

**VILLAGE OF BINGHAM FARMS
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2014**

VILLAGE OF BINGHAM FARMS
For the Year Ended June 30, 2014
Table of Contents

INTRODUCTORY SECTION

Table of Contents

Page

FINANCIAL SECTION

| | |
|---|-------|
| Independent Auditor's Report..... | 1-2 |
| Management's Discussion and Analysis | 3-10 |
| Basic Financial Statements: | |
| Government Wide Financial Statements: | |
| Statement of Net Position | 11 |
| Statement of Activities | 12-13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds..... | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 16 |
| Statement of Net Position – Proprietary Fund | 17 |
| Statement of Revenues, Expenses, and Changes In Fund Net Assets – Proprietary Fund..... | 18 |
| Statement of Cash Flows – Proprietary Fund..... | 19 |
| Notes to Financial Statements | 20-30 |

VILLAGE OF BINGHAM FARMS
For the Year Ended June 30, 2014

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Required Supplementary Information: | |
| Defined Benefit Pension Plans – Trend Information | 31 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 32 |
| Statement of Revenues , Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Fund..... | 33 |
| Statement of Revenues , Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Fund | 34 |

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Independent Auditor's Report

November 14, 2014

To the Village President and Council
Village of Bingham Farms, 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 Village of Bingham Farms, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village'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.

Village President and Council
Village of Bingham Farms, Michigan
November 14, 2014

Opinions

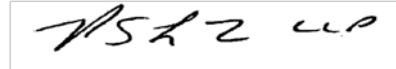
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bingham Farms, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the defined benefit pension plan trend information, and the budgetary comparison information, as identified 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, who 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 supplementary 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.

Respectfully,

A handwritten signature in black ink, appearing to read "PSLZ LLP", is written over a horizontal line.

PSLZ LLP

Certified Public Accountants

FINANCIAL SECTION

Management's Discussion and Analysis

As management of the Village of Bingham Farms, we offer readers of the Village of Bingham Farms financial statements this narrative overview and analysis of the financial activities of the Village of Bingham Farms for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the Village of Bingham Farms exceeded its liabilities at the close of the most recent fiscal year by \$3,961,097 (*net position*). Of this amount, \$2,100,955 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position decreased by \$279,403.
- At the close of the most recent fiscal year, the Village of Bingham Farms' governmental funds reported combined ending fund balances of \$2,033,895, of which \$1,700,720 is *available for spending* at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$1,700,720, or 104 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Bingham Farms' basic financial statements, which have three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Bingham Farms' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Village of Bingham Farms' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Bingham Farms is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Bingham Farms that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Bingham Farms include public safety, public works, recreation and culture, and general administrative services. The business-type activities of the Village of Bingham Farms include water and wastewater services.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Bingham Farms, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Bingham Farms can be divided into three categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the

governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major streets fund, and the local streets fund, each of which is considered to be a major fund.

The Village of Bingham Farms adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds

The Village of Bingham Farms maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Bingham Farms uses an enterprise fund to account for its water and wastewater activities.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the Village of Bingham Farms. Oakland County Department of Public Works essentially provides all of the administration, maintenance activities, and financial processing of this fund.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-30 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$3,961,097 at the close of the most recent fiscal year. Of the Village of Bingham Farms' net position, 39 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Bingham Farms uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Bingham Farm's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|--------------|--------------------------|------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 2,109,424 | \$ 2,364,178 | \$ 356,612 | \$ 367,337 | \$ 2,466,036 | \$ 2,731,515 |
| Capital Assets | 1,470,867 | 1,426,776 | 56,100 | 112,202 | 1,526,967 | 1,538,978 |
| Total Assets | 3,580,291 | 3,790,954 | 412,712 | 479,539 | 3,993,003 | 4,270,493 |
| Long-term liabilities outstanding | - | - | - | - | - | - |
| Other liabilities | 31,906 | 29,993 | - | - | 31,906 | 29,993 |
| Total Liabilities | 31,906 | 29,993 | - | - | 31,906 | 29,993 |
| Net Position: | | | | | | |
| Net Investment in capital assets | 1,470,867 | 1,426,776 | 56,100 | 112,202 | 1,526,967 | 1,538,978 |
| Restricted | 333,175 | 566,579 | - | - | 333,175 | 566,579 |
| Unrestricted | 1,744,343 | 1,767,606 | 356,612 | 367,337 | 2,100,955 | 2,134,943 |
| Total Net Position | \$ 3,548,385 | \$ 3,760,961 | \$ 412,712 | \$ 479,539 | \$ 3,961,097 | \$ 4,240,500 |

At the end of the current fiscal year, the Village of Bingham Farms is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Net position decreased by \$279,403 during the current fiscal year.

