

# **City of Bloomfield Hills, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2009**

# **City of Bloomfield Hills, Michigan**

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### Independent Auditor's Report

To the City Commission  
City of Bloomfield Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Michigan as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bloomfield Hills, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bloomfield Hills, Michigan as of June 30, 2009 and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Commission  
City of Bloomfield Hills, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bloomfield Hills, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 5, 2009

# **City of Bloomfield Hills, Michigan**

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## **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, 2009. Please read it in conjunction with the City's financial statements.

This annual report consists of a series of financial statements. The statement of net assets 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 answers whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent 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 statements (i.e., Tax Collection Fund) provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **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 assets includes all of the City's assets and liabilities. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's overall financial health. The statement of activities reflects all of the current year's revenues and expenses, regardless of when cash is actually received or paid.

All 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 revenues, charges for services, licenses and permits, and other revenues comprise the revenue for the governmental activities. Also included as governmental activities are the Major and Local Streets Funds, General Obligation Debt Fund, Budget Stabilization Fund, Drug Enforcement Fund, Water and Sewer Construction Fund, and Road Construction Fund.

# **City of Bloomfield Hills, Michigan**

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

### **The City as a Whole**

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Current assets	\$ 9,710,196	\$ 10,556,043
Noncurrent assets	<u>17,478,318</u>	<u>15,696,170</u>
Total assets	27,188,514	26,252,213
<b>Liabilities</b>		
Current liabilities	1,354,636	790,441
Long-term liabilities	<u>5,919,792</u>	<u>6,088,735</u>
Total liabilities	7,274,428	6,879,176
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	13,319,871	10,976,378
Restricted	2,964,178	4,294,146
Unrestricted	<u>3,630,037</u>	<u>4,102,513</u>
Total net assets	<b>\$ 19,914,086</b>	<b>\$ 19,373,037</b>

The City's combined net assets are \$19.9 million as compared to \$19.4 million for the prior year. This represents a 2.6 percent increase. This increase was invested in capital assets net of related debt.

# **City of Bloomfield Hills, Michigan**

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

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

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 946,828	\$ 903,189
Operating grants and contributions	313,082	314,606
Capital grants and contributions	878,050	1,303,141
General revenue:		
Property taxes	7,328,576	7,507,241
State-shared revenue	260,751	278,766
Unrestricted investment earnings	188,241	578,642
Franchise fees	93,368	94,420
Miscellaneous	103,202	82,267
Total revenue	10,112,098	11,062,272
<b>Program Expenses</b>		
General government	2,951,535	2,185,913
Public safety	4,664,231	4,376,283
Public works	1,843,730	2,120,624
Interest on long-term debt	111,553	260,483
Total program expenses	9,571,049	8,943,303
<b>Change in Net Assets</b>	<b>\$ 541,049</b>	<b>\$ 2,118,969</b>

As you read through the next several paragraphs, it is important to remember that governmental activities not only include the General Fund, but also the General Obligation Debt Fund, the Water and Sewer Construction Fund, the Road Construction Fund, and other nonmajor governmental funds accounts.

The City's governmental revenues totaled \$10.1 million, with the largest revenue source being property taxes. Property taxes represent \$7.3 million of total governmental revenues, which is approximately 72 percent of total governmental revenues. This percentage of total revenues is slightly up as compared to last year due to lower "total" revenues.

Charges for services totaled \$947 thousand or 9.4 percent of total revenue. Charges for services primarily supports the building department and public safety activities.

# **City of Bloomfield Hills, Michigan**

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

During fiscal year 2009, the City received capital improvement charge revenue of approximately \$788,000. This revenue will be set aside in the Water and Sewer Construction Fund and will be used to fund current and future improvements to the water and sewer lines infrastructure.

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

At the end of fiscal year 2009, the City has \$17.5 million invested in a wide range of capital assets, including land, buildings, equipment, roads, and water and sewer lines. The amount increased by \$1.8 million from the previous year, showing continuing investment in the City's infrastructure. See Note 4 to the financial statements for additional information.

During the fiscal year, the City issued \$945,000 in General Obligation Debt to help fund water and sewer system improvements that are needed to enter into an agreement with Southeastern Oakland County Water Authority ("SOCWA"). These improvements are needed to connect the City's water distribution system to the supply and convey drinking water into the City's system at the appropriate volume and pressure to improve the City's level of service while maintaining SOCWA's service feeds to their existing customers.

