



Financial Report

with Supplemental Information

June 30, 2016

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

**Financial Report
with Supplemental Information
June 30, 2016**

City of Bloomfield Hills, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
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 Assets and Liabilities	19
Notes to Financial Statements	20-42
Required Supplemental Information	43
Budgetary Comparison Schedule - General Fund	44
Pension Schedules:	
OPEB System Schedule	45
Note to Required Supplemental Information	46
Schedule of Changes in the City's Net Pension Liability and Related Ratios	47
Schedule of City Contributions	48
Other Supplemental Information	49
Nonmajor Governmental Funds:	
Combining Balance Sheet	50
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	51

Independent Auditor's Report

To the Members of the City Commission
City of Bloomfield Hills, 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, Michigan (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bloomfield Hills, 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, Michigan as of June 30, 2016 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, Michigan

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, 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

November 3, 2016

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, 2016. 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 \$934,401 this year. Net position, the difference between the City's assets and liabilities, is one way to measure the City's overall financial health. The statement of activities reflects all of the current year's revenue and expenses, regardless of when cash is actually received or paid. The government-wide financial statements of the City are divided into two categories. These two categories will be discussed in more detail later in this management's discussion and analysis.

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

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

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

The City as a Whole

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

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Other assets	\$ 7,946,506	\$ 7,190,098	\$ 6,318,168	\$ 7,368,953	\$ 14,264,674	\$ 14,559,051
Capital assets	<u>14,845,361</u>	<u>14,738,967</u>	<u>8,611,451</u>	<u>8,098,786</u>	<u>23,456,812</u>	<u>22,837,753</u>
Total assets	22,791,867	21,929,065	14,929,619	15,467,739	37,721,486	37,396,804
Deferred Outflows of Resources						
	3,860,684	331,534	-	-	3,860,684	331,534
Liabilities						
Current liabilities	1,985,908	2,136,288	268,764	797,687	2,254,672	2,933,975
Long-term liabilities	<u>24,639,707</u>	<u>21,111,449</u>	<u>3,667,679</u>	<u>3,597,203</u>	<u>28,307,386</u>	<u>24,708,652</u>
Total liabilities	<u>26,625,615</u>	<u>23,247,737</u>	<u>3,936,443</u>	<u>4,394,890</u>	<u>30,562,058</u>	<u>27,642,627</u>
Net Position						
Net investment in capital assets	9,988,964	9,500,717	4,943,772	4,092,486	14,932,736	13,593,203
Restricted	501,067	498,305	-	-	501,067	498,305
Unrestricted	<u>(10,463,095)</u>	<u>(10,986,160)</u>	<u>6,049,404</u>	<u>6,980,363</u>	<u>(4,413,691)</u>	<u>(4,005,797)</u>
Total net position	<u>\$ 26,936</u>	<u>\$ (987,138)</u>	<u>\$ 10,993,176</u>	<u>\$ 11,072,849</u>	<u>\$ 11,020,112</u>	<u>\$ 10,085,711</u>

The City's combined net position is approximately \$11,000,000, as compared to approximately \$10,100,000 for the prior year. This represents a 9.0 percent increase. The governmental activities portion of net position increased by approximately \$1,014,000, or 100.5 percent, while the business-type activities decreased by approximately \$80,000 or .72 percent, for a net total change of approximately \$934,000.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

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

Summary Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 809,772	\$ 782,856	\$ 2,322,612	\$ 2,664,600	\$ 3,132,384	\$ 3,447,456
Operating grants and contributions	401,666	367,990	-	-	401,666	367,990
Capital grants and contributions	378,900	-	1,186,926	1,442,929	1,565,826	1,442,929
General revenue:						
Property taxes	8,444,988	8,115,931	-	-	8,444,988	8,115,931
State-shared revenue	350,164	294,792	-	-	350,164	294,792
Unrestricted investment earnings	32,420	31,479	19,093	20,898	51,513	52,377
Franchise fees	155,628	190,586	-	-	155,628	190,586
Miscellaneous	262,201	388,565	85,231	112,359	347,432	500,924
Total revenue	10,835,739	10,172,199	3,613,862	4,240,786	14,449,601	14,412,985
Program Expenses						
General government	2,370,977	3,251,134	-	-	2,370,977	3,251,134
Public safety	4,877,613	4,526,875	-	-	4,877,613	4,526,875
Public works	1,968,849	1,994,376	-	-	1,968,849	1,994,376
Water and sewer	-	-	3,693,535	2,738,650	3,693,535	2,738,650
Interest on long-term debt	604,226	444,839	-	-	604,226	444,839
Total program expenses	9,821,665	10,217,224	3,693,535	2,738,650	13,515,200	12,955,874
Change in Net Position	\$ 1,014,074	\$ (45,025)	\$ (79,673)	\$ 1,502,136	\$ 934,401	\$ 1,457,111

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 \$10,835,739 in 2016. Property taxes represent \$8,444,988, or 78 percent, of the total. Charges for services totaled \$809,772, or 7 percent, of total revenue. Charges for services primarily support the building department and public safety activities.

In the past, municipalities were required to fund their pension plan each year while detailing the pension liability in the notes to the financial statements. However, for the 2015 reporting year, the Governmental Accounting Standards Board required implementation of GASB Statement No. 68, which requires all municipalities to account for net pension liability in the government-wide statements. The standard changed how we account for pensions, not how we fund pensions.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

Even without the implementation of GASB Statement No. 68, the City's liabilities would have increased substantially in 2015 because of the additional long-term debt due to the issuance of bonds to pay off the accrued unfunded pension liability as of December 31, 2015 (see Note 7).