Governmental activities

Governmental activities decreased net position by \$212,576.

Village of Bingham Farms - Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 335,861 | \$ 344,200 | \$ 463,066 | \$ 714,171 | \$ 798,927 | \$ 1,058,371 |
| Operating Grants & Contributions | 94,683 | 63,903 | - | - | 94,683 | 63,903 |
| Capital Grants & Contributions | - | - | - | - | - | - |
| General Revenues: | | | | | | |
| Property Taxes | 1,181,543 | 1,181,376 | - | - | 1,181,543 | 1,181,376 |
| State Shared Revenues | 82,844 | 80,870 | - | - | 82,844 | 80,870 |
| Franchise Fees | 20,408 | 19,882 | - | - | 20,408 | 19,882 |
| Unrestricted Investment Earnings | 9,221 | 6,495 | 4,209 | 1,950 | 13,430 | 8,445 |
| Total Revenues | <u>1,724,560</u> | <u>1,696,726</u> | <u>467,275</u> | <u>716,121</u> | <u>2,191,835</u> | <u>2,412,847</u> |
| Expenses: | | | | | | |
| General Government | 363,516 | 363,706 | - | - | 363,516 | 363,706 |
| Public Safety | 1,055,748 | 1,031,124 | - | - | 1,055,748 | 1,031,124 |
| Public Works | 414,868 | 317,697 | - | - | 414,868 | 317,697 |
| Community Development | 7,062 | 5,325 | - | - | 7,062 | 5,325 |
| Recreation and Cultural | 95,942 | 94,107 | - | - | 95,942 | 94,107 |
| Water and Sewer | - | - | 534,102 | 533,699 | 534,102 | 533,699 |
| Total Expenses | <u>1,937,136</u> | <u>1,811,959</u> | <u>534,102</u> | <u>533,699</u> | <u>2,471,238</u> | <u>2,345,658</u> |
| Change in Net Position | <u>\$ (212,576)</u> | <u>\$ (115,233)</u> | <u>\$ (66,827)</u> | <u>\$ 182,422</u> | <u>\$ (279,403)</u> | <u>\$ 67,189</u> |

Decrease in net position due to key increases in operating expenditures included:

- Increase in police services expense of \$19,376
- Increase in public works expenses of \$97,171, due mostly to Bingham Road slope stabilization and Brooks Lane repaving projects

Business-type activities

Business-type activities decreased net position by \$66,827.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Bingham Farms uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Village of Bingham Farms' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$2,033,895, of which \$1,700,720 constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. Total governmental fund balances decreased \$263,226 for the 2013-2014 fiscal year mostly due to major and local road maintenance and slope stabilization, as compared to a \$148 increase in the 2012-2013 fiscal year.

The General Fund is the chief operating fund of the Village of Bingham Farms. At the end of the current fiscal year, the total fund balance of the general fund was \$1,700,720, all of which is unrestricted. General Fund fund balance represents 104 percent of total general fund expenditures.

The fund balance of the Village's General Fund decreased by \$29,822 during the fiscal year, as compared to an increase of \$20,725 in the prior fiscal year. In the current year, the Village Council approved an operating transfer of \$50,000 to the Major Street Fund due to overruns in subterranean stabilization of the Bingham Road slope. The project was more involved and required more stabilizing than any of the engineers anticipated during the budgeting process. General Fund current year actual expenditures were \$59,087 less than the total final budget appropriation.

Proprietary funds

The Village of Bingham Farms' proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$356,612, as compared to \$367,337 in the prior year.

General Fund Budgetary Highlights

Total differences between the original budget and the final amended budget was a \$50,000 increase in budgeted expenditures for a contribution to the Major Street Fund related to the Thirteen Mile Road bridge project.

Capital Asset and Debt Administration

Capital assets

The Village of Bingham Farms' investment in capital assets for its governmental and business type activities is \$1,526,967 (net of accumulated depreciation). This investment in capital assets includes equipment, roads, bridges, water supply sewage disposal system, and construction in progress. The total decrease in the Village of Bingham Farms' investment in capital assets for the current fiscal year was \$12,011 mostly due to \$178,295 of road and bridge projects less annual depreciation.

Additional information on the Village of Bingham Farms' capital assets can be found in note III.B on page 27 of this report.

Long-term debt

During the fiscal year ended June 30, 2014, the Village issued no new debt and had no principal or interest payments.

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2015, the Village is projecting a 4% increase in real property tax revenues less a decrease of approximately \$34,000 in personal property tax revenues due to recent legislation by the State involving the phase out of personal property taxes. This results in a projection of a .8% increase in overall property tax revenues for fiscal year 2015. Also, State shared revenues are expected to remain flat based on estimates provided by the State. The fiscal year 2014-2015 budget reflects these items.

