



Financial Report with Supplemental Information June 30, 2015

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

**Financial Report
with Supplemental Information
June 30, 2015**

City of Bloomfield Hills, Michigan

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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, 2015, 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, 2015 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

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, during the City's 2014-2015 fiscal year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide statements. The 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

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

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

Plante & Moran, PLLC

October 26, 2015

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, 2015. Please read it along with the City's financial statements, as it refers to many of the statements.

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

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

Government-wide Financial Statements

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

We saw an increase in combined net position of \$1,457,111 this year. Net position, the difference between the City's assets and liabilities, is one way to measure the City's overall financial health. The statement of activities reflects all of the current year's revenue and expenses, regardless of when cash is actually received or paid. The government-wide financial statements of the City are divided into two categories. These two categories will be discussed in more detail later in this management's discussion and analysis.

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

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

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

The City as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	(as restated)					
Assets						
Other assets	\$ 7,190,098	\$ 6,353,110	\$ 7,368,953	\$ 4,680,159	\$ 14,559,051	\$ 11,033,269
Capital assets	14,738,967	14,877,698	8,098,786	6,061,386	22,837,753	20,939,084
Total assets	21,929,065	21,230,808	15,467,739	10,741,545	37,396,804	31,972,353
Deferred Outflows of Resources	331,534	552,883	-	-	331,534	552,883
Liabilities						
Current liabilities	2,136,288	1,072,857	727,211	537,056	2,863,499	1,609,913
Long-term liabilities	21,111,449	21,652,947	3,667,679	633,776	24,779,128	22,286,723
Total liabilities	23,247,737	22,725,804	4,394,890	1,170,832	27,642,627	23,896,636
Net Position						
Net investment in capital assets	9,500,717	9,204,362	4,092,486	5,106,037	13,593,203	14,310,399
Restricted	498,305	532,538	-	-	498,305	532,538
Unrestricted	(10,986,160)	(10,679,013)	6,980,363	4,464,676	(4,005,797)	(6,214,337)
Total net position	\$ (987,138)	\$ (942,113)	\$ 11,072,849	\$ 9,570,713	\$ 10,085,711	\$ 8,628,600

The City's combined net position is approximately \$10,000,000 as compared to approximately \$8,600,000 for the prior year. This represents a 17.0 percent increase. The governmental activities portion of net position decreased by approximately \$45,000, or (4.8) percent, while the business-type activities increased by \$1,502,136, or 15.7 percent, for a net total change of \$1,457,111.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 782,856	\$ 1,040,166	\$ 2,664,600	\$ 2,638,336	\$ 3,447,456	\$ 3,678,502
Operating grants and contributions	367,990	345,932	-	-	367,990	345,932
Capital grants and contributions	-	-	1,442,929	1,474,887	1,442,929	1,474,887
General revenue:						
Property taxes	8,115,931	7,409,722	-	-	8,115,931	7,409,722
State-shared revenue	294,792	290,232	-	-	294,792	290,232
Unrestricted investment earnings	31,479	57,416	20,898	43,294	52,377	100,710
Franchise fees	190,586	132,959	-	-	190,586	132,959
Miscellaneous	388,565	230,145	112,359	102,479	500,924	332,624
Total revenue	10,172,199	9,506,572	4,240,786	4,258,996	14,412,985	13,765,568
Program Expenses						
General government	3,251,134	3,073,773	-	-	3,251,134	3,073,773
Public safety	4,526,875	3,973,319	-	-	4,526,875	3,973,319
Public works	1,994,376	1,900,100	-	-	1,994,376	1,900,100
Water and sewer	-	-	2,738,650	3,040,157	2,738,650	3,040,157
Interest on long-term debt	444,839	199,040	-	-	444,839	199,040
Total program expenses	10,217,224	9,146,232	2,738,650	3,040,157	12,955,874	12,186,389
Change in Net Position	\$ (45,025)	\$ 360,340	\$ 1,502,136	\$ 1,218,839	\$ 1,457,111	\$ 1,579,179

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 \$10,172,199 in 2015. Property taxes represent \$8,115,931 or 80 percent of the total. Charges for services totaled \$782,856 or 8 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 requires implementation of GASB Statement No. 68, which requires all municipalities to account for net pension liability in the government-wide statements (see Note 2.) The standard changes how we account for pensions, not how we fund pensions. Part of the implementation restates the prior year net position for greater comparability between fiscal years.

Even without the implementation of GASB Statement No. 68, the City's liabilities would have increased substantially 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).

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

Business Activities

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

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

The business-type activity revenue totaled approximately \$4,241,000. Of this total, the City received capital improvement revenue of approximately \$1,442,000; to fund current and future improvements to the water and sewer infrastructure. With expenditures totaling approximately \$2,738,000, there was a net position increase of approximately \$1,502,000 in the current year.