Business Activities

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

The Water and Sewer Fund's major revenue is fees paid by city residents based on actual metered water usage. The debt recorded in this fund is for the retirement of capital improvement bonds for water and sanitary sewer system improvements. The Water and Sewer revenue was down compared to last year due a timing in quarterly billing. Also, expenses increased over the last year because the cost of water and sewage treatment increased. Both revenue and expense are also influenced by weather, which affects consumption from year to year.

The business-type activity revenue totaled approximately \$3,614,000. Of this total, the City received capital improvement revenue of approximately \$1,187,000 to fund current and future improvements to the water and sewer infrastructure. With expenditures totaling approximately \$3,694,000, there was a net position decrease of approximately \$80,000 in the current year.

Capital Assets and Debt Administration

At the end of fiscal year 2016, the City had \$23,500,000 invested in a wide range of capital assets in both governmental and business-type activities, including land, buildings, equipment, roads, and water and sewer lines. This amount increased \$619,000 from the previous year. See Note 4 to the financial statements for additional information.

The City continues to be committed to road projects. In 2016, the City completed the Vaughan and South Cranbrook road improvement projects. Major capital asset purchases for 2016 were new signs for City Hall, DPW and six entrance signs. Also, the City Hall parking lot was resurfaced and cement aprons were replaced in front of the fire bays.

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.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

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, and other nonmajor governmental funds.

The following represents financial highlights for the year ended June 30, 2016:

- The City's operating tax millage was 10.60 for 2016. Of this, 1.10 mills were allocated by the commission for road improvements. A voter-approved library millage was .3866 for 2016. This millage gives residents and businesses access to the Baldwin Library.
- Property tax revenue in 2016 was \$8,444,988, compared to \$8,115,931 in the prior year, an increase of approximately \$329,000, or 4 percent. Property taxes are the City's largest source of General Fund revenue.
- As a commitment to improving the City roads, the commission dedicates 1.10 of general operating mills to roads each year. In 2016, this equated to approximately \$674,000 of tax dollars, which was used toward the reconstruction of Vaughan and South Cranbrook roads.

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 actual revenue was approximately \$75,000 more than budgeted revenue, and actual expenditures were \$157,799 less than budgeted expenditures. The net effect added \$262,541 to the fund balance in the General Fund. The majority of this increase was due to decrease in the amount of property tax tribunal judgments, decrease in public safety wages, and a decrease in DPW overtime. Public safety wages were affected due to the retirement of several officers, who were replaced with new officers paid at a lower wage.

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. In 2014, 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 decided to issue bonds to pay off the defined benefit pension accrued unfunded liability. This decision was made after much consideration and analysis.

The most current MERS (Municipal Employees' Retirement System) actuarial report as of December 31, 2015 shows an unfunded accrued liability of \$2.7 million dollars. The liability was due to a five-year study performed by MERS after the City had paid off its accrued liability. The MERS study increased the mortality rate and decreased the interest rate used in actuarial assumptions. During the bonding process in 2014, the City was aware that by eliminating the unfunded accrued liability in 2014, there was no guarantee that the pension plan could not become unfunded in the future. However, the City is confident that the potential savings over the next 20 years will be more than adequate to cover any additional unknown liabilities.

The commission, in its continuing effort to restore roads, has approved road improvements to Manorwood, Renton, Chestnut, and Woodwind streets in 2017. These improvement are possible because of an increase in the millage rate of .75 mills for road.

The 2017 General Fund budget is estimating revenue will be less than expenses, which will utilize \$28,000 of fund balance restricted for building department operations. Per the State of Michigan's construction code, the building department must restrict any revenue in excess of expense each year and designate those funds for future building department operations. As of June 30, 2016, the building department has restricted construction code fund balance of \$281,343.

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, making sure the requirements of the fund balance policy is met and ensuring the balance remains healthy. The City continues to receive an AAA bond rating, the highest rating given by Standard & Poor's.

Contacting the City's Financial Management

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

City of Bloomfield Hills, Michigan

Statement of Net Position June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 5,987,559	\$ 4,662,747	\$ 10,650,306
Receivables (Note 1):			
Customers	-	1,141,011	1,141,011
Other receivables	138,152	-	138,152
Due from other governmental units	134,082	514,410	648,492
Delinquent personal property taxes	7,116	-	7,116
Special assessments receivable	6,349	-	6,349
Inventory	27,155	-	27,155
Prepaid expenses and other assets	78,481	-	78,481
Net OPEB asset (Note 11)	1,567,612	-	1,567,612
Capital assets - Net (Note 5):			
Assets not subject to depreciation	437,040	-	437,040
Assets subject to depreciation	14,408,321	8,611,451	23,019,772
Total assets	22,791,867	14,929,619	37,721,486
Deferred Outflows of Resources -			
Deferred outflow related to pensions (Note 9)	3,860,684	-	3,860,684
Liabilities			
Accounts payable	362,236	252,600	614,836
Accrued liabilities and other	286,505	16,164	302,669
Noncurrent liabilities:			
Due within one year (Note 7):			
Compensated absences	69,300	-	69,300
Current portion of long-term debt	1,267,867	614,252	1,882,119
Due in more than one year:			
Compensated absences (Note 7)	246,850	-	246,850
Net pension liability (Note 9)	5,609,327	-	5,609,327
Long-term debt (Note 7)	18,783,530	3,053,427	21,836,957
Total liabilities	26,625,615	3,936,443	30,562,058
Net Position			
Net investment in capital assets	9,988,964	4,943,772	14,932,736
Restricted for:			
Roads	218,604	-	218,604
Drug enforcement	1,120	-	1,120
Construction code activity	281,343	-	281,343
Unrestricted	(10,463,095)	6,049,404	(4,413,691)
Total net position	\$ 26,936	\$ 10,993,176	\$ 11,020,112

