general operating mills to roads each year. In 2014, this equated to \$251,000 (see page 15) of tax dollars which was used toward the re-construction of Orchard Ridge North.
- 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. On the August 2014 ballot, voters again passed the library millage which will provide library services for three more years.

**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 \$149,781 less than the final amended budget. Furthermore, the City received more General fund revenue than anticipated. Actual revenue was \$189,877 greater than the final amended revenue budget. In total, the General Fund had a favorable net effect (revenues less expenses for the year; utilizing \$432,370 less fund balance than budgeted. The majority of this increase was due to increased permitting revenue from the ongoing Cedarbrook long term care facility project, savings in health care costs, and an increase in reimbursable DPW costs from our Major and Local Streets Funds.

# **City of Bloomfield Hills, Michigan**

---

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

### **Economic Factors and the Future**

There are several economic factors that will continue to challenge the City. Defined benefit pension costs continue to rise, which includes our accrued unfunded pension liability. In an attempt to save the taxpayers money over the next 20 years, smooth the cost of the unfunded liability for future budgeting, and to keep promises made to current employees and retirees, the City has decided to issue bonds to pay off the defined benefit pension accrued unfunded liability. This decision was made after much consideration and analysis. The City will issue bonds not to exceed \$17 million by December 31, 2014 for payment of the unfunded liability.

With the severe winter of 2013, already deteriorating roads were damaged even further. The Commission, in its continuing effort to restore roads, has decided to increase the millage in 2014, 2015, and 2016 by .75 mills for road improvements to South Cranbrook and Vaughn roads. The Commission has also approved the issuance of bonds to cover the cost to replace the old sewer and water lines which are located directly under these roads. The total operating levy will be 10.99 mills (1.10 mills appropriated to roads) and the voter-approved library millage will remain at .39 mills.

In 2013-2014, the City switched from a premium-based health insurance to a self-insurance coverage program to help reduce increasing health care expenses. The City saw a \$160,000 savings from 2013 to 2014.

For the 2014-2015 budget, the City has elected to use existing available fund balance of \$66,000 to balance the budget. However, departments will explore ways to save costs during the budget year in hopes that fund balance will not be needed.

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](http://www.bloomfieldhillsmi.net).

# City of Bloomfield Hills, Michigan

## Statement of Net Position June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 4)	\$ 4,686,801	\$ 3,117,352	\$ 7,804,153
Receivables (Note 1):			
Customers	-	1,349,842	1,349,842
Accrued interest receivable	1,014	-	1,014
Other receivables	298,121	-	298,121
Due from other governmental units	110,104	212,965	323,069
Delinquent personal property taxes	13,496	-	13,496
Special assessments receivable	27,315	-	27,315
Prepaid expenses	90,173	-	90,173
Net OPEB asset (Note 12)	1,126,086	-	1,126,086
Capital assets - Net (Note 6):			
Assets not subject to depreciation	367,719	79,873	447,592
Assets subject to depreciation	14,509,979	5,981,513	20,491,492
Total assets	21,230,808	10,741,545	31,972,353
<b>Liabilities</b>			
Accounts payable	324,607	207,528	532,135
Accrued liabilities and other	125,065	7,955	133,020
Noncurrent liabilities:			
Due within one year (Note 8):			
Compensated absences	180,000	-	180,000
Current portion of long-term debt	443,185	321,573	764,758
Due in more than one year (Note 8):			
Compensated absences	311,486	-	311,486
Long-term debt	5,230,151	633,776	5,863,927
Total liabilities	6,614,494	1,170,832	7,785,326
<b>Net Position</b>			
Net investment in capital assets	9,204,362	5,106,037	14,310,399
Restricted for:			
Streets and highways	100,771	-	100,771
Drug enforcement	6,416	-	6,416
Construction code activity	425,351	-	425,351
Unrestricted	4,879,414	4,464,676	9,344,090
Total net position	<b>\$ 14,616,314</b>	<b>\$ 9,570,713</b>	<b>\$ 24,187,027</b>