Capital Assets and Debt Administration

At the end of fiscal year 2014, the City had \$22,800,000 invested in a wide range of capital assets in both governmental and business-type activities, including land, buildings, equipment, roads, and water and sewer lines. This amount decreased \$190,000 from the previous year. See Note 6 to the financial statements for additional information.

The City continues to be committed to road projects. In 2015, the City completed the Joyce/Yarboro road project. Vaughan road was near completion at year end with South Cranbrook road slated to be complete by the end of next fiscal year. Since most of the sewer and water infrastructure for South Cranbrook and Vaughn roads is located directly beneath the road, the City elected to bond for the water and sewer portion of the construction. The millage was increased by .75 mills to cover the road portion of the construction.

In 2015, the City also issued \$15,860,000 of bonds to pay off the defined benefit pension plan's accrued unfunded liability. After much analysis, it was determined that bonding for the liability would potentially save up to 12 million dollars over the next 20 years and allow more consistency in the budget process. The City realizes that the value of assets and liabilities may change depending on market conditions and actuarial projections that may differ from actual experiences. Furthermore, the City understands that such changes may result in additional required contributions to the plan or perhaps could result in the plan becoming overfunded.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

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

The City has the following fund types:

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

The following represents financial highlights for the year ended June 30, 2015:

- The City's operating tax millage was 10.60 for 2015. Of this, 1.10 mills were allocated by the Commission for road improvements. Also, In August 2014, the voters passed a library millage of .39 for the next six years to be levied starting with the 2015 summer tax roll. This millage gives residents and businesses access to the Baldwin Library.
- Property tax revenue in 2015 was \$8,132,016 compared to \$7,420,424 in the prior year, an increase of approximately \$700,000 or 9.6 percent. Of the increase, \$548,000 was due to a .75 mill increase allocated for major road improvements. 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 2015, this equated to approximately \$800,000 of tax dollars, which was used toward the re-construction of Joyce/Yarboro and Vaughan 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.

City of Bloomfield Hills, Michigan

Management's Discussion and Analysis (Continued)

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 revenues were approximately \$165,000 more than budgeted revenue, and actual expenditures were \$329,264 less than budgeted expenditures. The net effect added \$569,997 to the fund balance in the General Fund. The majority of this increase was due to health care and pension cost savings.

Economic Factors and the Future

There are several economic factors that will continue to challenge the City. 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. Bonds were issued for \$15,860,000 and the accrued unfunded liability as of December 31, 2014 was paid to MERS.

The Commission, in its continuing effort to restore roads, approved an increase in the millage by .75 mills for road improvements to South Cranbrook and Vaughan roads. The Commission has also approved the issuance of bonds in the amount of \$3,295,000 to replace the old sewer and water lines, which are located directly under these roads.

In 2014 the City switched from a premium-based health insurance to a self-insurance coverage program to help reduce increasing healthcare expenses. Over the past two years, the City has seen a savings of \$360,000.

For the 2016 budget, the City is estimating revenues will be greater than expenses, which will add approximately \$145,000 to the fund balance.

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; 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 (Deficit) June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 4)	\$ 5,084,567	\$ 5,237,666	\$ 10,322,233
Receivables (Note 1):			
Customers	-	2,131,287	2,131,287
Accrued interest receivable	2,349	-	2,349
Other receivables	131,276	-	131,276
Due from other governmental units	163,483	-	163,483
Delinquent personal property taxes	7,823	-	7,823
Special assessments receivable	16,903	-	16,903
Inventory	22,983	-	22,983
Prepaid expenses and other assets	476,773	-	476,773
Net OPEB asset (Note 11)	1,283,941	-	1,283,941
Capital assets - Net (Note 5):			
Assets not subject to depreciation	1,151,009	1,667,295	2,818,304
Assets subject to depreciation	13,587,958	6,431,491	20,019,449
Total assets	21,929,065	15,467,739	37,396,804
Deferred Outflows of Resources -			
Deferred outflow related to pensions (Note 9)	331,534	-	331,534
Liabilities			
Accounts payable	450,427	371,219	821,646
Accrued liabilities and other	269,105	17,371	286,476
Noncurrent liabilities:			
Due within one year (Note 7):			
Compensated absences	204,734	-	204,734
Current portion of long-term debt	1,212,022	338,621	1,550,643
Due in more than one year:			
Compensated absences (Note 7)	273,120	-	273,120
Net pension liability (Note 9)	952,101	-	952,101
Long-term debt (Note 7)	19,886,228	3,667,679	23,553,907
Total liabilities	23,247,737	4,394,890	27,642,627
Net Position (Deficit)			
Net investment in capital assets	9,500,717	4,092,486	13,593,203
Restricted for:			
Roads	108,349	-	108,349
Drug enforcement	120	-	120
Construction code activity	389,836	-	389,836
Unrestricted	(10,986,160)	6,980,363	(4,005,797)
Total net position (deficit)	\$ (987,138)	\$ 11,072,849	\$ 10,085,711