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	\$ 2,370,977	\$ 389,447	\$ -	\$ -
Public safety	4,877,613	403,905	22,891	378,900
Public works	1,968,849	16,420	378,775	-
Interest on long-term debt	604,226	-	-	-
Total governmental activities	9,821,665	809,772	401,666	378,900
Business-type activities - Water and Sewer Fund	3,693,535	2,322,612	-	1,186,926
Total primary government	\$ 13,515,200	\$ 3,132,384	\$ 401,666	\$ 1,565,826
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, 2016

Net (Expense) Revenue and Changes in Net Position		
<hr/> Primary Government <hr/>		
Governmental Activities	Business-type Activities	Total
\$ (1,981,530)	\$ -	\$ (1,981,530)
(4,071,917)	-	(4,071,917)
(1,573,654)	-	(1,573,654)
<u>(604,226)</u>	<u>-</u>	<u>(604,226)</u>
 (8,231,327)	 -	 (8,231,327)
 -	 <u>(183,997)</u>	 <u>(183,997)</u>
 (8,231,327)	 <u>(183,997)</u>	 <u>(8,415,324)</u>
 8,444,988	 -	 8,444,988
350,164	-	350,164
32,420	19,093	51,513
155,628	-	155,628
<u>262,201</u>	<u>85,231</u>	<u>347,432</u>
 <u>9,245,401</u>	 <u>104,324</u>	 <u>9,349,725</u>
 1,014,074	 (79,673)	 934,401
 <u>(987,138)</u>	 <u>11,072,849</u>	 <u>10,085,711</u>
 <u>\$ 26,936</u>	 <u>\$ 10,993,176</u>	 <u>\$ 11,020,112</u>

City of Bloomfield Hills, Michigan

Governmental Funds Balance Sheet June 30, 2016

	General Fund	General Obligation Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 5,585,462	\$ 624	\$ 401,473	\$ 5,987,559
Receivables:				
Special assessments receivable	6,349	-	-	6,349
Other receivables	138,152	-	-	138,152
Due from other governmental units	56,563	-	77,519	134,082
Delinquent personal property taxes	7,116	-	-	7,116
Inventory	27,155	-	-	27,155
Prepaid expenses and other assets	78,481	-	-	78,481
Total assets	\$ 5,899,278	\$ 624	\$ 478,992	\$ 6,378,894
Liabilities				
Accounts payable	\$ 302,872	\$ -	\$ 59,364	\$ 362,236
Accrued liabilities and other	125,118	-	-	125,118
Total liabilities	427,990	-	59,364	487,354
Deferred Inflows of Resources -				
Unavailable revenue (Note 1)	13,465	-	-	13,465
Fund Balances				
Nonspendable:				
Inventory	27,155	-	-	27,155
Prepays	78,481	-	-	78,481
Restricted:				
Roads	-	-	218,604	218,604
Construction code activity	281,343	-	-	281,343
Drug enforcement	-	-	1,120	1,120
Assigned:				
Subsequent year's budget	28,014	-	-	28,014
Road projects	-	-	146,331	146,331
Debt service	-	624	-	624
Compensated absences	316,150	-	-	316,150
Other postemployment benefits	1,500,000	-	-	1,500,000
Building	-	-	53,573	53,573
Unassigned	3,226,680	-	-	3,226,680
Total fund balances	5,457,823	624	419,628	5,878,075
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,899,278	\$ 624	\$ 478,992	\$ 6,378,894

City of Bloomfield Hills, Michigan

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of** **Net Position** **June 30, 2016**

Fund Balance Reported in Governmental Funds	\$	5,878,075
<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		14,845,361
Deferred outflows from the difference between projected and actual investment earnings of the pension plan, changes in assumptions, the difference between expected and actual experience, as well as city contributions made after the measurement date of the net pension liability are not reported in the funds		3,860,684
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures		6,349
Delinquent personal property taxes are expected to be collected over several years and are not available to pay for current year expenditures		7,116
Long-term liabilities are not due and payable in the current period and are not reported in the funds		(20,051,397)
Accrued interest payable is not due and payable in the current period and is not reported in the funds		(161,387)
Compensated absences are not due and payable in the current period and are not reported in the funds		(316,150)
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds		1,567,612
Net pension liabilities are not reported in the funds		<u>(5,609,327)</u>
Net Position of Governmental Activities	\$	<u>26,936</u>