# 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	\$ 3,073,773	\$ 644,226	\$ -	\$ -
Public safety	3,973,319	395,940	7,156	-
Public works	1,900,100	-	338,776	-
Interest on long-term debt	199,040	-	-	-
Total governmental activities	9,146,232	1,040,166	345,932	-
Business-type activities - Water and Sewer Fund	3,040,157	2,638,336	-	1,474,887
Total primary government	<b>\$ 12,186,389</b>	<b>\$ 3,678,502</b>	<b>\$ 345,932</b>	<b>\$ 1,474,887</b>

## General revenue:

Property taxes  
 State-shared revenue  
 Unrestricted investment income  
 Franchise fees  
 Miscellaneous

Total general revenue

## Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

**Statement of Activities**  
**Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,429,547)	\$ (2,429,547)	
(3,570,223)	(3,570,223)	
(1,561,324)	(1,561,324)	
<u>(199,040)</u>	<u>(199,040)</u>	
 (7,760,134)	 -	 (7,760,134)
 -	 <u>1,073,066</u>	 <u>1,073,066</u>
 (7,760,134)	 1,073,066	 (6,687,068)
 7,409,722	 -	 7,409,722
290,232	-	290,232
57,416	43,294	100,710
132,959	-	132,959
<u>230,145</u>	<u>102,479</u>	<u>332,624</u>
 <u>8,120,474</u>	 <u>145,773</u>	 <u>8,266,247</u>
 360,340	 1,218,839	 1,579,179
 <u>14,255,974</u>	 <u>8,351,874</u>	 <u>22,607,848</u>
 <b>\$ 14,616,314</b>	 <b>\$ 9,570,713</b>	 <b>\$ 24,187,027</b>

# City of Bloomfield Hills, Michigan

## Governmental Funds Balance Sheet June 30, 2014

	General Fund	Capital Projects Fund - Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 4,501,149	\$ 115,805	\$ 69,847	\$ 4,686,801
Receivables:				
Special assessments receivable	27,315	-	-	27,315
Accrued interest receivable	1,014	-	-	1,014
Other receivables	266,697	31,424	-	298,121
Due from other governmental units	54,734	10,003	45,367	110,104
Delinquent personal property taxes	13,496	-	-	13,496
Prepaid expenses and other assets	90,173	-	-	90,173
Total assets	<b>\$ 4,954,578</b>	<b>\$ 157,232</b>	<b>\$ 115,214</b>	<b>\$ 5,227,024</b>
<b>Liabilities</b>				
Accounts payable	\$ 211,162	\$ 105,581	\$ 7,864	\$ 324,607
Accrued liabilities and other	77,315	-	-	77,315
Total liabilities	288,477	105,581	7,864	401,922
<b>Deferred Inflows of Resources -</b>				
Unavailable revenue (Note 5)	40,811	-	-	40,811
<b>Fund Balances</b>				
Nonspendable - Prepaid expenses	90,173	-	-	90,173
Restricted:				
Streets and highways	-	-	100,771	100,771
Construction code activity	425,351	-	-	425,351
Drug enforcement	-	-	6,416	6,416
Assigned:				
Subsequent year's budget	66,059	-	-	66,059
Road projects	-	51,651	-	51,651
Debt service	-	-	163	163
Compensated absences	491,486	-	-	491,486
Other postemployment benefits	1,500,000	-	-	1,500,000
Unassigned	2,052,221	-	-	2,052,221
Total fund balances	<b>4,625,290</b>	<b>51,651</b>	<b>107,350</b>	<b>4,784,291</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 4,954,578</b>	<b>\$ 157,232</b>	<b>\$ 115,214</b>	<b>\$ 5,227,024</b>

# **City of Bloomfield Hills, Michigan**

## **Governmental Funds** **Reconciliation of the Balance Sheet to the Statement of** **Net Position** **June 30, 2014**

<b>Fund Balance Reported in Governmental Funds</b>	<b>\$ 4,784,291</b>
<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	14,877,698
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	27,315
Delinquent personal property taxes are expected to be collected over several years and are not available to pay for current year expenditures	13,496
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,673,336)
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(47,750)
Compensated absences are not due and payable in the current period and are not reported in the funds	(491,486)
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	1,126,086
<b>Net Position of Governmental Activities</b>	<b><u>\$ 14,616,314</u></b>