In 2007, the City borrowed \$3 million to begin a significant road repair and replacement program, which was approved by the City Commission in late 2006 and matures in 2018. The City is expected to take on further debt in 2010 and 2013 to complete the estimated \$10 million road improvements program. The City Commission chose to stagger the issuance of new debt to coincide with the payoff of other debt issues.

The City takes pride in maintaining a AAA bond rating from Standard and Poor's.

### **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 revenues 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 type:

**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, Water and Sewer Construction Fund, Road Construction Fund, and other nonmajor governmental funds.

# **City of Bloomfield Hills, Michigan**

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

The following represents the most significant financial highlights for the year ended June 30, 2009:

- State-shared revenues currently provide the City with \$260,751, which represents a 6.6 percent reduction as compared with fiscal year 2008.
- Property tax and related revenues decreased from \$7,507,241 to \$7,323,541, or 2.5 percent, as compared to fiscal year 2008. This decrease is largely the result of recording a reserve "liability" for possible losses from tax appeals.
- The General Fund had revenues in excess of expenditures of \$321,529 (excluding "other financing sources/uses").
- The General Fund experienced an overall shortfall of \$213,496 after taking into account monies transferred to pay our debt obligations and monies received from closing out the Budget Stabilization Fund and issuing installment purchase agreements.

### **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.

It has been the City's practice to monitor the revenue and expenditures on a monthly basis.

At year end, General Fund revenues were less than budget by \$405,358 while expenditures were 96.6 percent or \$319,609 under budget.

The City is intentionally building fund balance when it can, because structurally its budget is in a deficit.

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

The City continues to balance its budget; however, structurally there is a funding problem for many communities within Michigan. The three major funding sources for cities are property taxes, state-shared revenues, 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 are rising faster than inflation. Because we are a service provider, the majority of our costs are related to active and retired personnel. Double-digit increases in our healthcare and pension costs will continue to place a burden on overall city expenditures as we continue to rely on our tax base to maintain services.

Property taxes make up 72 percent of the City's General Fund budget. The City has been able to reduce the property tax millage rate by 9.06 mills since 1975. Expenditure controls and past growth in the City's tax base have helped to accomplish this reduction.

# **City of Bloomfield Hills, Michigan**

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

### **Economic Factors and the Future (Continued)**

Tax rate reductions experienced in the past are not presently forecasted. New growth in the City has diminished and for the first time in 25 years, the City's taxable values will drop in fiscal year 2010 due to falling home prices. This will result in a projected decline in property tax revenues for the upcoming year. It is projected that we will continue to experience further declines over the next three years.

The City continues to look for ways to reduce expenditures through union negotiations, staffing, and possible consolidation of services with neighboring communities.

### **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 Assets June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 7,578,950
Restricted assets (Note 1)	1,311,157
Receivables:	
Customers	502,503
Delinquent personal property taxes	60,635
Due from other governmental units	45,796
Prepaid expense and other assets	211,155
Capital assets - Net (Note 4):	
Nondepreciable capital assets	\$ 2,397,137
Depreciable capital assets - Net	<u>15,081,181</u>
	<u>17,478,318</u>
Total assets	27,188,514
<b>Liabilities</b>	
Accounts payable	927,685
Accrued and other liabilities	426,951
Noncurrent liabilities (Note 6):	
Due within one year	661,038
Due in more than one year	<u>5,258,754</u>
	<u>5,919,792</u>
Total liabilities	<u>7,274,428</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	13,319,871
Restricted:	
PEG-related expenditures	106,483
Construction code activity (Note 2)	175,357
Streets and highways	1,296,725
Drug enforcement	706
Water and sewer capital expenditures	1,367,817
Road construction	17,090
Unrestricted	<u>3,630,037</u>
Total net assets	<u><u>\$ 19,914,086</u></u>

# City of Bloomfield Hills, Michigan

## Statement of Activities Year Ended June 30, 2009

	Program Revenues				Governmental Activities	
	Charges for Expenses	Operating Services	Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets - Primary Government	
<b>Functions/Programs</b>						
Primary government -						
Governmental activities:						
General government	\$ 2,951,535	\$ 290,732	\$ -	\$ -	\$ (2,660,803)	
Public safety	4,664,231	502,845	6,759	-	(4,154,627)	
Public works	1,843,730	153,251	306,323	878,050	(506,106)	
Interest on long-term debt	111,553	-	-	-	(111,553)	
Total primary government	<b>\$ 9,571,049</b>	<b>\$ 946,828</b>	<b>\$ 313,082</b>	<b>\$ 878,050</b>		(7,433,089)
General revenues:						
Property taxes					7,328,576	
State-shared revenues					260,751	
Unrestricted investment earnings					188,241	
Franchise fees					93,368	
Miscellaneous					103,202	
Total general revenues					<b>7,974,138</b>	
<b>Change in Net Assets</b>						541,049
<b>Net Assets</b> - Beginning of year						<b>19,373,037</b>
<b>Net Assets</b> - End of year						<b>\$ 19,914,086</b>