City of Bloomfield Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,251,134	\$ 389,783	\$ -	\$ -
Public safety	4,526,875	380,901	27,916	-
Public works	1,994,376	12,172	340,074	-
Interest on long-term debt	444,839	-	-	-
Total governmental activities	10,217,224	782,856	367,990	-
Business-type activities - Water and Sewer Fund	2,738,650	2,664,600	-	1,442,929
Total primary government	<u>\$ 12,955,874</u>	<u>\$ 3,447,456</u>	<u>\$ 367,990</u>	<u>\$ 1,442,929</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Franchise fees				
Miscellaneous				
Total general revenue				

Change in Net Position

Net Position - As restated - Beginning of year (Note 2)

Net Position - End of year

Statement of Activities
Year Ended June 30, 2015

Net (Expense) Revenue and Changes in		
Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,861,351)	\$ -	\$ (2,861,351)
(4,118,058)	-	(4,118,058)
(1,642,130)	-	(1,642,130)
(444,839)	-	(444,839)
(9,066,378)	-	(9,066,378)
-	1,368,879	1,368,879
(9,066,378)	1,368,879	(7,697,499)
8,115,931	-	8,115,931
294,792	-	294,792
31,479	20,898	52,377
190,586	-	190,586
388,565	112,359	500,924
9,021,353	133,257	9,154,610
(45,025)	1,502,136	1,457,111
(942,113)	9,570,713	8,628,600
\$ (987,138)	\$ 11,072,849	\$ 10,085,711

City of Bloomfield Hills, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Capital Projects Fund - Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 4)	\$ 4,878,126	\$ 149,432	\$ 57,009	\$ 5,084,567
Receivables:				
Special assessments receivable	16,903	-	-	16,903
Accrued interest receivable	2,349	-	-	2,349
Other receivables	131,276	-	-	131,276
Due from other governmental units	99,355	-	64,128	163,483
Delinquent personal property taxes	7,823	-	-	7,823
Inventory	22,983	-	-	22,983
Prepaid expenses and other assets	476,773	-	-	476,773
Total assets	<u>\$ 5,635,588</u>	<u>\$ 149,432</u>	<u>\$ 121,137</u>	<u>\$ 5,906,157</u>
Liabilities				
Accounts payable	\$ 313,230	\$ 125,153	\$ 12,044	\$ 450,427
Accrued liabilities and other	102,350	-	-	102,350
Total liabilities	415,580	125,153	12,044	552,777
Deferred Inflows of Resources -				
Unavailable revenue (Note 1)	24,726	-	-	24,726
Fund Balances				
Nonspendable:				
Inventory	22,983	-	-	22,983
Prepays	470,073	-	-	470,073
Restricted:				
Roads	-	-	108,349	108,349
Construction code activity	389,836	-	-	389,836
Drug enforcement	-	-	120	120
Assigned:				
Road projects	-	24,279	-	24,279
Debt service	-	-	624	624
Compensated absences	477,854	-	-	477,854
Other postemployment benefits	1,500,000	-	-	1,500,000
Unassigned	2,334,536	-	-	2,334,536
Total fund balances	<u>5,195,282</u>	<u>24,279</u>	<u>109,093</u>	<u>5,328,654</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,635,588</u>	<u>\$ 149,432</u>	<u>\$ 121,137</u>	<u>\$ 5,906,157</u>

City of Bloomfield Hills, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 5,328,654
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,738,967
Deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension liability are not reported in the funds	331,534
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	16,903
Delinquent personal property taxes are expected to be collected over several years and are not available to pay for current year expenditures	7,823
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(21,098,250)
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(166,755)
Compensated absences are not due and payable in the current period and are not reported in the funds	(477,854)
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	1,283,941
Net pension liabilities are not reported in the funds	<u>(952,101)</u>
Net Position of Governmental Activities	<u>\$ (987,138)</u>