City of Bloomfield Hills, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	General Obligation Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes (Note 1)	\$ 7,782,263	\$ -	\$ 673,986	\$ 8,456,249
Licenses and permits	554,842	-	16,420	571,262
Federal sources	-	-	1,000	1,000
State sources	372,055	-	378,775	750,830
Charges for services	81,181	-	-	81,181
Fines and forfeitures	350,436	-	-	350,436
Interest income	32,420	-	-	32,420
Other	217,330	-	7,392	224,722
Total revenue	9,390,527	-	1,077,573	10,468,100
Expenditures				
Current:				
General government	1,875,286	-	-	1,875,286
District court	328,975	-	-	328,975
Public safety	4,027,202	-	-	4,027,202
Public works	755,593	-	450,109	1,205,702
Capital outlay	-	-	1,203,966	1,203,966
Debt service	-	1,821,617	-	1,821,617
Total expenditures	6,987,056	1,821,617	1,654,075	10,462,748
Excess of Revenue Over (Under) Expenditures	2,403,471	(1,821,617)	(576,502)	5,352
Other Financing Sources (Uses)				
Face value of debt issue (Note 7)	-	-	165,169	165,169
Insurance claim proceeds	-	-	378,900	378,900
Transfers in (Note 6)	-	1,821,617	430,917	2,252,534
Transfers out (Note 6)	(2,140,930)	-	(111,604)	(2,252,534)
Total other financing (uses) sources	(2,140,930)	1,821,617	863,382	544,069
Net Change in Fund Balances	262,541	-	286,880	549,421
Fund Balances - Beginning of year	5,195,282	624	132,748	5,328,654
Fund Balances - End of year	\$ 5,457,823	\$ 624	\$ 419,628	\$ 5,878,075

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, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 549,421

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	1,322,829
Depreciation expense	(1,216,435)

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	(11,261)
---	----------

Proceeds from debt issuance provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(165,169)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,212,022
---	-----------

Interest expense is recorded when incurred in the statement of activities	5,368
---	-------

Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	161,704
---	---------

Change in net pension liability and deferred outflow related to pensions	3,529,150
--	-----------

Increase in net pension liability does not require the use of current resources and therefore, is not reported in the fund until it becomes due for payment	(4,657,226)
---	-------------

Increase in net OPEB asset is not reported in the fund statements	283,671
---	---------

Change in Net Position of Governmental Activities	\$ 1,014,074
--	---------------------

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Fund Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 4,662,747
Receivables	<u>1,655,421</u>
Total current assets	6,318,168
Noncurrent assets - Capital assets (Note 5)	<u>8,611,451</u>
Total assets	14,929,619
Liabilities	
Current liabilities:	
Accounts payable	252,600
Accrued liabilities and other	16,164
Current portion of long-term debt (Note 7)	<u>614,252</u>
Total current liabilities	883,016
Noncurrent liabilities - Long-term debt (Note 7)	<u>3,053,427</u>
Total liabilities	<u>3,936,443</u>
Net Position	
Net investment in capital assets	4,943,772
Unrestricted	<u>6,049,404</u>
Total net position	<u>\$ 10,993,176</u>

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Fund Water and Sewer Fund
Operating Revenue	
Sale of water	\$ 1,621,671
Sewage disposal charges	<u>700,941</u>
	Total operating revenue
	2,322,612
Operating Expenses	
Cost of water	1,774,674
Cost of sewage treatment	913,064
Operation and maintenance	46,958
Billing and administrative costs	166,730
Other operating expense	261,177
Depreciation (Note 5)	<u>458,767</u>
	Total operating expenses
	<u>3,621,370</u>
Operating Loss	(1,298,758)
Nonoperating Revenue (Expenses)	
Investment income	19,093
Interest expense	(72,165)
Other nonoperating revenue	<u>85,231</u>
	Total nonoperating expense
	<u>32,159</u>
Loss Before Contributions	(1,266,599)
Capital Contributions - Tap fees and capital charges	<u>1,186,926</u>
Change in Net Position	(79,673)
Net Position - Beginning of year	<u>11,072,849</u>
Net Position - End of year	<u>\$ 10,993,176</u>

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,798,478
Payments to suppliers	(3,201,636)
Payments to employees	<u>(79,561)</u>
Net cash used in operating activities	(482,719)
Cash Flows from Capital and Related Financing Activities	
Tap fees and capital charges	1,272,157
Purchase of capital assets	(971,432)
Principal and interest paid on capital debt	<u>(412,018)</u>
Net cash used in capital and related financing activities	(111,293)
Cash Flows from Investing Activities - Investment income	<u>19,093</u>
Net Decrease in Cash and Cash Equivalents	(574,919)
Cash and Cash Equivalents - Beginning of year	<u>5,237,666</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,662,747</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,298,758)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	458,767
Changes in assets and liabilities:	
Receivables	475,866
Accounts payable and other liabilities	<u>(118,594)</u>
Net cash used in operating activities	<u>\$ (482,719)</u>

City of Bloomfield Hills, Michigan

Fiduciary Funds **Statement of Fiduciary Assets and Liabilities** **June 30, 2016**

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 1,040,973</u>
Liabilities - Refundable deposits	<u>\$ 1,040,973</u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note I - Summary of Significant Accounting Policies

Reporting Entity

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

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

Government 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue 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 revenue reported for the various functions concerned.

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

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 for which specific revenue was used. The various funds are aggregated into three broad fund types as follows:

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

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** - 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, 2016**

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 healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, 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, 2016**

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 acquisition 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
Computer equipment	3
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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. The deferred outflows of resources result from the following transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end, variances that result from changes in actuarial assumptions, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, and the difference between expected and actual experience.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to 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 revenue from two sources: special assessments of \$6,349 and delinquent personal property taxes of \$7,116 at June 30, 2016. 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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled approximately \$766,000,000, on which taxes levied consisted of 10.6000 mills for operating and road purposes and 0.3866 mills for library services. This resulted in approximately \$7.4 million for operating, \$674,000 for road projects, and \$296,000 for the library. 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 - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, 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 OPEB liabilities.