# City of Bloomfield Hills, Michigan

## Governmental Funds Balance Sheet June 30, 2009

	General Fund	Obligation Debt Fund	Water and Sewer Construction Fund	Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 3)	\$ 4,273,613	\$ 2,281	\$ 2,050,085	\$ -	\$ 1,252,971	\$ 7,578,950
Restricted assets (Note 1)	-	-	932,097	379,060	-	1,311,157
Receivables	382,837	-	180,301	-	-	563,138
Due from other funds (Note 5)	-	-	-	767,235	-	767,235
Due from other governmental units	-	-	-	-	45,796	45,796
Prepaid expenses and other assets	211,155	-	-	-	-	211,155
<b>Total assets</b>	<b>\$ 4,867,605</b>	<b>\$ 2,281</b>	<b>\$ 3,162,483</b>	<b>\$ 1,146,295</b>	<b>\$ 1,298,767</b>	<b>\$ 10,477,431</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 80,447	\$ 423	\$ 95,334	\$ 750,145	\$ 1,336	\$ 927,685
Accrued and other liabilities	374,503	-	-	-	-	374,503
Due to other funds (Note 5)	-	-	767,235	-	-	767,235
Deferred revenues	213,886	-	-	-	-	213,886
<b>Total liabilities</b>	<b>668,836</b>	<b>423</b>	<b>862,569</b>	<b>750,145</b>	<b>1,336</b>	<b>2,283,309</b>
<b>Fund Balances</b>						
Reserved for:						
PEG-related expenditures	106,483	-	-	-	-	106,483
Construction code activity (Note 2)	175,357	-	-	-	-	175,357
Prepaid expenses	181,983	-	-	-	-	181,983
Road construction	-	-	-	396,150	-	396,150
Unreserved - Designated for:						
Compensated absences	450,188	-	-	-	-	450,188
Subsequent year's expenditures	663,821	-	-	-	-	663,821
Other postemployment benefits	1,000,000	-	-	-	-	1,000,000
Emergency management	150,000	-	-	-	-	150,000
City road signs	50,000	-	-	-	-	50,000
Unreserved - Reported in:						
General Fund	1,420,937	-	-	-	-	1,420,937
Special Revenue Funds	-	-	-	-	1,297,431	1,297,431
Debt Service Fund	-	1,858	-	-	-	1,858
Capital Projects Funds	-	-	2,299,914	-	-	2,299,914
<b>Total fund balances</b>	<b>4,198,769</b>	<b>1,858</b>	<b>2,299,914</b>	<b>396,150</b>	<b>1,297,431</b>	<b>8,194,122</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,867,605</b>	<b>\$ 2,281</b>	<b>\$ 3,162,483</b>	<b>\$ 1,146,295</b>	<b>\$ 1,298,767</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	17,478,318
Delinquent personal property taxes are expected to be collected over several years and are not available to pay for current year expenditures	213,883
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(52,445)
Compensated absences are not due and payable in the current period and are not reported in the funds	\$ (450,188)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,469,604) (5,919,792)
Net assets of governmental activities	\$ 19,914,086