Requests for Information

This financial report is designed to provide a general overview of the Village of Bingham Farms finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Karin Ludwick, Treasurer, Village of Bingham Farms, 24255 Thirteen Mile Road, Suite 190, Bingham Farms, Michigan 48025.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BINGHAM FARMS
Statement of Net Position
June 30, 2014

| | Primary Government | | |
|---|---------------------------|----------------------|---------------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 2,050,032 | \$ - | \$ 2,050,032 |
| Receivables (net of allowance for uncollectibles) | 46,671 | - | 46,671 |
| Due from Other Governmental Units | 12,721 | 356,612 | 369,333 |
| Capital Assets being depreciated, net | 1,470,867 | 56,100 | 1,526,967 |
| Total Assets | <u>3,580,291</u> | <u>412,712</u> | <u>3,993,003</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | 22,103 | - | 22,103 |
| Accrued Liabilities | 9,803 | - | 9,803 |
| Total Liabilities | <u>31,906</u> | <u>-</u> | <u>31,906</u> |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 1,470,867 | 56,100 | 1,526,967 |
| Restricted for Highways and Streets | 333,175 | - | 333,175 |
| Unrestricted | 1,744,343 | 356,612 | 2,100,955 |
| Total Net Position | <u>\$ 3,548,385</u> | <u>\$ 412,712</u> | <u>\$ 3,961,097</u> |

VILLAGE OF BINGHAM FARMS
Statement of Activities
For the Year Ended June 30, 2014

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|----------------------------------|------------------------|--------------------------------|-----------------------------|-----------------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 363,516 | \$ 17,309 | \$ 24,737 | \$ - |
| Public Safety | 1,055,748 | 315,819 | - | - |
| Public Works | 414,868 | 2,733 | 69,946 | - |
| Community Development | 7,062 | - | - | - |
| Recreation and Cultural | 95,942 | - | - | - |
| Total Governmental Activities | <u>1,937,136</u> | <u>335,861</u> | <u>94,683</u> | <u>-</u> |
| Business-type Activities: | | | | |
| Water and Sewer | <u>534,102</u> | <u>463,066</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | \$ <u>2,471,238</u> | \$ <u>798,927</u> | \$ <u>94,683</u> | \$ <u>-</u> |

General Revenues:
Property Taxes
State Shared Revenue
Franchise Fees
Unrestricted Investment Earnings
Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|----------------------------|
| \$ (321,470) | \$ - | \$ (321,470) |
| (739,929) | - | (739,929) |
| (342,189) | - | (342,189) |
| (7,062) | - | (7,062) |
| (95,942) | - | (95,942) |
| <u>(1,506,592)</u> | <u>-</u> | <u>(1,506,592)</u> |
| - | (71,036) | (71,036) |
| <u>(1,506,592)</u> | <u>(71,036)</u> | <u>(1,577,628)</u> |
| 1,181,543 | - | 1,181,543 |
| 82,844 | - | 82,844 |
| 20,408 | - | 20,408 |
| 9,221 | 4,209 | 13,430 |
| <u>1,294,016</u> | <u>4,209</u> | <u>1,298,225</u> |
| (212,576) | (66,827) | (279,403) |
| <u>3,760,961</u> | <u>479,539</u> | <u>4,240,500</u> |
| \$ <u><u>3,548,385</u></u> | \$ <u><u>412,712</u></u> | \$ <u><u>3,961,097</u></u> |

VILLAGE OF BINGHAM FARMS
Balance Sheet
Governmental Funds
June 30, 2014

| | <u>General</u> | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------|----------------------|---|
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 1,724,488 | \$ 76,541 | \$ 249,003 | \$ 2,050,032 |
| Receivables (net of allowance for uncollectibles) | 43,938 | - | - | 43,938 |
| Special Assessment Receivable | 2,733 | - | - | 2,733 |
| Due from Other Governmental Units | 1,874 | 7,194 | 3,653 | 12,721 |
| Total Assets | \$ <u>1,773,033</u> | \$ <u>83,735</u> | \$ <u>252,656</u> | \$ <u>2,109,424</u> |

LIABILITIES AND FUND BALANCE

| | | | | |
|------------------------------------|---------------------|------------------|-------------------|------------------|
| Liabilities: | | | | |
| Accounts Payable | \$ 18,887 | \$ 240 | \$ 2,976 | \$ 22,103 |
| Accrued and Other Liabilities | 9,803 | - | - | 9,803 |
| Unearned Revenue | 43,623 | - | - | 43,623 |
| Total Liabilities | <u>72,313</u> | <u>240</u> | <u>2,976</u> | <u>75,529</u> |
| Fund Balances: | | | | |
| Restricted for Streets | - | 83,495 | 249,680 | 333,175 |
| Unrestricted: | | | | |
| Assigned for Subsequent Years | | | | |
| Expenditures | 80,683 | - | - | 80,683 |
| Unassigned | 1,620,037 | - | - | 1,620,037 |
| Total Fund Balance | <u>1,700,720</u> | <u>83,495</u> | <u>249,680</u> | <u>2,033,895</u> |
| Total Liabilities and Fund Balance | \$ <u>1,773,033</u> | \$ <u>83,735</u> | \$ <u>252,656</u> | |