# City of Bloomfield Hills, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	Capital Projects			
	General Fund	Fund - Road Construction	Nonmajor Governmental Funds	Total Governmental Funds
		Fund		
<b>Revenue</b>				
Property taxes (Note 1)	\$ 7,169,286	\$ 251,138	\$ -	\$ 7,420,424
Licenses and permits	760,466	-	13,659	774,125
Federal sources	-	-	94	94
State sources	308,513	-	325,117	633,630
Charges for services	70,343	-	-	70,343
Fines and forfeitures	331,097	-	-	331,097
Interest income	57,416	-	-	57,416
Other	198,720	31,425	-	230,145
Total revenue	8,895,841	282,563	338,870	9,517,274
<b>Expenditures</b>				
Current:				
General government	2,666,757	-	-	2,666,757
District court	308,490	-	-	308,490
Public safety	3,983,268	-	-	3,983,268
Public works	652,499	-	482,218	1,134,717
Capital outlay	286,591	487,986	194,000	968,577
Debt service	41,241	-	547,931	589,172
Total expenditures	7,938,846	487,986	1,224,149	9,650,981
<b>Excess of Revenue Over (Under) Expenditures</b>	956,995	(205,423)	(885,279)	(133,707)
<b>Other Financing Sources (Uses)</b>				
Loan proceeds for capital lease	92,712	-	-	92,712
Transfers in (Note 7)	-	62,710	651,539	714,249
Transfers out (Note 7)	(610,441)	-	(103,808)	(714,249)
Total other financing (uses) sources	(517,729)	62,710	547,731	92,712
<b>Net Change in Fund Balances</b>	439,266	(142,713)	(337,548)	(40,995)
<b>Fund Balances - Beginning of year</b>	4,186,024	194,364	444,898	4,825,286
<b>Fund Balances - End of year</b>	<b>\$ 4,625,290</b>	<b>\$ 51,651</b>	<b>\$ 107,350</b>	<b>\$ 4,784,291</b>

# **City of Bloomfield Hills, Michigan**

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ (40,995)

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	1,068,879
Depreciation expense	(1,269,325)
Net book value of assets disposed of	(18,110)

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 (10,703)

Proceeds from capital lease provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (92,712)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 384,979

Interest expense is recorded when incurred in the statement of activities 5,154

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 (60,422)

Other postemployment benefits contribution in excess of annual required contribution is recorded in the statement of activities and not in the governmental funds 393,595

**Change in Net Position of Governmental Activities** \$ 360,340

# City of Bloomfield Hills, Michigan

## Proprietary Funds Statement of Net Position June 30, 2014

Enterprise Fund  
Water and  
Sewer Fund

### Assets

Current assets:	
Cash and cash equivalents (Note 4)	\$ 3,117,352
Receivables:	
Receivables from sales to customers on account	1,349,842
Due from other governmental units	<u>212,965</u>
Total current assets	4,680,159
Noncurrent assets - Capital assets (Note 6)	<u>6,061,386</u>
Total assets	10,741,545

### Liabilities

Current liabilities:	
Accounts payable	207,528
Accrued liabilities and other	7,955
Current portion of long-term debt (Note 8)	<u>321,573</u>
Total current liabilities	537,056
Noncurrent liabilities - Long-term debt (Note 8)	<u>633,776</u>
Total liabilities	1,170,832

### Net Position

Net investment in capital assets	5,106,037
Unrestricted	4,464,676
Total net position	<u>\$ 9,570,713</u>