# City of Bloomfield Hills, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	General Obligation Debt Fund	Water and Sewer Construction Fund	Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Property taxes	\$ 7,323,541	\$ -	\$ -	\$ -	\$ -	\$ 7,323,541
Licenses and permits	370,960	-	-	-	14,012	384,972
Federal sources	-	-	-	-	186	186
State sources:						
State-shared revenues	260,751	-	-	-	-	260,751
Act 51 highway	-	-	-	-	283,637	283,637
Other state sources	17,654	-	-	-	-	17,654
Capital charges	-	-	788,038	-	-	788,038
Charges for services	65,151	-	-	-	-	65,151
Fines and forfeitures - District Court	435,723	-	-	-	-	435,723
Tap fees	-	-	76,000	-	-	76,000
Interest	97,981	7,283	44,081	10,369	28,537	188,251
Other	153,631	-	-	-	-	153,631
Total revenue	8,725,392	7,283	908,119	10,369	326,372	9,977,535
<b>Expenditures</b>						
General government	2,579,609	-	-	-	-	2,579,609
Public safety	4,148,807	-	-	-	257	4,149,064
Public works	488,585	-	263,337	-	559,629	1,311,551
48th District Court	421,279	-	-	-	-	421,279
Capital expenditures	765,583	-	1,747,626	217,963	-	2,731,172
Debt service	-	1,479,969	13,190	2,197	-	1,495,356
Other	-	-	23,208	-	-	23,208
Total expenditures	8,403,863	1,479,969	2,047,361	220,160	559,886	12,711,239
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>321,529</b>	<b>(1,472,686)</b>	<b>(1,139,242)</b>	<b>(209,791)</b>	<b>(233,514)</b>	<b>(2,733,704)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 5)	150,000	900,000	-	-	95,989	1,145,989
Transfers out (Note 5)	(900,000)	-	-	-	(245,989)	(1,145,989)
Proceeds from issuance of debt	214,975	-	945,000	-	-	1,159,975
Total other financing sources (uses)	(535,025)	900,000	945,000	-	(150,000)	1,159,975
<b>Net Change in Fund Balances</b>	<b>(213,496)</b>	<b>(572,686)</b>	<b>(194,242)</b>	<b>(209,791)</b>	<b>(383,514)</b>	<b>(1,573,729)</b>
<b>Fund Balances - Beginning of year</b>	<b>4,412,265</b>	<b>574,544</b>	<b>2,494,156</b>	<b>605,941</b>	<b>1,680,945</b>	<b>9,767,851</b>
<b>Fund Balances - End of year</b>	<b>\$ 4,198,769</b>	<b>\$ 1,858</b>	<b>\$ 2,299,914</b>	<b>\$ 396,150</b>	<b>\$ 1,297,431</b>	<b>\$ 8,194,122</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, 2009**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,573,729)</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets	2,844,022
Governmental funds allocate the cost of capital assets over their estimated useful lives as depreciation	(1,025,947)
Gains from the sale of capital assets are reported as revenue in the governmental funds; the statement of activities records a gain or loss, included in the general government expense	(35,927)
Certain revenues reported in the statement of activities in the current years will not provide current financial resources in the governmental funds until future years	158,286
Proceeds acquired through the issuance of long-term debt are recorded as other financing sources in governmental funds; the statement of activities records an addition to long-term debt	(1,159,975)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt	1,375,219
Interest expense is recorded when incurred in the statement of activities	5,398
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(46,298)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 541,049</b>

# **City of Bloomfield Hills, Michigan**

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**Fiduciary Fund**  
**Statement of Assets and Liabilities**  
**June 30, 2009**

**Assets**

Cash and cash equivalents	\$ 138,215
Receivables - Other	<u>223,713</u>
Total assets	<u><b>\$ 361,928</b></u>

**Liabilities - Refundable deposits**

<b>\$ 361,928</b>
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# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements**

**June 30, 2009**

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

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

#### **Reporting Entity**

The City of Bloomfield Hills, Michigan is governed by an elected five-member commission. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City’s operations.

**Blended Component Unit** - The City’s Building Authority is governed by a board that is appointed by the Commission. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City’s public buildings.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There are currently no business-type activities.

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 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 revenues are reported instead as general revenue.

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

# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements** **June 30, 2009**

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

#### **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 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.

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 revenues to be available if they are 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 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.

**General Obligation Debt Fund** - The General Obligation Debt Fund is used to account for the annual payment of principal, interest, and expenses in connection with all long-term debt.

**Water and Sewer Construction Fund** - The Water and Sewer Construction Fund is used to account for money received from residents to be used for future construction of water and sewer infrastructure.

# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements** **June 30, 2009**

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

**Road Construction Fund** - The Road Construction Fund is used to account for the road repair and replacement project, for which bonds were issued to fund the project. The commission is looking at a 10-year plan to rehabilitate all City roads.

Additionally, the City reports the following fund type:

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

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

When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted resources.

#### **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 2008 tax is levied and collectible on July 1, 2008 and is recognized as revenue in the year ended June 30, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the City totaled \$897 million, on which taxes levied consisted of 8.30 mills for operating purposes. This resulted in \$7.5 million for operating. These amounts are recognized in the General Fund financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets 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**

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## **Notes to Financial Statements** **June 30, 2009**

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

**Restricted Assets** - The City has unspent bond proceeds of \$379,060 and \$932,097 that are restricted to be used for future road construction and future water utility improvements, respectively.