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, therefore, are not reported in the funds:

| | |
|--------------------------------|-------------|
| Capital Assets | 2,879,436 |
| Less: Accumulated Depreciation | (1,408,569) |

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unearned revenue.

| | |
|------------------|---------------|
| Unearned Revenue | <u>43,623</u> |
|------------------|---------------|

| | |
|---|----------------------------|
| Net Position of Governmental Activities | \$ <u><u>3,548,385</u></u> |
|---|----------------------------|

VILLAGE OF BINGHAM FARMS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

| | <u>General</u> | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------|----------------------|---|
| <u>Revenues</u> | | | | |
| Property Taxes | \$ 1,174,984 | \$ - | \$ - | \$ 1,174,984 |
| Intergovernmental-State | 82,844 | 43,712 | 22,187 | 148,743 |
| Charges for Services | 17,309 | - | - | 17,309 |
| Fines and Forfeitures | 23,713 | - | - | 23,713 |
| Franchise Fees | 20,408 | - | - | 20,408 |
| Special Assessments | 294,839 | - | - | 294,839 |
| Grants | 24,737 | - | - | 24,737 |
| Interest | 8,918 | 182 | 121 | 9,221 |
| Other | - | 2,428 | 1,619 | 4,047 |
| Total Revenues | <u>1,647,752</u> | <u>46,322</u> | <u>23,927</u> | <u>1,718,001</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General Government | 352,708 | - | - | 352,708 |
| Public Safety | 1,055,748 | - | - | 1,055,748 |
| Public Works | 105,306 | 221,969 | 131,684 | 458,959 |
| Community Development | 7,062 | - | - | 7,062 |
| Recreation and Cultural | 95,942 | - | - | 95,942 |
| Other Functions | 10,808 | - | - | 10,808 |
| Total Expenditures | <u>1,627,574</u> | <u>221,969</u> | <u>131,684</u> | <u>1,981,227</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>20,178</u> | <u>(175,647)</u> | <u>(107,757)</u> | <u>(263,226)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In | - | 50,000 | - | 50,000 |
| Operating Transfers Out | (50,000) | - | - | (50,000) |
| Total Other Financing Sources (Uses) | <u>(50,000)</u> | <u>50,000</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (29,822) | (125,647) | (107,757) | (263,226) |
| Fund Balance - Beginning | <u>1,730,542</u> | <u>209,142</u> | <u>357,437</u> | <u>2,297,121</u> |
| Fund Balance - Ending | <u>\$ 1,700,720</u> | <u>\$ 83,495</u> | <u>\$ 249,680</u> | <u>\$ 2,033,895</u> |

VILLAGE OF BINGHAM FARMS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

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

| | |
|--|---------------------|
| Net change in fund balance - total governmental funds | \$ (263,226) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Add: Capital Outlay | 178,295 |
| Deduct: Depreciation Expense | (134,204) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year. | |
| Add: Net Difference of Unearned Revenue | <u>6,559</u> |
| Change in net position in governmental activities | <u>\$ (212,576)</u> |

VILLAGE OF BINGHAM FARMS
Statement of Net Position
Proprietary Fund
June 30, 2014

| | <u>Enterprise Fund</u> <u>Water & Sewer</u> |
|----------------------------------|--|
| <u>ASSETS</u> | |
| Current Assets: | |
| Due from Other Governments | \$ <u>356,612</u> |
| Noncurrent Assets: | |
| Capital Assets | 2,244,069 |
| Less: Accumulated Depreciation | <u>(2,187,969)</u> |
| Total Noncurrent Assets | <u>56,100</u> |
| Total Assets | <u>412,712</u> |
| <u>NET POSITION</u> | |
| Net Investment in Capital Assets | 56,100 |
| Unrestricted | <u>356,612</u> |
| Total Net Position | \$ <u><u>412,712</u></u> |