City of Bloomfield Hills, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Capital Projects Fund - Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes (Note 1)	\$ 7,332,678	\$ 799,338	\$ -	\$ 8,132,016
Licenses and permits	662,488	-	12,172	674,660
Federal sources	-	-	1,035	1,035
State sources	321,673	-	340,074	661,747
Charges for services	110,112	-	-	110,112
Fines and forfeitures	333,346	-	-	333,346
Interest income	31,479	-	-	31,479
Other	243,889	-	-	243,889
Total revenue	<u>9,035,665</u>	<u>799,338</u>	<u>353,281</u>	<u>10,188,284</u>
Expenditures				
Current:				
General government	2,782,654	-	-	2,782,654
District court	340,374	-	-	340,374
Public safety	3,834,342	-	7,331	3,841,673
Public works	640,768	-	344,668	985,436
Capital outlay	109,080	993,710	-	1,102,790
Debt service	48,062	-	722,670	770,732
Total expenditures	<u>7,755,280</u>	<u>993,710</u>	<u>1,074,669</u>	<u>9,823,659</u>
Excess of Revenue Over (Under)				
Expenditures	1,280,385	(194,372)	(721,388)	364,625
Other Financing Sources (Uses)				
Face value of debt issue (Note 7)	15,869,812	-	-	15,869,812
Transfers in (Note 6)	-	167,000	829,084	996,084
Transfers out (Note 6)	(890,131)	-	(105,953)	(996,084)
Total other financing sources (uses)	14,979,681	167,000	723,131	15,869,812
Special Items - Pension pre-funding (Note 9)	<u>(15,690,074)</u>	<u>-</u>	<u>-</u>	<u>(15,690,074)</u>
Net Change in Fund Balances	569,992	(27,372)	1,743	544,363
Fund Balances - Beginning of year	<u>4,625,290</u>	<u>51,651</u>	<u>107,350</u>	<u>4,784,291</u>
Fund Balances - End of year	<u>\$ 5,195,282</u>	<u>\$ 24,279</u>	<u>\$ 109,093</u>	<u>\$ 5,328,654</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

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, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 544,363**

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	1,098,503
Depreciation expense	(1,234,211)
Net book value of assets disposed of	(3,023)

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 (16,085)

Proceeds from debt issuance provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (15,869,812)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 444,898

Interest expense is recorded when incurred in the statement of activities (119,005)

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 13,632

Change in net pension liability and deferred outflow related to pensions 14,937,860

Other postemployment benefits contribution in excess of annual required contribution is recorded in the statement of activities and not in the governmental funds 157,855

Change in Net Position of Governmental Activities **\$ (45,025)**

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 4)	\$ 5,237,666
Receivables	2,131,287
Total current assets	<u>7,368,953</u>
Noncurrent assets - Capital assets (Note 5)	<u>8,098,786</u>
Total assets	<u>15,467,739</u>
Liabilities	
Current liabilities:	
Accounts payable	371,219
Accrued liabilities and other	17,371
Current portion of long-term debt (Note 7)	<u>338,621</u>
Total current liabilities	<u>727,211</u>
Noncurrent liabilities - Long-term debt (Note 7)	<u>3,667,679</u>
Total liabilities	<u>4,394,890</u>
Net Position	
Net investment in capital assets	4,092,486
Unrestricted	<u>6,980,363</u>
Total net position	<u><u>\$ 11,072,849</u></u>

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	<u>Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
Operating Revenue	
Sale of water	\$ 1,702,908
Sewage disposal charges	<u>961,692</u>
Total operating revenue	2,664,600
Operating Expenses	
Cost of water	1,297,224
Cost of sewage treatment	753,052
Operation and maintenance	38,063
Billing and administrative costs	172,860
Depreciation (Note 5)	<u>326,830</u>
Total operating expenses	<u>2,588,029</u>
Operating Income	76,571
Nonoperating Revenue (Expenses)	
Investment income	20,898
Interest expense	(114,298)
Other nonoperating expenses	(36,323)
Other nonoperating revenue	<u>112,359</u>
Total nonoperating expense	<u>(17,364)</u>
Income Before Contributions	59,207
Capital Contributions - Tap fees and capital charges	<u>1,442,929</u>
Change in Net Position	1,502,136
Net Position - Beginning of year	<u>9,570,713</u>
Net Position - End of year	<u><u>\$ 11,072,849</u></u>

City of Bloomfield Hills, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,883,155
Payments to suppliers	(2,048,099)
Payments to employees	(85,826)
Other receipts	212,965
	(37,805)
Cash Flows from Capital and Related Financing Activities	
Issuance of bonds	3,372,524
Tap fees and capital charges	1,555,288
Purchase of capital assets	(2,364,230)
Principal and interest paid on capital debt	(426,361)
	2,137,221
Cash Flows from Investing Activities - Investment income	20,898
Net Increase in Cash and Cash Equivalents	2,120,314
Cash and Cash Equivalents - Beginning of year	3,117,352
Cash and Cash Equivalents - End of year	\$ 5,237,666
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 76,571
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	326,830
Changes in assets and liabilities:	
Receivables	(604,803)
Accounts payable and other liabilities	163,691
Accrued and other liabilities	(94)
	\$ (37,805)

City of Bloomfield Hills, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 1,045,923</u>
Liabilities - Refundable deposits	<u>\$ 1,045,923</u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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

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

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

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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 revenues were used. The various funds are aggregated into three broad fund types:

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

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

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

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

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

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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.