**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.

**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 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 and improvements	50 years
Machinery, equipment, and vehicles	5 to 20 years
Drain usage rights	50 years
Infrastructure	20 years

**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.

# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements** **June 30, 2009**

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

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

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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.

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2009**

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

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

Cumulative surplus - July 1, 2008	\$ 162,562
Current year building permit revenue	280,212
Related expenses:	
Direct costs	\$ 194,389
Estimated indirect costs	73,028
	<hr/>
Current year surplus	12,795
<hr/>	<hr/>
Cumulative surplus - June 30, 2009	\$ 175,357

### **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 eight 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**

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## **Notes to Financial Statements** **June 30, 2009**

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

The City's cash and investments are subject to two 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 \$4,240,151 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,648,337 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.

#### **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 U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
Bank investment pools - Comerica	\$ 2,946,215	AAA	S&P
Pooled investment - Oakland County	530,872	Not rated	N/A
Comerica - J Fund (Road Construction)	379,060	PI	Moody's
Comerica - J Fund (Water & Sewer Construction)	932,097	PI	Moody's

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2009

### Note 4 - Capital Assets

Capital asset activity of the City's governmental activities was as follows:

Governmental Activities	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 339,638	\$ -	\$ -	\$ 339,638
Construction in progress	2,962,392	1,927,362	(2,832,255)	2,057,499
Subtotal	3,302,030	1,927,362	(2,832,255)	2,397,137
Capital assets being depreciated:				
Land improvements	240,500	-	-	240,500
Buildings and improvements	6,744,918	29,433	-	6,774,351
Machinery, equipment, and vehicles	3,577,542	629,948	(200,094)	4,007,396
Drain usage rights	3,597,645	693,310	-	4,290,955
Infrastructure	12,342,640	2,396,224	-	14,738,864
Subtotal	26,503,245	3,748,915	(200,094)	30,052,066
Accumulated depreciation:				
Land improvements	126,263	12,025	-	138,288
Buildings and improvements	1,310,028	134,950	-	1,444,978
Machinery, equipment, and vehicles	2,474,675	260,540	(164,167)	2,571,048
Drain usage rights	1,203,766	90,159	-	1,293,925
Infrastructure	8,994,373	528,273	-	9,522,646
Subtotal	14,109,105	1,025,947	(164,167)	14,970,885
Net capital assets being depreciated	12,394,140	2,722,968	(35,927)	15,081,181
Net capital assets	\$ 15,696,170	\$ 4,650,330	\$ (2,868,182)	\$ 17,478,318

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

Governmental activities:	
General government	\$ 131,933
Public safety	265,543
Public works	628,471
Total governmental activities	\$ 1,025,947

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2009**

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Construction	Road Construction Fund	\$ <u>767,235</u>

This balance results from the time lag between the dates payments between funds are made.

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	General Obligation Debt Fund	\$ 900,000
Nonmajor governmental fund - Budget Stabilization Fund	General Fund	150,000
Nonmajor governmental fund - Major Streets Fund	Nonmajor governmental fund - Local Streets Fund	<u>95,989</u>
	Total	\$ <u>1,145,989</u>

The transfers from the General Fund to the General Obligation Debt Fund represent the use of unrestricted resources to service debt payments, in accordance with budgetary authorizations; the transfer from the Budget Stabilization Fund to the General Fund represents the transfer of unrestricted resources back to the General Fund to close out the Budget Stabilization Fund; and the transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenues in accordance with Act 51.

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2009

### 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.

Long-term obligation activity can be summarized as follows:

	Interest		Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year							
	Rate Ranges	Beginning Balance												
<b>Governmental Activities</b>														
General obligation bonds:														
Evergreen-Farmington Bonds:														
Evergreen-Farmington Bonds:														
Amount of issue - \$12,500	3.70% -													
Maturing through 2010	4.85%	\$ 2,125	\$	-	\$ (1,069)	\$ 1,056	\$ 1,056							
Evergreen-Farmington Army Relief Sewers:														
Amount of issue - \$785,104	4.50% -													
Maturing through 2009	4.60%	38,969		-	(38,969)		-	-						
Evergreen-Farmington Permanent Meter and Interceptor Rehabilitation:														
Amount of issue - \$785,104	2.31%	17,641		-	(8,659)	8,982	8,979							
Maturing through 2009														
Road Construction Bonds:														
Amount of issue - \$3,000,000	3.75% -													
Maturing through 2018	5.25%	3,000,000		-	-	3,000,000	200,000							
Oakland County CSO Drain Bonds:														
Bloomfield Village CSO Drainage Bonds, Series 1994 A:														
Amount of issue - \$161,233														
Maturing through 2017	2.00%	77,916		-	(7,972)	69,944	8,229							
Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001A:														
Amount of issue - \$141,432														
Maturing through 2017	5.14%	84,345		-	(9,000)	75,345	9,000							
Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001B:														
Amount of issue - \$468,013	4.20% -													
Maturing through 2017	5.00%	298,809		-	(28,287)	270,522	28,029							
City of Bloomfield Hills CSO Drainage District Drain Refunding Bonds, Series 2003:														
Amount of issue - \$1,125,000	2.25% -													
Maturing through 2017	3.38%	809,885		-	(85,000)	724,885	85,000							

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2009

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

		Interest					
		Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities (Continued)</b>							
State Revolving Fund Loan							
Bloomfield Hills - Michigan State Revolving Loan Fund:							
Amount of issue - \$250,000							
Maturing through 2015	2.25%	\$ 85,000	\$ -	\$ (15,000)	\$ 70,000	\$ 15,000	
Building Authority Bonds:							
1998 Building Authority Bonds:							
Amount of issue - \$7,100,000	3.75%	1,100,000	-	(1,100,000)	-	-	
SOCWA Bond							
2009 G.O. Debt							
Amount of issue - \$945,000	2.00% -						
Maturing through 2017	3.25%	-	945,000	-	945,000	-	
2006 Installment Purchase Obligation -							
Dump truck:							
Amount of issue - \$97,835	5.75%	40,133	-	(19,506)	20,627	20,627	
Maturing through 2009							
2006 Installment Purchase Obligation -							
Sweeper:							
Amount of issue - \$124,000	4.90%	63,449	-	(20,111)	43,338	21,096	
Maturing through 2011							
2008 New Holland Tractor Obligation:							
Amount of issue - \$43,660	8.35%	43,660	-	(13,890)	29,770	14,543	
Maturing through 2011							
2008 Caterpillar Backhoe Obligation:							
Amount of issue - \$35,395	5.89%	22,916	-	(11,166)	11,750	11,750	
Maturing through 2010							
2008 Road Grader Obligation:							
Amount of issue - \$75,975	4.50%	-	75,975	(16,590)	59,385	16,358	
Maturing through 2013							
2009 Ford F450 Obligation:							
Amount of issue - \$34,000	3.96%	-	34,000	-	34,000	16,670	
Maturing through 2011							
2009 Sterling Big Truck Obligation:							
Amount of issue - \$105,000	4.07%	-	105,000	-	105,000	24,701	
Maturing through 2013							
Total bonds and notes		5,684,848	1,159,975	(1,375,219)	5,469,604	481,038	
Other long-term obligations - Employee compensated absences		403,890	769,150	(722,852)	450,188	180,000	
Total governmental activities		\$ 6,088,738	\$ 1,929,125	\$ (2,098,071)	\$ 5,919,792	\$ 661,038	

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2009**

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

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

	Governmental Activities			Total
	Principal	Interest		
2010	\$ 481,038	\$ 191,739	\$ 672,777	
2011	516,694	173,355	690,049	
2012	559,137	154,442	713,579	
2013	558,786	136,101	694,887	
2014	541,573	116,898	658,471	
2015	621,316	96,762	718,078	
2016	632,087	74,412	706,499	
2017	658,973	48,477	707,450	
2018	400,000	26,500	426,500	
2019	500,000	9,500	509,500	
Total	<u>\$ 5,469,604</u>	<u>\$ 1,028,186</u>	<u>\$ 6,497,790</u>	

### **Note 7 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City 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.

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.

# City of Bloomfield Hills, Michigan

## Notes to Financial Statements June 30, 2009

### 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 supplementary 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 1.7 percent to 5 percent of gross wages.

**Annual Pension Cost** - For the year ended June 30, 2009, the City's annual pension cost of \$835,125 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, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent to 8.40 percent per year, and (c) the assumption that benefits will increase 2.5 percent per year annually after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis for the general administration, public works, and executive divisions; and on an open basis for the public safety dispatch, public safety officers, public safety command, and executive divisions. The remaining amortization period is between 10 and 30 years.