VILLAGE OF BINGHAM FARMS
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

| | <u>Enterprise Fund</u> <u>Water & Sewer</u> |
|--|--|
| <u>Operating Revenues:</u> | |
| Charges for Services: | |
| Water | \$ 237,318 |
| Sewer | 225,748 |
| Total Charges for Services | <u>463,066</u> |
| <u>Operating Expenses:</u> | |
| Water Supply | 245,280 |
| Sewage Disposal System | 232,720 |
| Depreciation Expense | 56,102 |
| Total Operating Expenses | <u>534,102</u> |
| Operating Income (Loss) | (71,036) |
| <u>Non-Operating Revenues (Expenses):</u> | |
| Interest Income | <u>4,209</u> |
| Net Income (Loss) | (66,827) |
| Net Position, Beginning | <u>479,539</u> |
| Net Position, Ending | \$ <u><u>412,712</u></u> |

VILLAGE OF BINGHAM FARMS
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

| | <u>Enterprise Fund</u> <u>Water & Sewer</u> |
|--|--|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Receipts from customers and users | \$ 291,626 |
| Payments to Suppliers | (478,000) |
| Net Cash Provided (Used) by Operating Activities | <u>(186,374)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Transfer to Oakland County Reserves | 182,165 |
| Investment Income | 4,209 |
| Net Cash Provided (Used) by Investing Activities | <u>186,374</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | - |
| Cash and Cash Equivalents, Beginning | <u>-</u> |
| Cash and Cash Equivalents, Ending | <u>\$ -</u> |
| <u>Reconciliation of Operating Income to Net Cash</u> | |
| <u>Provided (Used) by Operating Activities:</u> | |
| Operating Income (Loss) | \$ (71,036) |
| Adjustments to Reconcile Operating Income (Loss) to | |
| Net Cash Provided (Used) by Operating Activities: | |
| Depreciation Expense | 56,102 |
| (Increase) Decrease in Receivables | (171,440) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (186,374)</u> |

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Bingham Farms, Michigan, is a municipal corporation governed by an elected president and six trustees. There are no component units to be included in these financial statements as defined by generally accepted accounting principles.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Governmental Funds

The Village reports the following major governmental funds:

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

The Major Street Fund is a special revenue fund used to account for the activities, maintenance and capital improvements of the Village's major streets.

The Local Street Fund is a special revenue fund used to account for the activities, maintenance and capital improvements of the Village's local streets.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the enterprise fund types.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Village Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Village has one enterprise fund which is the Water and Sewer Fund.

The Water and Sewer Fund accounts for the activities of the Village's water distribution, water treatment, sewage disposal and sewage treatment systems. The Village has entered into contracts with the Oakland County Department of Public Works for the operation and maintenance of water and sewage disposal systems within the Village limits. Under the terms of these contracts, the Oakland County Department of Public Works is responsible for system maintenance as well as meter readings, billings to customers and collections. Under Michigan Committee on Governmental Accounting and Auditing Statement 10 (MCGAA), the local unit's Enterprise Fund would record the operations of the system.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

The Village has recorded the information provided by the Oakland County Water Resources Commission through June 30, 2014, as adjusted for depreciation, in the Village's Water and Sewer Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables, of \$65,724 are shown net of allowance for uncollectible accounts \$19,053, for a net receivable balance of \$46,671 at June 30, 2014.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$50,000 for infrastructure and an estimated useful life in excess of two years. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------------|--------------|
| Public Domain Infrastructure | 10-20 |
| Water and Sewer Infrastructure | 10-40 |
| Office Equipment | 5 |

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

4. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

5. Fund Equity

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

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Village Council for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Village Council.

Assigned – Intent to spend resources on specific purposes expressed by the governing body.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Budgets must be adopted for the General and Special Revenue Funds.
2. Budgets must be balanced.
3. Budgets must be amended as necessary.
4. Public hearings must be held prior to adoption.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Village Council requires the Village Treasurer to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in May. The Village Treasurer is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations. Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions, the total of which was not significant in relation to the original budget appropriation valuations. A comparison of actual results of operations to the general fund and special revenue fund budgets as adopted and amended by the Village Council is included in the required supplementary information.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2014.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Budgets for the General Fund and Special Revenue Funds are adopted at the activity level. Expenditures exceeded budgetary appropriations for the following activities as of June 30, 2014.

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------|---------------------|---------------|-----------------|
| General Fund: | | | |
| Legislative | \$ 1,200 | \$ 1,520 | \$ 320 |
| Attorney | 15,750 | 17,429 | 1,679 |
| Rent and Utilities | 37,405 | 37,744 | 339 |
| Rubbish Collection | 94,500 | 97,003 | 2,503 |
| Pump Maintenance | 2,896 | 2,932 | 36 |
| Major Street Fund: | | | |
| Routine Maintenance | 120,000 | 208,007 | 88,007 |

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement number 40 is presented, regarding the Village's deposits and investments:

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2014, the Village's book balance of its deposits was \$2,049,662; the total book balance was \$2,050,032, due to \$370 in cash on hand. The bank balance was \$2,125,008 which was exposed to custodial credit risk, as follows:

| | |
|--------------------------------|-------------------------------|
| | <u>Bank</u> <u>Balance</u> |
| Insured by F.D.I.C. | \$1,568,114 |
| Uninsured and Uncollateralized | <u>556,894</u> |
| Total | <u>\$2,125,008</u> |

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Interest Rate Risk. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Villages deposits and investments consisted of the following:

| <u>Deposits and Investments</u> | <u>Fair Value</u> | <u>Weighted Average</u> <u>Maturity</u> |
|---|---------------------|--|
| Savings and Checking Accounts | \$ 785,646 | Demand |
| Money Market Accounts (Share price=\$1) | 468,091 | Demand |
| Certificates of Deposits-One year or less | <u>871,271</u> | 365 days |
| | <u>\$ 2,125,008</u> | |

Concentration of Credit Risk. The Village's investment policy places a limit of \$600,000 on the amount the Village may invest in any one issuer.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|------------------|-------------|---------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets, being depreciated: | | | | |
| Office Equipment | \$ 6,788 | \$ - | \$ - | \$ 6,788 |
| Infrastructure-Roads | 2,592,061 | 118,538 | - | 2,710,599 |
| Infrastructure-Bridges | 102,292 | 59,757 | - | 162,049 |
| | <u>2,701,141</u> | <u>178,295</u> | <u>-</u> | <u>2,879,436</u> |
| Less: Accumulated Depreciation: | | | | |
| Office Equipment | (6,788) | - | - | (6,788) |
| Infrastructure-Roads | (1,165,285) | (134,204) | - | (1,299,489) |
| Infrastructure-Bridges | (102,292) | - | - | (102,292) |
| | <u>(1,274,365)</u> | <u>(134,204)</u> | <u>-</u> | <u>(1,408,569)</u> |
| Governmental Activities Capital Assets, net | <u>\$ 1,426,776</u> | <u>\$ 44,091</u> | <u>\$ -</u> | <u>\$ 1,470,867</u> |

Depreciation expense was charged on the Statement of Activities as follows:

| | |
|--------------|-------------------|
| Public Works | <u>\$ 134,204</u> |
|--------------|-------------------|

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------------|-------------|--------------------|
| <u>Business-type Activities:</u> | | | | |
| Capital Assets, being depreciated: | | | | |
| Water and Sewer System | \$ 2,244,069 | \$ - | \$ - | \$ 2,244,069 |
| Less: Accumulated Depreciation: | | | | |
| Water and Sewer System | <u>(2,131,867)</u> | <u>(56,102)</u> | <u>-</u> | <u>(2,187,969)</u> |
| Business-type Activities Capital Assets, net | <u>\$ 112,202</u> | <u>\$ (56,102)</u> | <u>\$ -</u> | <u>\$ 56,100</u> |

C. Interfund Transfers

| | | |
|-----------------------|----------------------|------------------|
| <u>Transfers Out:</u> | <u>Transfers In:</u> | <u>Total</u> |
| General Fund | Major Street Fund | <u>\$ 50,000</u> |

Transfer to Major Street Fund from General Fund is to fund current year street projects.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Property Taxes

Property tax assessments are determined as of each December 31, the lien date. Taxes are levied on July 1 of the following year. Property taxes are payable without penalty and interest if paid in full by August 31. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County.

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The Village's general operating tax rate for the 2013 tax roll was 7.70 mills with an additional 6.1068 mills for the police special assessment district, and 0.3893 mills for the Woodlynne Pump special assessment district.

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers substantially all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2013.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2011 as follows:

| | |
|----------------|-------|
| General-Admin. | 6.48% |
|----------------|-------|

c. Annual Pension Cost

During the fiscal year ended June 30, 2014, the Village's contributions totaling \$11,124 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2011. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

| <u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u> | <u>Valuation</u> <u>Date</u> <u>Dec. 31</u> | <u>Annual</u> <u>Pension</u> <u>Cost (APC)</u> | <u>Percentage</u> <u>of APC</u> <u>Contributed</u> | <u>Net</u> <u>Pension</u> <u>Obligation</u> |
|---|---|--|--|---|
| 2012 | 2009 | \$9,927 | 100% | \$-0- |
| 2013 | 2010 | 9,870 | 100% | -0- |
| 2014 | 2011 | 11,124 | 100% | -0- |

VILLAGE OF BINGHAM FARMS
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

B. Risk Management

The Village of Bingham Farms is a member of the Michigan Municipal Liability and Property Pool for its general liability insurance coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Village of Bingham Farms and the pools to which it belongs in any of the past three fiscal years.

C. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the Village's fiscal year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BINGHAM FARMS
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2014

Required Supplementary Information for GASB 27

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Underfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percent of Covered Payroll</u> |
|---|--|--|---------------------------------------|-------------------------|----------------------------|---|
| 12/31/05 | \$ 48,287 | \$ 88,243 | \$39,956 | 55% | \$140,964 | 28% |
| 12/31/06 | 64,784 | 114,910 | 50,126 | 56 | 152,880 | 33 |
| 12/31/07 | 82,195 | 135,499 | 53,304 | 61 | 155,173 | 34 |
| 12/31/08 | 100,455 | 153,359 | 52,904 | 66 | 159,435 | 33 |
| 12/31/09 | 123,828 | 156,953 | 33,125 | 79 | 161,404 | 21 |
| 12/31/10 | 147,299 | 172,011 | 24,712 | 86 | 161,404 | 15 |
| 12/31/11 | 169,427 | 193,313 | 23,886 | 88 | 161,404 | 15 |
| 12/31/12 | 190,677 | 210,548 | 19,871 | 91 | 164,037 | 12 |
| 12/31/13 | 215,217 | 234,998 | 19,781 | 92 | 169,171 | 12 |

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013 the latest actuarial valuation, follows:

| | |
|-------------------------------|------------------------|
| Actuarial cost method | Entry age normal cost |
| Amortization method | Level percent |
| Remaining amortization period | 30 years |
| Asset valuation method | 5-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 8% |
| Projected salary increases | |
| Includes inflation at 2.0% | 4.5 - 12.9% |
| Cost of living adjustments | None |

VILLAGE OF BINGHAM FARMS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

| | Budgeted Amounts | | | Variance with |
|--------------------------------------|-------------------------|---------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$ 1,178,456 | \$ 1,178,456 | \$ 1,174,984 | \$ (3,472) |
| Intergovernmental - State | 78,000 | 78,000 | 82,844 | 4,844 |
| Charges for Services | 9,000 | 9,000 | 17,309 | 8,309 |
| Court Fines | 15,000 | 15,000 | 23,713 | 8,713 |
| Franchise Fees | 20,000 | 20,000 | 20,408 | 408 |
| Special Assessments | 295,002 | 295,002 | 294,839 | (163) |
| Grants | - | - | 24,737 | 24,737 |
| Interest Earnings | 3,000 | 3,000 | 8,918 | 5,918 |
| Total Revenues | <u>1,598,458</u> | <u>1,598,458</u> | <u>1,647,752</u> | <u>49,294</u> |
| <u>Expenditures:</u> | | | | |
| General Government: | | | | |
| Legislative | 1,200 | 1,200 | 1,520 | (320) |
| Administrative | 297,000 | 297,000 | 296,015 | 985 |
| Attorney | 15,750 | 15,750 | 17,429 | (1,679) |
| Rent and Utilities | 37,405 | 37,405 | 37,744 | (339) |
| Total General Government | <u>351,355</u> | <u>351,355</u> | <u>352,708</u> | <u>(1,353)</u> |
| Public Safety: | | | | |
| Police Protection | 723,688 | 723,688 | 723,688 | - |
| Fire Protection | 332,060 | 332,060 | 332,060 | - |
| Total Public Safety | <u>1,055,748</u> | <u>1,055,748</u> | <u>1,055,748</u> | <u>-</u> |
| Public Works: | | | | |
| Engineering | 6,000 | 6,000 | 4,727 | 1,273 |
| Rubbish Collection | 94,500 | 94,500 | 97,003 | (2,503) |
| Pump Maintenance | 2,896 | 2,896 | 2,932 | (36) |
| Traffic and Street Lights | 1,650 | 1,650 | 644 | 1,006 |
| Total Public Works | <u>105,046</u> | <u>105,046</u> | <u>105,306</u> | <u>(260)</u> |
| Planning and Zoning | <u>9,000</u> | <u>9,000</u> | <u>7,062</u> | <u>1,938</u> |
| Library | <u>96,512</u> | <u>96,512</u> | <u>95,942</u> | <u>570</u> |
| Other Functions: | | | | |
| Insurance and Bonds | 14,000 | 14,000 | 10,808 | 3,192 |
| Tax Tribunals | 25,000 | 25,000 | - | 25,000 |
| Contingencies | 30,000 | 30,000 | - | 30,000 |
| Total Other Functions | <u>69,000</u> | <u>69,000</u> | <u>10,808</u> | <u>58,192</u> |
| Total Expenditures | <u>1,686,661</u> | <u>1,686,661</u> | <u>1,627,574</u> | <u>59,087</u> |
| Excess of Revenues Over Expenditures | (88,203) | (88,203) | 20,178 | 108,381 |
| Other Financing Uses: | | | | |
| Operating Transfers Out | <u>-</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (88,203) | (138,203) | (29,822) | 108,381 |
| Fund Balance - July 1 | <u>1,730,542</u> | <u>1,730,542</u> | <u>1,730,542</u> | <u>-</u> |
| Fund Balance - June 30 | \$ <u>1,642,339</u> | \$ <u>1,592,339</u> | \$ <u>1,700,720</u> | \$ <u>108,381</u> |