# City of Bloomfield Hills, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Fund Water and Sewer Fund
<b>Operating Revenue</b>	
Sale of water	\$ 1,491,649
Sewage disposal charges	<u>1,146,687</u>
	Total operating revenue
	2,638,336
<b>Operating Expenses</b>	
Cost of water	1,452,238
Cost of sewage treatment	928,080
Operation and maintenance	127,998
Billing and administrative costs	159,640
Depreciation (Note 6)	<u>287,990</u>
	Total operating expenses
	<u>2,955,946</u>
<b>Operating Loss</b>	(317,610)
<b>Nonoperating Revenue (Expenses)</b>	
Investment income	43,294
Interest expense	(31,465)
Other nonoperating expenses	(52,746)
Other nonoperating revenue	<u>102,479</u>
	Total nonoperating expense
	<u>61,562</u>
<b>Loss Before Contributions</b>	(256,048)
<b>Capital Contributions</b> - Tap fees and capital charges	<u>1,474,887</u>
<b>Change in Net Position</b>	1,218,839
<b>Net Position</b> - Beginning of year	<u>8,351,874</u>
<b>Net Position</b> - End of year	<u><b>\$ 9,570,713</b></u>

# City of Bloomfield Hills, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Fund
	Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 2,862,747
Payments to suppliers	(2,592,185)
Payments to employees	<u>(77,991)</u>
Net cash provided by operating activities	192,571
<b>Cash Flows from Capital and Related Financing Activities</b>	
Receipt of capital grants	94,860
Tap fees and capital charges	1,482,506
Purchase of capital assets	(504,702)
Principal and interest paid on capital debt	(324,067)
Other expenses	<u>(52,746)</u>
Net cash provided by capital and related financing activities	695,851
<b>Cash Flows from Investing Activities - Investment income</b>	<u>43,294</u>
<b>Net Increase in Cash and Cash Equivalents</b>	931,716
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>2,185,636</u>
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 3,117,352</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (317,610)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	287,990
Changes in assets and liabilities:	
Receivables	224,411
Due from other governmental units	(3,112)
Accounts payable and other liabilities	470
Accrued and other liabilities	<u>422</u>
Net cash provided by operating activities	<u>\$ 192,571</u>

# **City of Bloomfield Hills, Michigan**

---

## **Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014**

	<u>Agency Funds</u>
<b>Assets</b> - Cash and cash equivalents	<u>\$ 1,249,296</u>
<b>Liabilities</b> - Refundable deposits	<u>\$ 1,249,296</u>

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note I - Summary of Significant Accounting Policies**

#### **Reporting Entity**

The City of Bloomfield Hills, Oakland County, Michigan is governed by an elected five-member commission. The accompanying financial statements present the City.

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

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

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

- **The General Fund** - The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- **The Road Construction Fund** - The Road Construction Fund is used to account for the road repair and replacement project, for which bonds may be issued to fund the project. The City has an ongoing plan to rehabilitate City roads.

**Proprietary funds** include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a "major" enterprise 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.

**Fiduciary funds** include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our City's programs. The City has an agency fund that accounts for assets held by the City. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

#### **Basis of Accounting**

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

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

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

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

#### **Specific Balances and Transactions**

**Cash and Cash Equivalents** - 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, 2014

### Note I - Summary of Significant Accounting Policies (Continued)

**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, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$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.

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

Capital Asset Class	Years
Land improvements	20
Building improvements	50
Machinery, equipment, and vehicles	5-20
Sewer drains	50
Infrastructure	20-50

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category.

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note I - Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category, deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: special assessments and delinquent personal property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption** - Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

**Fund Balance Policies** - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

**Property Tax Revenue** - Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. The taxes are due on February 28, after which point they are added to the county tax rolls and penalties and interest are assessed.

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$726 million, on which taxes levied consisted of 9.85 mills for operating purposes and 0.39 mills for Library services. This resulted in approximately \$6.8 million for operating, \$280,000 for the Library, and \$251,000 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.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree health care 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 and proprietary funds, 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. The General Fund is generally used to liquidate the pension and OPEB liabilities.

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note I - Summary of 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, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund is generally used to liquidate compensated absences.

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

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

### **Note 2 - Change in Accounting**

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2014**

### **Note 2 - Change in Accounting (Continued)**

As a result of implementing this statement, the following liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Property taxes not collected within 60 days of year end	\$ 13,496	Liability	Deferred inflow of resources
Special assessment revenue in governmental funds not collected within 60 days of year end	27,315	Liability	Deferred inflow of resources

### **Note 3 - 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, 2013	\$ 146,110
Current year building permit revenue	627,934
Related expenses:	
Direct costs	\$ 338,693
Estimated indirect costs	10,000
	<u>348,693</u>
Current year surplus	<u>279,241</u>
Cumulative surplus - June 30, 2014	\$ 425,351

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note 4 - 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.