	Fiscal Year Ended June 30		
	2007	2008	2009
Annual pension costs (APC)	\$ 569,976	\$ 729,862	\$ 835,125
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

# **City of Bloomfield Hills, Michigan**

## **Notes to Financial Statements** **June 30, 2009**

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

The schedule of funding progress is as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial			Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)		
12/31/06	\$ 15,171,547	\$ 23,994,143	\$ (8,822,596)	63.23	\$ 1,788,949	493.17
12/31/07	15,649,890	25,443,447	(9,793,557)	61.50	2,112,739	463.55
12/31/08	15,651,148	26,586,401	(10,935,253)	58.87	2,353,244	464.69

### **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 the employees' gross earnings for nonunion employees. The City's total nonunion payroll during the current year was \$462,304. The current year contribution was calculated based on covered payroll, resulting in an employer contribution of \$4,623.

Nonunion employees also receive a 15 percent contribution toward their deferred compensation plan. Nonunion employees are not required but many elect to make contributions to the plan. Nonunion employees' accounts are fully vested immediately.

### **Note 10 - Other Postemployment Benefits**

The City provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, 32 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; this totaled \$731,191. These benefits are paid annually from the General Fund.

# **City of Bloomfield Hills, Michigan**

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## **Notes to Financial Statements** **June 30, 2009**

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

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

### **Note 11 - Upcoming Reporting Changes**

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the City’s 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Additionally, in March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2010.

## **Required Supplemental Information**

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# City of Bloomfield Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
				Favorable (Unfavorable)
<b>Revenue</b>				
<b>Property Taxes</b>				
Real and personal property taxes	\$ 7,445,100	\$ 7,445,100	\$ 7,224,347	\$ (220,753)
Delinquent personal property taxes	7,000	7,000	6,630	(370)
Tax penalties	80,000	80,000	92,564	12,564
Total property taxes	7,532,100	7,532,100	7,323,541	(208,559)
<b>Licenses and Permits</b>				
Building permits	195,000	195,000	214,475	19,475
Electrical, heating, and plumbing permits	87,000	87,000	61,707	(25,293)
Cable television franchise fee	65,000	65,000	93,068	28,068
Other	6,250	6,250	1,710	(4,540)
Total licenses and permits	353,250	353,250	370,960	17,710
<b>State Sources</b>				
State-shared revenue	275,000	275,000	260,751	(14,249)
Other	8,400	8,400	17,654	9,254
Total state sources	283,400	283,400	278,405	(4,995)
<b>Charges for Services</b>				
	70,000	70,000	65,151	(4,849)
<b>Fines and Forfeitures - District Court</b>				
	420,000	420,000	435,723	15,723
<b>Interest</b>				
	425,000	425,000	97,981	(327,019)
<b>Other Revenue</b>				
Sale of assets	5,000	5,000	10,661	5,661
Other	42,000	42,000	142,970	100,970
Total other revenue	47,000	47,000	153,631	106,631
<b>Operating Transfers In</b>				
	190,000	150,000	150,000	-
Total revenue	9,320,750	9,280,750	8,875,392	(405,358)

# City of Bloomfield Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
<b><u>Expenditures</u></b>				
<b>General Government</b>				
City Commission	\$ 4,600	\$ 4,600	\$ 1,392	\$ 3,208
City manager	130,051	130,051	132,451	(2,400)
Assessor	49,500	49,500	44,622	4,878
Attorney	240,000	286,500	286,302	198
Clerk	94,063	94,063	91,285	2,778
Treasurer	98,483	98,483	72,930	25,553
General administration	1,266,735	1,422,401	1,400,236	22,165
Building and grounds	197,500	197,500	168,458	29,042
Building and planning	306,238	306,238	265,127	41,111
Engineering	105,000	105,000	98,306	6,694
Library	17,500	18,300	18,500	(200)
Total general government	2,509,670	2,712,636	2,579,609	133,027
<b>Public Safety</b>	4,149,841	4,188,141	4,148,807	39,334
<b>Public Works</b>	775,355	605,455	488,585	116,870
<b>48th District Court</b>	420,000	422,000	421,279	721
<b>Capital Outlay</b>	414,529	580,265	550,608	29,657
<b>Operating Transfers Out</b>	1,589,725	900,000	900,000	-
Total expenditures	9,859,120	9,408,497	9,088,888	319,609
<b>Excess of Expenditures Over Revenue</b>	(538,370)	(127,747)	(213,496)	(85,749)
<b>Fund Balance - Beginning of year</b>	4,412,265	4,412,265	4,412,265	-
<b>Fund Balance - End of year</b>	<b>\$ 3,873,895</b>	<b>\$ 4,284,518</b>	<b>\$ 4,198,769</b>	<b>\$ (85,749)</b>