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

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

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital Asset Class	Years
Land improvements	20
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, 2015

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 two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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 revenues from two sources: special assessments of \$16,903 and delinquent personal property taxes of \$7,823 at June 30, 2015. 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, 2015

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, 2015

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled approximately \$736,000,000, on which taxes levied consisted of 10.60 mills for operating purposes and 0.39 mills for Library services. This resulted in approximately \$7.0 million for operating, \$287,000 for the Library, and \$799,000 for road projects. The operating and Library amounts are recognized in the General Fund and the road projects amount is recognized in the Capital Projects Fund financial statements as tax revenue.

Pension - 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, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Note 2 - Reporting Change (Prior Period Adjustments)

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

As a result of implementing this statement, the beginning net position of the governmental activities have been restated as indicated:

	<u>Governmental Activities</u>
Net position - June 30, 2014 - As previously reported	\$ 14,616,314
Adjustment for implementation of GASB Statement No. 68	<u>(15,558,427)</u>
Net position - June 30, 2014 - As restated	<u>\$ (942,113)</u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - Stewardship, Compliance, and Accountability

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

Cumulative surplus - July 1, 2014		\$	425,351
Current year building permit revenue			380,240
Related expenses:			
Direct costs	\$	359,033	
Estimated indirect costs		56,722	415,755
			<u> </u>
Current year surplus			(35,515)
			<u> </u>
Cumulative surplus - June 30, 2015		\$	<u>389,836</u>

Note 4 - Deposits and Investments

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

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$8,674,013 of bank deposits (certificates of deposit and checking and savings accounts), of which \$1,181,738 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, \$3,263,783 of investment securities were uninsured and unregistered, with securities held by the Oakland County Investment Pool.

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

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

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Days)
Primary Government		
Pooled investment - Oakland County	\$ 3,263,783	478

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Deposits and Investments (Continued)

Credit Risk

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

Investment Type	Fair Value	Rating	Rating Organization
Primary Government			
Pooled investment - Oakland County	\$ 3,263,783	Not rated	N/A

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 339,638	\$ -	\$ -	\$ -	\$ 339,638
Construction in progress	28,081	(28,081)	811,371	-	811,371
Subtotal	367,719	(28,081)	811,371	-	1,151,009
Capital assets being depreciated:					
Buildings and improvements	6,871,910	-	6,800	-	6,878,710
Machinery, equipment, and vehicles	3,824,572	-	100,020	(625,178)	3,299,414
Land improvements	240,500	-	-	-	240,500
Infrastructure	21,930,902	28,081	180,312	(156,241)	21,983,054
Subtotal	32,867,884	28,081	287,132	(781,419)	32,401,678
Accumulated depreciation:					
Buildings and improvements	2,174,673	-	156,034	-	2,330,707
Machinery, equipment, and vehicles	3,009,281	-	235,160	(622,155)	2,622,286
Land improvements	198,413	-	12,025	-	210,438
Infrastructure	12,975,538	-	830,992	(156,241)	13,650,289
Subtotal	18,357,905	-	1,234,211	(778,396)	18,813,720
Net capital assets being depreciated	14,509,979	28,081	(947,079)	(3,023)	13,587,958
Net capital assets	\$ 14,877,698	\$ -	\$ (135,708)	\$ (3,023)	\$ 14,738,967

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated - Construction in progress	\$ 79,873	\$ (60,077)	\$ 1,647,499	\$ -	\$ 1,667,295
Capital assets being depreciated:					
Sewer drains	1,388,637	-	-	-	1,388,637
Infrastructure	6,093,077	60,077	716,731	-	6,869,885
Subtotal	7,481,714	60,077	716,731	-	8,258,522
Accumulated depreciation:					
Sewer drains	198,379	-	39,676	-	238,055
Infrastructure	1,301,822	-	287,154	-	1,588,976
Subtotal	1,500,201	-	326,830	-	1,827,031
Net capital assets being depreciated	5,981,513	60,077	389,901	-	6,431,491
Net capital assets	\$ 6,061,386	\$ -	\$ 2,037,400	\$ -	\$ 8,098,786

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

Governmental activities:

General government	\$ 93,021
Public safety	229,894
Public works	911,296

 Total governmental activities \$ 1,234,211

Business-type activities - Water and sewer \$ 326,830

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

	Spent to Date	Remaining Commitment
Water and Sewer Fund	\$ 1,375,699	\$ 878,028
Capital Projects Fund	686,818	472,785
Total	<u>\$ 2,062,517</u>	<u>\$ 1,350,813</u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 6 - Interfund Receivables, Payables, and Transfers

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Other nonmajor governmental funds - General Obligation Debt Fund	\$ 723,131
	Road Construction	<u>167,000</u>
	Total	<u>\$ 890,131</u>
Other nonmajor governmental funds - Major Streets Fund	Other nonmajor governmental funds - Local Streets Fund	<u>\$ 105,953</u>