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 \$5,792,584 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, \$3,235,264 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.

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 4 - Deposits and Investments (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's 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)
<b>Primary Government</b>		
Pooled investment - Oakland County	\$ 3,235,264	646

#### 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	Organization
<b>Primary Government</b>			
Pooled investment - Oakland County	\$ 3,235,264	Not rated	N/A

### Note 5 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds
Delinquent property taxes - Unavailable	\$ 13,496
Special assessments - Unavailable	<u>27,315</u>
Total deferred inflows	<u>\$ 40,811</u>

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 6 - Capital Assets

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

<b>Governmental Activities</b>	<u>Balance July 1, 2013</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 339,638	\$ -	\$ -	\$ -	\$ 339,638
Construction in progress	109,658	(109,658)	28,081	-	28,081
Subtotal	449,296	(109,658)	28,081	-	367,719
Capital assets being depreciated:					
Buildings and improvements	6,833,211	-	38,699	-	6,871,910
Machinery, equipment, and vehicles	4,132,046	-	248,194	(555,668)	3,824,572
Land improvements	240,500	-	-	-	240,500
Infrastructure	21,546,353	109,658	753,905	(479,014)	21,930,902
Subtotal	32,752,110	109,658	1,040,798	(1,034,682)	32,867,884
Accumulated depreciation:					
Buildings and improvements	2,018,434	-	156,239	-	2,174,673
Machinery, equipment, and vehicles	3,266,351	-	280,488	(537,558)	3,009,281
Land improvements	186,388	-	12,025	-	198,413
Infrastructure	12,633,979	-	820,573	(479,014)	12,975,538
Subtotal	18,105,152	-	1,269,325	(1,016,572)	18,357,905
Net capital assets being depreciated	14,646,958	109,658	(228,527)	(18,110)	14,509,979
Net capital assets	\$ 15,096,254	\$ -	\$ (200,446)	\$ (18,110)	\$ 14,877,698
<b>Business-type Activities</b>	<u>Balance July 1, 2013</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated -					
Construction in progress	\$ -	\$ -	\$ 79,873	\$ -	\$ 79,873
Capital assets being depreciated:					
Sewer drains	1,388,637	-	-	-	1,388,637
Infrastructure	5,668,248	-	424,829	-	6,093,077
Subtotal	7,056,885	-	424,829	-	7,481,714
Accumulated depreciation:					
Sewer drains	158,703	-	39,676	-	198,379
Infrastructure	1,053,508	-	248,314	-	1,301,822
Subtotal	1,212,211	-	287,990	-	1,500,201
Net capital assets being depreciated	5,844,674	-	136,839	-	5,981,513
Net capital assets	\$ 5,844,674	\$ -	\$ 216,712	\$ -	\$ 6,061,386

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 6 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 87,909
Public safety	238,849
Public works	<u>942,567</u>
Total governmental activities	\$ 1,269,325
Business-type activities - Water and sewer	<u>\$ 287,990</u>

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road and Water and Sewer Improvement Program	\$ -	\$ 796,875

### Note 7 - Interfund Receivables, Payables, and Transfers

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Other nonmajor governmental funds - General Obligation	
	Debt Fund	\$ 547,731
	Road Construction	<u>62,710</u>
	Total	\$ 610,441
Other nonmajor governmental funds - Major Streets Fund	Other nonmajor governmental funds - Local Streets Fund	\$ 103,808