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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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 - 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, 2015	\$ 389,836
Current year building permit revenue	371,190
Related expenses:	
Direct costs	\$ 418,278
Estimated indirect costs	<u>61,405</u> 479,683
Current year shortfall	<u>(108,493)</u>
Cumulative surplus - June 30, 2016	\$ 281,343

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

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 two institutions 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 \$8,420,396 of bank deposits (certificates of deposit and checking and savings accounts), of which \$502,520 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, \$3,290,796 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 to be invested with any single financial institution.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - 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)
Primary Government		
Pooled investment - Oakland County	\$ 3,290,796	389

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
Primary Government			
Pooled investment - Oakland County	\$ 3,290,796	Not rated	N/A

Note 4 - Fair Value Measurement

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Fair Value Measurement (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The City holds interests in an external investment pool whereby the fair value of the investments are measured on a recurring basis using net asset value per share.

At the year ended June 30, 2016, the fair value is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Total investments measured at				
NAV - Oakland County				
Government Investment Pool	\$ 3,290,796	\$ -	-	-

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 339,638	\$ -	\$ -	\$ -	\$ 339,638
Construction in progress	811,371	(811,371)	97,402	-	97,402
Subtotal	1,151,009	(811,371)	97,402	-	437,040
Capital assets being depreciated:					
Buildings and improvements	6,878,710	15,991	111,934	(24,346)	6,982,289
Machinery, equipment, and vehicles	3,299,414	(15,991)	659,322	(574,195)	3,368,550
Land improvements	240,500	-	-	-	240,500
Infrastructure	21,983,054	811,371	454,171	(777,037)	22,471,559
Subtotal	32,401,678	811,371	1,225,427	(1,375,578)	33,062,898
Accumulated depreciation:					
Buildings and improvements	2,330,707	(4,428)	158,331	(24,346)	2,460,264
Machinery, equipment, and vehicles	2,622,286	4,428	335,044	(574,195)	2,387,563
Land improvements	210,438	-	12,025	-	222,463
Infrastructure	13,650,289	-	711,035	(777,037)	13,584,287
Subtotal	18,813,720	-	1,216,435	(1,375,578)	18,654,577
Net capital assets being depreciated	13,587,958	811,371	8,992	-	14,408,321
Net capital assets	\$ 14,738,967	\$ -	\$ 106,394	\$ -	\$ 14,845,361

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Capital assets not being depreciated - Construction in progress	\$ 1,667,295	\$ (1,667,295)	\$ -	\$ -	\$ -
Capital assets being depreciated:					
Sewer drains	1,388,637	-	-	-	1,388,637
Infrastructure	6,869,885	1,667,295	971,432	-	9,508,612
Subtotal	8,258,522	1,667,295	971,432	-	10,897,249
Accumulated depreciation:					
Sewer drains	238,055	-	39,676	-	277,731
Infrastructure	1,588,976	-	419,091	-	2,008,067
Subtotal	1,827,031	-	458,767	-	2,285,798
Net capital assets being depreciated	6,431,491	1,667,295	512,665	-	8,611,451
Net capital assets	\$ 8,098,786	\$ -	\$ 512,665	\$ -	\$ 8,611,451

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

Governmental activities:

General government	\$ 98,073
Public safety	302,358
Public works	816,004
Total governmental activities	\$ 1,216,435
Business-type activities - Water and sewer	\$ 458,767

Construction Commitments - The City has an active road construction project at year end. At year end, the City's commitment with the contractor was \$876,050.

Note 6 - Interfund Receivables, Payables, and Transfers

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	General Obligation Debt Fund	\$ 1,821,617
	Other nonmajor governmental funds - Capital Improvement Fund	319,313
	Total	\$ 2,140,930
Other nonmajor governmental funds - Major Streets Fund	Other nonmajor governmental funds - Local Streets Fund	\$ 111,604

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities and to prefund pension obligations. 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
Governmental Activities						
Road Construction Bonds:						
Amount of issue - \$3,000,000						
Maturing through 2018	3.75%-5.25%	\$ 1,550,000	\$ -	\$ (300,000)	\$ 1,250,000	\$ 350,000
General Obligation Limited Tax Bonds, Series 2010:						
Amount of issue - \$4,000,000						
Maturing through 2025	2.0%-3.5%	3,600,000	-	(200,000)	3,400,000	200,000
2014 General Obligation Limited Tax Pension Bonds:						
Amount of issue - \$15,860,000						
Maturing through 2034	0.40%-4.00%	15,860,000	-	(665,000)	15,195,000	670,000
2015 Installment Purchase Obligation - Salt Truck:						
Amount of issue - \$165,169						
Maturing through 2020	1.67%	-	165,169	-	165,169	31,928
2014 Backhoe Loader - Installment Purchase Obligation:						
Amount of issue - \$25,511						
Maturing through 2016	4.50%	7,830	-	(7,830)	-	-
2014 Telephone System - Installment Purchase Obligation:						
Amount of issue - \$67,201						
Maturing through 2018	4.07%	48,371	-	(13,081)	35,290	13,659
2012 Advanced Wireless Telecom Installment Purchase Obligation:						
Amount of issue - \$85,406						
Maturing through 2015	0.00%	23,950	-	(23,950)	-	-
2015 Advanced Wireless Telecom Installment Purchase Obligation		8,099	-	(2,161)	5,938	2,280
Total bonds payable		21,098,250	165,169	(1,212,022)	20,051,397	1,267,867
Other long-term obligations - Employee compensated absences		477,854	335,170	(496,874)	316,150	69,300
Total governmental activities		\$ 21,576,104	\$ 500,339	\$ (1,708,896)	\$ 20,367,547	\$ 1,337,167