# **City of Bloomfield Hills, Michigan**

## **Notes to Required Supplemental Information**

**June 30, 2009**

### **Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements**

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	<b>General Fund</b>	
	<b>Total</b>	<b>Total</b>
	<b>Revenue</b>	<b>Expenditures</b>
Amounts per operating statement	\$ 8,725,392	\$ 8,403,863
Capital assets acquired with installment debt	-	(214,975)
Operating transfers budgeted as revenue and expenditures on budget statement	<u>150,000</u>	<u>900,000</u>
Amounts per budget statement	<u><u>\$ 8,875,392</u></u>	<u><u>\$ 9,088,888</u></u>

### **Note 2 - Budgetary Information**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except the following:

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Reimbursement of expenditure has been recorded as an operating transfer in rather than a decrease to related expenditure. All annual appropriations lapse at fiscal year-end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.
- Capital assets acquired with installment debt are reported net of the debt proceeds.

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.

# **City of Bloomfield Hills, Michigan**

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## **Notes to Required Supplemental Information**

**June 30, 2009**

### **Note 2 - Budgetary Information (Continued)**

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, Michigan did not incur any expenditures that were significantly in excess of budgetary amounts.

## **Other Supplemental Information**

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# City of Bloomfield Hills, Michigan

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Budget		Drug	Enforcement		
	Major Streets	Local Streets	Stabilization			
<b>Assets</b>						
Cash and investments	\$ 701,732	\$ 550,533	\$ -	\$ 706	\$ 1,252,971	
Due from other governmental units	<u>30,995</u>	<u>14,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,796</u>
<b>Total assets</b>	<b><u>\$ 732,727</u></b>	<b><u>\$ 565,334</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 706</u></b>	<b><u>\$ 1,298,767</u></b>	
<b>Liabilities and Fund Balances</b>						
<b>Liabilities - Accounts payable</b>	\$ 269	\$ 1,067	\$ -	\$ -	\$ 1,336	
<b>Fund Balances - Unreserved</b>	<u>732,458</u>	<u>564,267</u>	<u>-</u>	<u>706</u>	<u>1,297,431</u>	
<b>Total liabilities and fund balances</b>	<b><u>\$ 732,727</u></b>	<b><u>\$ 565,334</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 706</u></b>	<b><u>\$ 1,298,767</u></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, 2009**

Special Revenue Funds						
	Major Streets	Local Streets	Budget	Drug	Enforcement	Total Nonmajor Governmental Funds
<b>Revenue</b>			Stabilization			
License and permits	\$ 3,503	\$ 10,509	-	\$ -	\$ 186	\$ 14,012
Federal sources	-	-	-	-	186	186
State sources	191,978	91,659	-	-	-	283,637
Interest income	13,314	15,214	-	-	9	28,537
<b>Total revenue</b>	<b>208,795</b>	<b>117,382</b>	<b>-</b>	<b>195</b>	<b>195</b>	<b>326,372</b>
<b>Expenditures</b>						
Public safety	-	-	-	-	257	257
Public works	127,126	432,503	-	-	-	559,629
<b>Total expenditures</b>	<b>127,126</b>	<b>432,503</b>	<b>-</b>	<b>257</b>	<b>257</b>	<b>559,886</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>81,669</b>	<b>(315,121)</b>	<b>-</b>	<b>(62)</b>	<b>(62)</b>	<b>(233,514)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	95,989	-	-	-	95,989
Transfers out	(95,989)	-	(150,000)	-	-	(245,989)
<b>Total other financing sources (uses)</b>	<b>(95,989)</b>	<b>95,989</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>
<b>Net Change in Fund Balances</b>	<b>(14,320)</b>	<b>(219,132)</b>	<b>(150,000)</b>	<b>(62)</b>	<b>(62)</b>	<b>(383,514)</b>
<b>Fund Balances - Beginning of year</b>	<b>746,778</b>	<b>783,399</b>	<b>150,000</b>	<b>768</b>	<b>768</b>	<b>1,680,945</b>
<b>Fund Balances - End of year</b>	<b>\$ 732,458</b>	<b>\$ 564,267</b>	<b>\$ -</b>	<b>\$ 706</b>	<b>\$ 706</b>	<b>\$ 1,297,431</b>