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

Note 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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Road Construction Bonds:						
Amount of issue - \$3,000,000						
Maturing through 2018	3.75%-5.25	\$ 1,850,000	\$ -	\$ (300,000)	\$ 1,550,000	\$ 300,000
General Obligation Limited Tax Bonds, Series 2010:						
Amount of issue - \$4,000,000						
Maturing through 2025	2.0-3.5	3,700,000	-	(100,000)	3,600,000	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	-	15,860,000	665,000
2014 Backhoe Loader - Installment Purchase Obligation:						
Amount of issue - \$25,511						
Maturing through 2016	4.50	16,639	-	(8,809)	7,830	7,831
2014 Telephone System - Installment Purchase Obligation:						
Amount of issue - \$67,201						
Maturing through 2018	4.07	60,897	-	(12,526)	48,371	13,081
2012 Advanced Wireless Telecom Installment Purchase Obligation:						
Amount of issue - \$85,406						
Maturing through 2015	0.00	45,800	-	(21,850)	23,950	23,950
2015 Advanced Wireless Telecom Installment Purchase Obligation						
		-	9,812	(1,713)	8,099	2,160
Total bonds payable		5,673,336	15,869,812	(444,898)	21,098,250	1,212,022
Other long-term obligations - Employee compensated absences						
		491,486	465,769	(479,401)	477,854	204,734
Total governmental activities		<u>\$ 6,164,822</u>	<u>\$ 16,335,581</u>	<u>\$ (924,299)</u>	<u>\$ 21,576,104</u>	<u>\$ 1,416,756</u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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	\$ 545,000	\$ -	\$ (150,000)	\$ 395,000	\$ 175,000
State Revolving Fund Loan Bloomfield Hills - Michigan State Revolving Loan Fund:						
Amount of issue - \$250,000						
Maturing through 2015	2.25	15,000	-	(15,000)	-	-
County contractual obligations:						
Bloomfield Village CSO Drainage Bonds, Series 1994 A:						
Amount of issue - \$161,233						
Maturing through 2017	2.00	27,514	-	(9,000)	18,514	9,257
Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001A:						
Amount of issue - \$141,432						
Maturing through 2017	5.14	26,744	-	(10,800)	15,944	11,829
Bloomfield Village CSO Drain Bonds Series, C/2001B:						
Amount of issue - \$242,750						
Maturing through 2017	2.0-3.0	96,431	-	(36,773)	59,658	35,487
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	244,660	-	(100,000)	144,660	100,000
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	-
Issuance premiums		-	77,524	-	77,524	7,048
Total business-type activities		\$ 955,349	\$ 3,372,524	\$ (321,573)	\$ 4,006,300	\$ 338,621

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
2016	\$ 1,212,022	\$ 658,887	\$ 1,870,909	\$ 331,573	\$ 78,690	\$ 410,263
2017	1,235,939	632,961	1,868,900	607,203	70,456	677,659
2018	1,391,670	602,576	1,994,246	310,000	58,650	368,650
2019	1,493,619	566,723	2,060,342	310,000	51,675	361,675
2020	995,000	535,455	1,530,455	315,000	44,644	359,644
2021-2025	6,070,000	2,193,657	8,263,657	1,690,000	124,500	1,814,500
2026-2030	4,450,000	1,300,354	5,750,354	365,000	3,650	368,650
2031-2034	4,250,000	348,400	4,598,400	-	-	-
Total	\$ 21,098,250	\$ 6,839,013	\$ 27,937,263	\$ 3,928,776	\$ 432,265	\$ 4,361,041

Debt Issuances - During the year, the City issued \$15,860,000 in general obligation bonds with an interest rate ranging from 0.4 to 4.0 percent. The proceeds of these bonds were used to advance fund the City's defined benefit pension obligations. Also issued was \$9,812 of debt related to operating leases of new telephone equipment and \$3,295,000 of bonds in the Water and Sewer Fund to be used for reconstruction and improvements of infrastructure.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

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 \$245,147.

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.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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.

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. 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, 2014 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	2
Active plan members	<u>30</u>
Total employees covered by MERS	<u><u>77</u></u>

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Defined Benefit Pension Plan Description (Continued)

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.

In addition to the required contribution, the City issued pension obligation bonds in December 2014 to fund an additional \$15,690,074.

For the year ended June 30, 2015, the average active employee contribution rate was 5.0 percent of annual pay and the City's average contribution rate was 64 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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, 2013	\$ 30,693,565	\$ 14,582,255	\$ 16,111,310
Service cost	349,720		349,720
Interest	2,464,654		2,464,654
Contributions - Employer		16,952,688	(16,952,688)
Contributions - Employee		118,386	(118,386)
Net investment income		937,384	(937,384)
Benefit payments, including refunds	(1,987,664)	(1,987,664)	-
Administrative expenses		(34,875)	34,875
Net changes	826,710	15,985,919	(15,159,209)
Balance at December 31, 2014	<u>\$ 31,520,275</u>	<u>\$ 30,568,174</u>	<u>\$ 952,101</u>

The employer contributions above include an additional \$15,690,074 contributed in December 2014 from the proceeds of a pension bond.