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
2009 General Obligation Debt - SOCWA bonds:						
Amount of issue - \$945,000						
Maturing through 2017	2.00%-3.25%	\$ 395,000	\$ -	\$ (175,000)	\$ 220,000	\$ 220,000
County contractual obligations:						
Bloomfield Village CSO Drainage Bonds, Series 1994 A:						
Amount of issue - \$161,233						
Maturing through 2017	2.00%	18,514	-	(9,257)	9,257	9,257
Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001A:						
Amount of issue - \$141,432						
Maturing through 2017	5.14%	15,944	-	(11,829)	4,115	4,115
Bloomfield Village CSO Drain Bonds Series, C/2001B:						
Amount of issue - \$242,750						
Maturing through 2017	2.0%-3.0%	59,658	-	(35,487)	24,171	24,171
City of Bloomfield Hills CSO Drainage District Drain Refunding Bonds, Series 2003:						
Amount of issue - \$1,125,000						
Maturing through 2017	2.25%-3.38%	144,660	-	(100,000)	44,660	44,660
2015 Water Infrastructure Improvement General Obligation Debt:						
Amount of issue - \$3,295,000						
Maturing through 2026	2.00%-2.25%	3,295,000	-	-	3,295,000	305,000
Issuance premiums		77,524	-	(7,048)	70,476	7,049
Total business-type activities		\$ 4,006,300	\$ -	\$ (338,621)	\$ 3,667,679	\$ 614,252

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
2017	\$ 1,267,867	\$ 635,765	\$ 1,903,632	\$ 607,203	\$ 70,456	\$ 677,659
2018	1,424,146	604,832	2,028,978	310,000	58,650	368,650
2019	1,526,645	568,429	2,095,074	310,000	51,675	361,675
2020	1,028,585	536,602	1,565,187	315,000	44,644	359,644
2021	1,149,154	509,793	1,658,947	325,000	37,850	362,850
2022-2026	5,780,000	2,009,621	7,789,621	1,730,000	124,500	1,854,500
2027-2031	4,625,000	1,125,176	5,750,176	-	3,650	3,650
2032-2034	3,250,000	198,400	3,448,400	-	-	-
Total	\$ 20,051,397	\$ 6,188,618	\$ 26,240,015	\$ 3,597,203	\$ 391,425	\$ 3,988,628

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 \$83,484.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note 8 - 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.

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 9 - Defined Benefit Pension Plan Description

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS, or MERS of Michigan) that covers all public safety union employees and department of public works union employees. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note 9 - Defined Benefit Pension Plan Description (Continued)

Retirement benefits for employees are calculated as 2.50-3.00 percent of the employee's final three to five-year average compensation times the employee's years of service. Employees covered under this plan can retire with 25 years of service at age 50 or 55 depending on the date of hire. The vesting period is 8 to 10 years.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.50 percent, non-compounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	45
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<hr/> 27
Total employees covered by MERS	<hr/> 75

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2016, the average active employee contribution rate was 5.0 percent of annual pay and the City's average contribution rate was 13.6 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 9 - Defined Benefit Pension Plan Description (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 31,520,275	\$ 30,568,174	\$ 952,101
Service cost	321,098	-	321,098
Interest	2,527,139	-	2,527,139
Differences between expected and actual experience	77,828	-	77,828
Changes in assumptions	1,614,918	-	1,614,918
Contributions - Employer	-	283,701	(283,701)
Contributions - Employee	-	109,331	(109,331)
Net investment income	-	(443,538)	443,538
Benefit payments, including refunds	(2,097,680)	(2,097,680)	-
Administrative expenses	-	(65,737)	65,737
Net changes	<u>2,443,303</u>	<u>(2,213,923)</u>	<u>4,657,226</u>
Balance at December 31, 2015	\$ 33,963,578	\$ 28,354,251	\$ 5,609,327

Assumption Changes - The mortality table was adjusted to reflect longer lifetimes. The assumed annual rate of investment return was lowered from 8 percent to 7.75 percent.

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,455,383. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 58,371
Changes in assumptions	1,211,189
Net difference between projected and actual earnings on pension plan investments	2,453,214
Employer contributions to the plan subsequent to the measurement date	<u>137,910</u>
Total	<u>\$ 3,860,684</u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 9 - Defined Benefit Pension Plan Description (Continued)

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

Years Ending June 30	Amount
2017	\$ 1,048,099
2018	1,048,099
2019	1,048,099
2020	578,477

These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$137,910), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 %
Salary increases	4.50 % In the long term, 3 percent for calendar year 2016, including inflation
Investment rate of return	7.75 % Net of pension plan investment expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%.
2. The RP-2014 Employee Mortality Tables.
3. The RP-2014 Juvenile Mortality Tables.