VILLAGE OF BINGHAM FARMS
Major Streets Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|--|--------------------------------|---------------------|----------------------|-----------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| <u>Revenues:</u> | | | | |
| Intergovernmental-State | \$ 31,000 | \$ 31,000 | \$ 43,712 | \$ 12,712 |
| Interest Earnings | - | - | 182 | 182 |
| Other | - | - | 2,428 | 2,428 |
| Total Revenues | <u>31,000</u> | <u>31,000</u> | <u>46,322</u> | <u>15,322</u> |
| <u>Expenditures:</u> | | | | |
| Administration | 200 | 200 | - | 200 |
| Routine Maintenance | 120,000 | 120,000 | 208,007 | (88,007) |
| Winter Maintenance | 15,750 | 15,750 | 13,962 | 1,788 |
| Total Expenditures | <u>135,950</u> | <u>135,950</u> | <u>221,969</u> | <u>(86,019)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (104,950) | (104,950) | (175,647) | (70,697) |
| <u>Other Financing Sources:</u> | | | | |
| Operating Transfer In | <u>-</u> | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Net Change in Fund Balance | (104,950) | (54,950) | (125,647) | (70,697) |
| Fund Balance, July 1 | <u>209,142</u> | <u>209,142</u> | <u>209,142</u> | <u>-</u> |
| Fund Balance, June 30 | \$ <u>104,192</u> | \$ <u>154,192</u> | \$ <u>83,495</u> | \$ <u>(70,697)</u> |

VILLAGE OF BINGHAM FARMS
Local Streets Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|--|--------------------------------|--------------------------|--------------------------|-----------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| <u>Revenues:</u> | | | | |
| Intergovernmental-State | \$ 16,000 | \$ 16,000 | \$ 22,187 | \$ 6,187 |
| Interest Earnings | - | - | 121 | 121 |
| Other | - | - | 1,619 | 1,619 |
| Total Revenues | <u>16,000</u> | <u>16,000</u> | <u>23,927</u> | <u>7,927</u> |
| <u>Expenditures:</u> | | | | |
| Admininstration | 134 | 134 | - | 134 |
| Routine Maintenance | 135,000 | 135,000 | 122,376 | 12,624 |
| Winter Maintenance | 10,000 | 10,000 | 9,308 | 692 |
| Total Expenditures | <u>145,134</u> | <u>145,134</u> | <u>131,684</u> | <u>13,450</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (129,134) | (129,134) | (107,757) | 21,377 |
| Fund Balance, July 1 | <u>357,437</u> | <u>357,437</u> | <u>357,437</u> | <u>-</u> |
| Fund Balance, June 30 | \$ <u><u>228,303</u></u> | \$ <u><u>228,303</u></u> | \$ <u><u>249,680</u></u> | \$ <u><u>21,377</u></u> |

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Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

November 14, 2014

Village President and Council
Village of Bingham Farms
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Village of Bingham Farms as of and for the year ended June 30, 2014 in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Village's internal control to be a significant deficiency:

The Village relies on its auditors to prepare the annual financial statements. While this is common in smaller local units of government, we are required to communicate this to you as part of recently issued auditing standards. The Village's management did review the financial statements prior to their release.

Village President and Council
Village of Bingham Farms
November 14, 2014
Page 2

This communication is intended solely for the information and use of management and the Village President and Council of the Village of Bingham Farms and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "PSLZ LLP", written in a cursive, stylized font.

PSLZ LLP
Certified Public Accountants

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Deborah M. Cox, C.P.A.

Robert J. Sheu, C.P.A.

November 14, 2014

To the Village President and Council
Village of Bingham Farms
Oakland County, Michigan

We have audited the financial statements of the Village of Bingham Farms for the year ended June 30, 2014, and have issued our report thereon dated November 14, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 3, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village of Bingham Farms. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 3, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Bingham Farms are described in Note I to the financial statements. During fiscal year 2014, the Village implemented GASB Statement No. 65, which reclassifies as deferred inflows and outflows of resources certain items that were previously reported as assets and liabilities. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimates of the allowance for doubtful accounts for property tax collections which are based on historical collection statistics.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to those estimates discussed in the section above.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2014.

Management Consultations with Other Independent Accountants

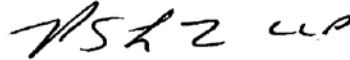
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village President, Village Council, and management of the Village of Bingham Farms and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "PSLZ LLP", is written over the typed name.

PSLZ LLP
Certified Public Accountants