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Defined Benefit Pension Plan Description (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$1,607,736. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 185,743	\$ -
Employer contributions to the plan subsequent to the measurement date	<u>145,791</u>	<u>-</u>
Total	<u>\$ 331,534</u>	<u>\$ -</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 46,436
2017	46,436
2018	46,436
2019	46,435

These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$145,791), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	4.5 %	In the long term, 2 percent and 3 percent for calendar years 2015 and 2016, respectively, including inflation
Investment rate of return	8.0 %	Net of pension plan investment expense, including inflation

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Defined Benefit Pension Plan Description (Continued)

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend. For disabled retirees, the regular mortality table is used with a 10-year set-forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008.

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.

Projected Cash Flows

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, 2014, 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 8.25 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 (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability (asset) of the City	\$ 4,708,862	\$ 952,101	\$ (2,182,641)

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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. 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 report 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, where 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 \$94,587 based on employee compensation of \$630,580. 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, 2015 was \$10,541 based on compensation of \$538,686. 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, 2015

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, 2015, 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)	\$ 629,451
Interest on net OPEB asset	(84,456)
Adjustment to the annual required contribution	<u>40,316</u>
Annual OPEB cost	585,311
Amounts contributed:	
Payments of current premiums	(518,166)
Advance funding	<u>(225,000)</u>
Total contributed	<u>(743,166)</u>
Increase in net OPEB asset	(157,855)
OPEB asset - Beginning of year	<u>(1,126,086)</u>
OPEB asset - End of year	<u>\$ (1,283,941)</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Net OPEB Obligation (Asset)
6/30/13	1/1/12	\$ 529,842	\$ (732,491)
6/30/14	1/1/12	529,842	(1,126,086)
6/30/15	7/1/14	629,451	(1,283,941)

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

City of Bloomfield Hills, Michigan

Notes to Financial Statements June 30, 2015

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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the 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.

Note 12 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the OPEB plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

Required Supplemental Information

City of Bloomfield Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,342,297	\$ 7,331,097	\$ 7,332,678	\$ 1,581
Licenses and permits	616,900	616,900	662,488	45,588
State sources	300,800	300,800	321,673	20,873
Charges for services -				
Charges for services to external parties	37,000	41,900	110,112	68,212
Fines and forfeitures	314,000	335,000	333,346	(1,654)
Investment income	42,207	25,207	31,479	6,272
Other revenue:				
Special assessments	7,360	7,360	9,371	2,011
Other miscellaneous income	57,000	212,359	234,518	22,159
Total revenue	8,717,564	8,870,623	9,035,665	165,042
Expenditures - Current				
General government:				
City Commission	600	600	500	100
City manager	151,910	153,777	151,487	2,290
Treasurer	163,187	163,355	162,675	680
Assessing	49,234	49,234	48,121	1,113
General administration	1,144,495	1,228,180	1,189,177	39,003
Clerk	113,979	115,993	113,510	2,483
Buildings and grounds	188,825	195,935	195,927	8
Attorney	170,000	230,000	227,258	2,742
Building and planning	342,379	363,841	367,173	(3,332)
Engineering	42,000	51,000	45,604	5,396
Library	286,791	286,791	281,222	5,569
Total general government	2,653,400	2,838,706	2,782,654	56,052
48th District Court	314,000	342,000	340,374	1,626
Public safety	4,409,724	3,903,599	3,834,342	69,257
Public works	672,738	645,884	640,768	5,116
Capital outlay	89,959	128,097	109,080	19,017
Debt service	58,871	61,216	48,062	13,154
Total expenditures	8,198,692	7,919,502	7,755,280	164,222
Excess of Revenue Over Expenditures	518,872	951,121	1,280,385	329,264
Other Financing Sources (Uses)				
Face value of debt issue	-	15,869,812	15,869,812	-
Transfers out	(584,931)	(890,131)	(890,131)	-
Total other financing (uses) sources	(584,931)	14,979,681	14,979,681	-
Special Items - Pension pre-funding	-	(15,690,074)	(15,690,074)	-
Net Change in Fund Balance	(66,059)	240,728	569,992	329,264
Fund Balance - Beginning of year	4,625,290	4,625,290	4,625,290	-
Fund Balance - End of year	<u>\$ 4,559,231</u>	<u>\$ 4,866,018</u>	<u>\$ 5,195,282</u>	<u>\$ 329,264</u>

City of Bloomfield Hills, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/09	\$ -	\$ 11,358,067	\$ 11,358,067	- %	\$ 1,910,384	594.5 %
1/1/12	428,359	9,817,918	9,389,559	4.4	1,999,296	469.6
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, 2015

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 planning	\$ 363,841	\$ 367,173	\$ (3,332)

The above budget overruns are due to expenditures exceeding budget and an amendment not being made prior to year end. The building and planning overruns are due to a greater number of planning consultations than originally estimated.