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note 9 - Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 9,756,291	\$ 5,609,327	\$ 2,164,763

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note 9 - Defined Benefit Pension Plan Description (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Defined Contribution Pension Plan

The City participates in two defined contributions plans, whereby benefits depend solely on the amount contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment, and are fully vested immediately.

The first plan is open to full-time nonunion employees and is administered by ICMA-RC. The City contributes 15 percent of employee's compensation to this plan. For the current year, the City contributed \$78,938 based on employee compensation of \$526,255. All full time City employees can elect to contribute to this plan.

The City also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined contribution pension plan. This plan is provided to full-time nonunion employees, DPW union employees hired after June 30, 2014, dispatch full-time union employees hired after August 14, 2014, public safety officers hired after August 21, 2014, and public safety command officers hired after September 9, 2014. The City contributes a percent of covered payroll as follows: 1 percent for nonunion employees, 10 percent for dispatch and DPW employees, and 12 percent for public safety officers; including command officers. The City's contribution for the fiscal year ended June 30, 2016 was \$26,372 based on compensation of \$718,001. Union employees are required to contribute 5 percent of compensation to the plan.

Note 11 - 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-RC.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 11 - 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, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2014. 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)	\$ 650,982
Interest on net OPEB asset	(96,296)
Adjustment to the annual required contribution	<u>49,308</u>
Annual OPEB cost	603,994
Amounts contributed:	
Payments of current premiums	(587,665)
Advance funding	<u>(300,000)</u>
Total contributed	<u>(887,665)</u>
Increase in net OPEB asset	(283,671)
OPEB asset - Beginning of year	<u>(1,283,941)</u>
OPEB asset - End of year	<u>\$ (1,567,612)</u>

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

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution*</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/14	1/1/12	\$ 529,842	\$ (1,126,086)
6/30/15	7/1/14	629,451	(1,283,941)
6/30/16	7/1/14	650,982	(1,567,612)

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2016

Note 11 - 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
7/1/14	1,512,555	11,044,714	9,532,159	13.7	1,715,716	555.6

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 multi-year 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 July 1, 2014 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 9 percent initially, reduced by decrements of 0.5 percent to an ultimate rate of 4 percent after 10 years. Both rates included a 3.0 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, 2015 is 30 years for active and retiree participants.

City of Bloomfield Hills, Michigan

Notes to Financial Statements **June 30, 2016**

Note 12 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

Note 13 - Change in Accounting

During the year, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

During the year, the City also adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement includes enhanced disclosures about fair value measurement of the investment pool the City participates in.

Required Supplemental Information

City of Bloomfield Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,786,180	\$ 7,781,680	\$ 7,782,263	\$ 583
Licenses and permits	508,300	513,600	554,842	41,242
State sources	309,452	357,462	372,055	14,593
Charges for services -				
Charges for services to external parties	51,500	72,300	81,181	8,881
Fines and forfeitures	359,256	319,046	350,436	31,390
Investment income	57,200	29,500	32,420	2,920
Other revenue:				
Special assessments	7,360	10,550	10,554	4
Other miscellaneous income	134,975	235,077	206,776	(28,301)
Total revenue	9,214,223	9,319,215	9,390,527	71,312
Expenditures - Current				
General government:				
City Commission	600	600	575	25
City manager	157,650	161,232	160,852	380
Treasurer	168,128	170,350	165,620	4,730
Assessing	49,234	51,234	49,021	2,213
General administration	1,115,941	230,178	201,257	28,921
Clerk	121,905	118,278	111,026	7,252
Buildings and grounds	192,055	221,055	223,415	(2,360)
Attorney	175,100	221,100	211,200	9,900
Building and planning	417,840	437,915	425,805	12,110
Engineering	48,000	48,000	42,384	5,616
Library	291,093	284,193	284,131	62
Total general government	2,737,546	1,944,135	1,875,286	68,849
48th District Court	359,256	329,256	328,975	281
Public safety	3,325,844	4,076,021	4,027,202	48,819
Public works	624,734	795,443	755,593	39,850
Total expenditures	7,047,380	7,144,855	6,987,056	157,799
Excess of Revenue Over Expenditures	2,166,843	2,174,360	2,403,471	229,111
Other Financing Uses - Transfers out	(2,021,617)	(2,140,930)	(2,140,930)	-
Net Change in Fund Balance	145,226	33,430	262,541	229,111
Fund Balance - Beginning of year	5,195,282	5,195,282	5,195,282	-
Fund Balance - End of year	\$ 5,340,508	\$ 5,228,712	\$ 5,457,823	\$ 229,111

City of Bloomfield Hills, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)		Actuarial Accrued Liability (AAL)			Unfunded AAL (UAAL)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
				(b)	(b-a)				
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
7/1/14		1,512,555	11,044,714	9,532,159			13.7	1,715,716	555.6

City of Bloomfield Hills, Michigan

Note to Required Supplemental Information Year Ended June 30, 2016

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	\$ 221,055	\$ 223,415	\$ (2,360)

The above budget overruns are due to expenditures exceeding budget and an amendment not being made prior to year end. The building and grounds overrun is due to higher than anticipated costs for City Hall and Public Safety roof repairs at year end.