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

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 8 - 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.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Road Construction Bonds:						
Amount of issue - \$3,000,000	3.75%-5.25%	\$ 2,100,000	\$ -	\$ (250,000)	\$ 1,850,000	\$ 300,000
Maturing through 2018						
General Obligation Limited Tax Bonds, Series 2010:						
Amount of issue - \$4,000,000	2.0%-3.5%	3,800,000	-	(100,000)	3,700,000	100,000
Maturing through 2025						
2014 Backhoe Loader - Installment Purchase Obligation:						
Amount of issue - \$25,511	4.50%	-	25,511	(8,872)	16,639	8,809
Maturing through 2016						
2014 Telephone System - Installment Purchase Obligation:						
Amount of issue - \$67,201	4.07%	-	67,201	(6,304)	60,897	12,526
Maturing through 2018						
2012 Advanced Wireless Telecom Installment Purchase Obligation:						
Amount of issue - \$85,406	0.00%	65,603	-	(19,803)	45,800	21,850
Maturing through 2015						
Total bonds payable		5,965,603	92,712	(384,979)	5,673,336	443,185
Other long-term obligations - Employee compensated absences		431,064	496,166	(435,744)	491,486	180,000
Total governmental activities		\$ 6,396,667	\$ 588,878	\$ (820,723)	\$ 6,164,822	\$ 623,185
 <b>Business-type Activities</b>						
2009 General Obligation Debt - SOCWA bonds:						
Amount of issue - \$945,000	2.00%-3.25%	\$ 670,000	\$ -	\$ (125,000)	\$ 545,000	\$ 150,000
Maturing through 2017						
State Revolving Fund Loan Bloomfield Hills - Michigan State Revolving Loan Fund:						
Amount of issue - \$250,000	2.25%	25,000	-	(10,000)	15,000	15,000
Maturing through 2015						
County contractual obligations:						
Bloomfield Village CSO Drainage Bonds, Series 1994 A:						
Amount of issue - \$161,233	2.00%	36,256	-	(8,742)	27,514	9,000
Maturing through 2017						
Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001A:						
Amount of issue - \$141,432	5.14%	37,802	-	(11,058)	26,744	10,800
Maturing through 2017						
Bloomfield Village CSO Drain Bonds Series, C/2001B:						
Amount of issue - \$242,750	2.0%-3.0%	134,232	-	(37,801)	96,431	36,773
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%	344,660	-	(100,000)	244,660	100,000
Maturing through 2017						
Total business-type activities		\$ 1,247,950	\$ -	\$ (292,601)	\$ 955,349	\$ 321,573

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 8 - 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
2015	\$ 443,186	\$ 189,383	\$ 632,569	\$ 321,573	\$ 24,485	\$ 346,058
2016	544,873	172,120	716,993	331,573	14,865	346,438
2017	563,659	150,323	713,982	302,203	4,887	307,090
2018	714,263	127,032	841,295	-	-	-
2019	807,355	101,406	908,761	-	-	-
2020-2022	1,100,000	214,500	1,314,500	-	-	-
2023-2025	1,500,000	78,750	1,578,750	-	-	-
Total	\$ 5,673,336	\$ 1,033,514	\$ 6,706,850	\$ 955,349	\$ 44,237	\$ 999,586

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

**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 \$411,573. During the current year, net revenue of the system was \$(36,691) compared to the annual debt requirements of \$171,892.

### Note 9 - Risk Management

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

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

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note 9 - Risk Management (Continued)**

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

The Michigan Municipal Risk Management Authority's state pool program 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 10 - 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, 2014, the City's annual pension cost of \$1,085,897 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, 2011 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 27 years.

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2014**

### **Note 10 - Defined Benefit Pension Plan (Continued)**

	<b>Fiscal Year Ended June 30</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Annual pension cost (APC)	\$ 883,006	\$ 1,003,469	\$ 1,085,897
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -

  

	<b>Actuarial Valuation as of December 31</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Actuarial value of assets	\$ 15,586,102	\$ 15,434,544	\$ 15,484,021
Actuarial accrued liability (AAL) (entry age)	\$ 28,937,448	\$ 30,466,201	\$ 31,174,095
Unfunded AAL (UAAL)	\$ 13,351,346	\$ 15,031,657	\$ 15,690,074
Funded ratio	53.9 %	50.7 %	49.7 %
Covered payroll	\$ 2,221,442	\$ 2,423,543	\$ 2,399,832
UAAL as a percentage of covered payroll	601.0 %	620.2 %	653.8 %

### **Note 11 - Defined Contribution Pension Plan**

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined contribution pension plan, provided to all of its full-time nonunion employees. 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 \$466,919. The current year contribution was calculated based on covered payroll, resulting in an employer contribution of \$4,669.