City of Bloomfield Hills, Michigan

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

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 349,720
Interest	2,464,654
Benefit payments, including refunds	<u>(1,987,664)</u>
Net Change in Total Pension Liability	826,710
Total Pension Liability - Beginning of year	<u>30,693,565</u>
Total Pension Liability - End of year	<u>\$ 31,520,275</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 16,952,688
Contributions - Member	118,386
Net investment income	937,384
Administrative expenses	(34,875)
Benefit payments, including refunds	<u>(1,987,664)</u>
Net Change in Plan Fiduciary Net Position	15,985,919
Plan Fiduciary Net Position - Beginning of year	<u>14,582,255</u>
Plan Fiduciary Net Position - End of year	<u>\$ 30,568,174</u>
City's Net Pension Liability - Ending	<u>\$ 952,101</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	96.98 %
Covered Employee Payroll	\$ 2,211,532
City's Net Pension Liability as a Percent of Covered Employee Payroll	43.1 %

City of Bloomfield Hills, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,262,614	\$ 1,025,420	\$ 967,279	\$ 860,958	\$ 858,747	\$ 875,875	\$ 789,697	\$ 655,283	\$ 554,694	\$ 550,265
Contributions in relation to the actuarially determined contribution	1,262,614	1,025,420	967,279	860,958	858,747	875,875	789,697	655,283	554,694	550,265
Contribution Deficiency	\$ -									
Covered Employee Payroll	\$ 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	\$ 1,892,117
Contributions as a Percentage of Covered Employee Payroll	57.1 %	51.7 %	39.9 %	38.8 %	38.3 %	34.6 %	33.6 %	31.0 %	31.0 %	29.1 %

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	25 years
Asset valuation method	10-year smoothed
Inflation	3.0 percent
Salary increases	4.5 percent
Investment rate of return	8.0 percent
Retirement age	60 years
Mortality	50% Male - 50% Female blend of the 1944 Group Annuity Mortality Table
Other information	None

Other Supplemental Information

City of Bloomfield Hills, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	General Obligation Debt Fund	
Assets					
Cash and investments	\$ 49,428	\$ 6,837	\$ 120	\$ 624	\$ 57,009
Receivables	16,630	47,498	-	-	64,128
Total assets	<u>\$ 66,058</u>	<u>\$ 54,335</u>	<u>\$ 120</u>	<u>\$ 624</u>	<u>\$ 121,137</u>
Liabilities - Accounts payable	\$ 6,733	\$ 5,311	-	-	\$ 12,044
Fund Balances					
Restricted:					
Roads	59,325	49,024	-	-	108,349
Drug enforcement	-	-	120	-	120
Assigned - Debt service	-	-	-	624	624
Total fund balances	<u>59,325</u>	<u>49,024</u>	<u>120</u>	<u>624</u>	<u>109,093</u>
Total liabilities and fund balances	<u>\$ 66,058</u>	<u>\$ 54,335</u>	<u>\$ 120</u>	<u>\$ 624</u>	<u>\$ 121,137</u>

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, 2015

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Major Streets Fund	Local Streets Fund	Drug Enforcement Fund	General Obligation Debt Fund	
Revenue					
Licenses and permits	\$ 3,043	\$ 9,129	\$ -	\$ -	\$ 12,172
Federal sources	-	-	1,035	-	1,035
State sources	211,906	128,168	-	-	340,074
Total revenue	214,949	137,297	1,035	-	353,281
Expenditures					
Current:					
Public safety	-	-	7,331	-	7,331
Public works	119,135	225,533	-	-	344,668
Debt service	-	-	-	722,670	722,670
Total expenditures	119,135	225,533	7,331	722,670	1,074,669
Excess of Revenue Over (Under) Expenditures	95,814	(88,236)	(6,296)	(722,670)	(721,388)
Other Financing Sources (Uses)					
Transfers in	-	105,953	-	723,131	829,084
Transfers out	(105,953)	-	-	-	(105,953)
Total other financing (uses) sources	(105,953)	105,953	-	723,131	723,131
Net Change in Fund Balances	(10,139)	17,717	(6,296)	461	1,743
Fund Balances - Beginning of year	69,464	31,307	6,416	163	107,350
Fund Balances - End of year	\$ 59,325	\$ 49,024	\$ 120	\$ 624	\$ 109,093