City of Bloomfield Hills, Michigan

Required Supplemental Information Schedule of Changes in the City's Net Pension Liability and Related Ratios

	2016	2015
Total Pension Liability		
Service cost	\$ 321,098	\$ 349,720
Interest	2,527,139	2,464,654
Differences between expected and actual experience	77,828	-
Changes in assumptions	1,614,918	-
Benefit payments, including refunds	<u>(2,097,680)</u>	<u>(1,987,664)</u>
Net Change in Total Pension Liability	2,443,303	826,710
Total Pension Liability - Beginning of year	31,520,275	30,693,565
Total Pension Liability - End of year	<u>\$ 33,963,578</u>	<u>\$ 31,520,275</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 283,701	\$ 16,952,688
Contributions - Member	109,331	118,386
Net investment (loss) income	(443,538)	937,384
Administrative expenses	(65,737)	(34,875)
Benefit payments, including refunds	<u>(2,097,680)</u>	<u>(1,987,664)</u>
Net Change in Plan Fiduciary Net Position	(2,213,923)	15,985,919
Plan Fiduciary Net Position - Beginning of year	30,568,174	14,582,255
Plan Fiduciary Net Position - End of year	<u>\$ 28,354,251</u>	<u>\$ 30,568,174</u>
City's Net Pension Liability - Ending	<u>\$ 5,609,327</u>	<u>\$ 952,101</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	83.48 %	96.98 %
Covered Employee Payroll	\$ 2,025,423	\$ 2,211,532
City's Net Pension Liability as a Percent of Covered Employee Payroll	276.9 %	43.1 %

City of Bloomfield Hills, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 275,820	\$ 1,262,614	\$ 1,025,420	\$ 967,279	\$ 860,958	\$ 858,747	\$ 875,875	\$ 789,697	\$ 655,283	\$ 554,694
Contributions in relation to the actuarially determined contribution	<u>275,820</u>	<u>1,262,614</u>	<u>1,025,420</u>	<u>967,279</u>	<u>860,958</u>	<u>858,747</u>	<u>875,875</u>	<u>789,697</u>	<u>655,283</u>	<u>554,694</u>
Contribution Deficiency	\$ -									
Covered Employee Payroll	\$ 2,025,423	\$ 2,211,532	\$ 1,981,561	\$ 2,423,543	\$ 2,221,442	\$ 2,244,043	\$ 2,531,426	\$ 2,353,244	\$ 2,112,739	\$ 1,788,949
Contributions as a Percentage of Covered Employee Payroll	13.6 %	57.1 %	51.7 %	39.9 %	38.8 %	38.3 %	34.6 %	33.6 %	31.0 %	31.0 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date

Actuarially determined contribution rates are calculated as of December 31 each year, which is six months prior to the beginning of the fiscal year in which the contributions are required

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age

Amortization method

Level percentage of pay, open

Remaining amortization period

24 years

Asset valuation method

Five-year smoothed

Inflation

3.0 percent

Salary increases

4.5 percent

Investment rate of return

7.75 percent

Retirement age

60 years

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

Mortality

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

Other information

None

Other Supplemental Information

City of Bloomfield Hills, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	Road Construction Fund	Capital Improvement Fund		
Assets							
Cash and investments	\$ 62,676	\$ 79,412	\$ 1,120	\$ 155,528	\$ 102,737	\$ 401,473	
Receivables	18,788	58,731	-	-	-	-	77,519
Total assets	\$ 81,464	\$ 138,143	\$ 1,120	\$ 155,528	\$ 102,737	\$ 478,992	
Liabilities - Accounts payable	\$ 936	\$ 67	\$ -	\$ 9,197	\$ 49,164	\$ 59,364	
Fund Balances							
Restricted:							
Roads	80,528	138,076	-	-	-	-	218,604
Drug enforcement	-	-	1,120	-	-	-	1,120
Assigned:							
Road projects	-	-	-	146,331	-	-	146,331
Building	-	-	-	-	53,573	-	53,573
Total fund balances	80,528	138,076	1,120	146,331	53,573	419,628	
Total liabilities and fund balances	\$ 81,464	\$ 138,143	\$ 1,120	\$ 155,528	\$ 102,737	\$ 478,992	

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, 2016

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	Road Construction Fund	Capital Improvement Fund	
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 673,986	\$ -	\$ 673,986
Licenses and permits	4,105	12,315	-	-	-	16,420
Federal sources	-	-	1,000	-	-	1,000
State sources	223,207	155,568	-	-	-	378,775
Other revenue	-	-	-	-	7,392	7,392
Total revenue	227,312	167,883	1,000	673,986	7,392	1,077,573
Expenditures						
Current - Public works	94,505	190,435	-	-	165,169	450,109
Capital outlay	-	-	-	551,934	652,032	1,203,966
Total expenditures	94,505	190,435	-	551,934	817,201	1,654,075
Excess of Revenue Over (Under) Expenditures						
	132,807	(22,552)	1,000	122,052	(809,809)	(576,502)
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	165,169	165,169
Debt premium or discount	-	-	-	-	378,900	378,900
Transfers in	-	111,604	-	-	319,313	430,917
Transfers out	(111,604)	-	-	-	-	(111,604)
Total other financing (uses) sources	(111,604)	111,604	-	-	863,382	863,382
Net Change in Fund Balances						
Fund Balances - Beginning of year	21,203	89,052	1,000	122,052	53,573	286,880
Fund Balances - End of year	<u>59,325</u>	<u>49,024</u>	<u>120</u>	<u>24,279</u>	<u>-</u>	<u>132,748</u>
	\$ 80,528	\$ 138,076	\$ 1,120	\$ 146,331	\$ 53,573	\$ 419,628