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 12 - 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.

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 12 - Other Postemployment Benefits (Continued)

**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.

**Funding Progress** - For the year ended June 30, 2014, 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 asset	(54,937)
Adjustment to the annual required contribution	<u>24,417</u>
Annual OPEB cost	<u>499,322</u>
Amounts contributed:	
Payments of current premiums	(667,917)
Advance funding	<u>(225,000)</u>
Total contributed	<u>(892,917)</u>
Increase in net OPEB asset	(393,595)
OPEB asset - Beginning of year	<u>(732,491)</u>
OPEB asset - End of year	<u>\$ (1,126,086)</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)
6/30/12	1/1/12	\$ 529,842	\$ (332,567)
6/30/13	1/1/12	529,842	(732,491)
6/30/14	1/1/12	529,842	(1,126,086)

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

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2014

### Note 12 - 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, 2014 is 30 years for active and retiree participants.

# **City of Bloomfield Hills, Michigan**

---

## **Notes to Financial Statements** **June 30, 2014**

### **Note 13 - Upcoming Accounting Pronouncements**

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 supplementary 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.

### **Note 14 - Subsequent Events**

Subsequent to year end, the City has entered into an agreement to issue bonds not to exceed \$17,000,000 to fund its unfunded pension liability under Michigan Public Act 329 of 2012.

## **Required Supplemental Information**

---

# City of Bloomfield Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,139,540	\$ 7,168,290	\$ 7,169,286	\$ 996
Licenses and permits	605,860	694,560	760,466	65,906
State sources	288,647	292,615	308,513	15,898
Charges for services	33,575	62,405	70,343	7,938
Fines and forfeitures	440,000	314,000	331,097	17,097
Investment income	40,000	50,900	57,416	6,516
Other revenue:				
Special assessments	10,544	10,544	17,690	7,146
Other miscellaneous income	62,000	112,650	181,030	68,380
Total revenue	8,620,166	8,705,964	8,895,841	189,877
<b>Expenditures</b>				
Current:				
General government:				
City Commission	600	800	675	125
City manager	131,845	149,044	148,170	874
Treasurer	122,182	163,042	160,197	2,845
Assessing	47,800	47,800	47,348	452
General administration	1,497,111	1,239,423	1,202,434	36,989
Clerk	96,136	106,843	99,152	7,691
Buildings and grounds	176,615	182,215	184,348	(2,133)
Attorney	190,000	166,725	150,132	16,593
Building and planning	265,648	359,898	362,932	(3,034)
Engineering	22,000	36,000	34,474	1,526
Library	278,438	278,438	276,895	1,543
Total general government	2,828,375	2,730,228	2,666,757	63,471
48th District Court	440,000	314,000	308,490	5,510
Public safety	4,125,839	4,074,443	3,983,268	91,175
Public works	633,516	731,191	652,499	78,692
Capital outlay	129,610	197,524	286,591	(89,067)
Debt service	14,798	41,241	41,241	-
Total expenditures	8,172,138	8,088,627	7,938,846	149,781
<b>Excess of Revenue Over Expenditures</b>	448,028	617,337	956,995	339,658
<b>Other Financing Sources (Uses)</b>				
Loan proceeds for capital lease	-	-	92,712	92,712
Transfers in	12,900	-	-	-
Transfers out	(572,731)	(610,441)	(610,441)	-
Total other financing uses	(559,831)	(610,441)	(517,729)	92,712
<b>Net Change in Fund Balance</b>	(111,803)	6,896	439,266	432,370
<b>Fund Balance - Beginning of year</b>	4,186,024	4,186,024	4,186,024	-
<b>Fund Balance - End of year</b>	<b>\$ 4,074,221</b>	<b>\$ 4,192,920</b>	<b>\$ 4,625,290</b>	<b>\$ 432,370</b>

# **City of Bloomfield Hills, Michigan**

## **Required Supplemental Information Defined Benefit Pension System Schedule Year Ended June 30, 2014**

The schedule of funding progress 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
12/31/11	\$ 15,586,102	\$ 28,937,448	\$ 13,351,346	53.9	\$ 2,221,442	601.0
12/31/12	15,434,544	30,466,201	15,031,657	50.7	2,423,543	620.2
12/31/13	15,484,021	31,174,095	15,690,074	49.7	2,399,832	653.8

# **City of Bloomfield Hills, Michigan**

## **Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014**

The schedule of funding progress is as follows:

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

# **City of Bloomfield Hills, Michigan**

---

## **Note to Required Supplemental Information Year Ended June 30, 2014**

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

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

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

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

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

	Amended		
	Budget	Actual	Variance
Building and grounds	\$ 182,215	\$ 184,348	\$ (2,133)
Building and planning	359,898	362,932	(3,034)
Capital outlay	197,524	286,591	(89,067)

The above budget overruns are due to expenditures exceeding budget and an amendment not being made prior to year end. The budget overrun in the capital outlay department relates to an adjustment made for the proper accounting of a new capital lease that was not accounted for in the budget. There is a corresponding other financing sources line that is over budget as well as a result of recording the capital lease. The building and grounds overruns are due to unexpected building repairs year end. The building and planning overruns are due to a greater number of planning consultations than originally estimated.

## **Other Supplemental Information**

---

# City of Bloomfield Hills, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue Funds				Debt Service Funds	Total
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	General Obligation Debt Fund		
<b>Assets</b>						
Cash and investments	\$ 63,147	\$ 121	\$ 6,416	\$ 163	\$ 69,847	
Receivables	13,664	31,703	-	-	45,367	
Total assets	<b>\$ 76,811</b>	<b>\$ 31,824</b>	<b>\$ 6,416</b>	<b>\$ 163</b>	<b>\$ 115,214</b>	
<b>Liabilities - Accounts payable</b>	\$ 7,347	\$ 517	\$ -	\$ -	\$ 7,864	
<b>Fund Balances</b>						
Restricted:						
Roads	69,464	31,307	-	-	100,771	
Drug enforcement	-	-	6,416	-	6,416	
Assigned - Debt service	-	-	-	163	163	
Total fund balances	<b>69,464</b>	<b>31,307</b>	<b>6,416</b>	<b>163</b>	<b>107,350</b>	
Total liabilities and fund balances	<b>\$ 76,811</b>	<b>\$ 31,824</b>	<b>\$ 6,416</b>	<b>\$ 163</b>	<b>\$ 115,214</b>	

# 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, 2014

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	General Obligation Debt Fund	
<b>Revenue</b>					
Licenses and permits	\$ 3,142	\$ 10,517	\$ -	\$ -	\$ 13,659
Federal sources	-	-	94	-	94
State sources	<u>207,616</u>	<u>117,501</u>	<u>-</u>	<u>-</u>	<u>325,117</u>
Total revenue	210,758	128,018	94	-	338,870
<b>Expenditures</b>					
Current - Public works	133,129	349,089	-	-	482,218
Capital outlay	194,000	-	-	-	194,000
Debt service	-	-	-	547,931	547,931
Total expenditures	<u>327,129</u>	<u>349,089</u>	<u>-</u>	<u>547,931</u>	<u>1,224,149</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(116,371)	(221,071)	94	(547,931)	(885,279)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	103,808	-	547,731	651,539
Transfers out	(103,808)	-	-	-	(103,808)
Total other financing (uses) sources	<u>(103,808)</u>	<u>103,808</u>	<u>-</u>	<u>547,731</u>	<u>547,731</u>
<b>Net Change in Fund Balances</b>	(220,179)	(117,263)	94	(200)	(337,548)
<b>Fund Balances - Beginning of year</b>	289,643	148,570	6,322	363	444,898
<b>Fund Balances - End of year</b>	<u>\$ 69,464</u>	<u>\$ 31,307</u>	<u>\$ 6,416</u>	<u>\$ 163</u>	<u>\$ 107,350</u>