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# City of Farmington, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2019**

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## Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Farmington, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan (the "City") as of and for the ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Farmington, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan as of June 30, 2019 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 Honorable Mayor and City Council  
City of Farmington, Michigan

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension and OPEB schedules, 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, 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 an opinion on the financial statements that collectively comprise the City of Farmington, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

November 18, 2019

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City of Farmington, Michigan's (the "City") basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances and are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources, as measured in the individual fund statements. These statements make a distinction between governmental activities, such as public safety and public works, and business-type activities, such as the provision of water and sewer services. Two government-wide statements are provided.

One government-wide statement, the statement of net position, presents information on all of the City's assets and liabilities with the difference shown as net position. Increases or decreases of net position from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net position changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net position.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds, and compiled financial information is provided for nonmajor funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services, such as public safety and public works; proprietary funds, which account for business-type activities, such as the provision of water and sewer services; and fiduciary funds, which account for assets held for outside parties.

A reconciliation between the individual fund statements and the government-wide financial statements is provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities, such as bonds, accrued interest, and accrued employee leave time, in the government-wide statement of net position, which are not included in the fund balance sheet, and the recognition of certain revenue and expenditures, such as bond proceeds, capital outlays, and debt principal repayment in the individual fund statements, which are not recorded in the government-wide statements.

### **Government-wide Overall Financial Analysis**

On a yearly basis, the City strives to make sure that current taxpayers continue to pay for current services and that costs are not pushed down to future generations. During the current year, the City experienced an increase of approximately \$436,000 in the net position of its governmental activities and a decrease of approximately \$56,000 in the net position of its business-type activities, showing that the City is meeting this goal.

Governmental activities net position increased primarily due to the sale of the City's old 47th District Court Building, which resulted in a gain of \$236,000 and an increase of \$89,000 in drug forfeiture revenue. Both of these items are one-time sources of revenue. Excluding these two items, the City's governmental activities increased \$111,000, again showing that the City's current taxpayers are covering the current cost of service.

During the current year, business-type activities net position decreased approximately \$56,000. This decrease was primarily caused by revenue projection being slightly under actual. In the City's Water and Sewer Fund, a wet weather year led to lower water consumption. In the City's Farmington Community Theater Fund, attendance was down slightly, which was in line with the movie theater industry throughout the country.

A detailed analysis of the City's governmental and business-type activities is provided below.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

In a condensed format, the tables below show the net position and changes in net position as of June 30, 2019 and 2018. Following the tables is an explanation of the reasons for significant fluctuations:

### The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 7,659,019	\$ 6,832,304	\$ 3,382,671	\$ 3,619,001	\$ 11,041,690	\$ 10,451,305
Capital assets	17,686,884	17,945,040	16,466,125	16,640,962	34,153,009	34,586,002
Total assets	25,345,903	24,777,344	19,848,796	20,259,963	45,194,699	45,037,307
<b>Deferred Outflows of Resources</b>						
	2,219,837	991,672	229,392	113,819	2,449,229	1,105,491
<b>Liabilities</b>						
Current liabilities	948,864	744,542	377,554	594,901	1,326,418	1,339,443
Noncurrent liabilities	16,634,899	16,158,428	4,488,175	4,505,556	21,123,074	20,663,984
Total liabilities	17,583,763	16,902,970	4,865,729	5,100,457	22,449,492	22,003,427
<b>Deferred Inflows of Resources</b>	1,343,927	663,898	65,717	70,886	1,409,644	734,784
<b>Net Position</b>						
Net investment in capital assets	15,242,920	14,916,414	13,116,125	13,095,962	28,359,045	28,012,376
Restricted	2,036,199	1,768,118	-	-	2,036,199	1,768,118
Unrestricted	(8,641,069)	(8,482,384)	2,030,617	2,106,477	(6,610,452)	(6,375,907)
Total net position	<b>\$ 8,638,050</b>	<b>\$ 8,202,148</b>	<b>\$ 15,146,742</b>	<b>\$ 15,202,439</b>	<b>\$ 23,784,792</b>	<b>\$ 23,404,587</b>

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 2,062,649	\$ 2,087,498	\$ 5,303,017	\$ 5,577,430	\$ 7,365,666	\$ 7,664,928
Operating grants	1,301,093	1,076,850	-	-	1,301,093	1,076,850
Capital grants	389,151	304,992	-	-	389,151	304,992
General revenue:						
Property taxes	5,334,976	5,108,425	-	-	5,334,976	5,108,425
State-shared revenue	1,083,408	1,056,465	-	-	1,083,408	1,056,465
Investment income	149,329	76,812	49,238	26,547	198,567	103,359
Other revenue:						
Cable franchise fees	211,478	211,240	-	-	211,478	211,240
Sale of capital assets	236,028	-	-	-	236,028	-
Other miscellaneous income	70,296	59,588	-	-	70,296	59,588
Total revenue	10,838,408	9,981,870	5,352,255	5,603,977	16,190,663	15,585,847
<b>Expenses</b>						
General government	1,417,108	1,354,052	-	-	1,417,108	1,354,052
District court	548,878	528,260	-	-	548,878	528,260
Public safety	4,534,186	4,138,780	-	-	4,534,186	4,138,780
Public works	2,386,782	2,361,843	-	-	2,386,782	2,361,843
Health and welfare	6,046	6,992	-	-	6,046	6,992
Community and economic development	220,149	166,773	-	-	220,149	166,773
Recreation and culture	753,097	784,575	-	-	753,097	784,575
Interest on long-term debt	511,260	541,812	-	-	511,260	541,812
Water and Sewer	-	-	4,895,030	5,094,421	4,895,030	5,094,421
Farmington Community Theater	-	-	537,922	551,821	537,922	551,821
Total expenses	10,377,506	9,883,087	5,432,952	5,646,242	15,810,458	15,529,329
Transfers	(25,000)	25,000	25,000	(25,000)	-	-
<b>Change in Net Position</b>	435,902	123,783	(55,697)	(67,265)	380,205	56,518
<b>Net Position - Beginning of year</b>	8,202,148	8,078,365	15,202,439	15,269,704	23,404,587	23,348,069
<b>Net Position - End of year</b>	<b>\$ 8,638,050</b>	<b>\$ 8,202,148</b>	<b>\$ 15,146,742</b>	<b>\$ 15,202,439</b>	<b>\$ 23,784,792</b>	<b>\$ 23,404,587</b>

#### **Governmental Activities**

The City's governmental activities statement of net position changed from the prior year in four significant ways. First, current and other assets increased approximately \$827,000 primarily due to an increase of cash. Cash increased in the road funds by approximately \$184,000 as the City builds up resources for a major road project, cash increased \$270,000 in the Capital Improvement Fund as the result of the sale of the old 47th District Court building, and cash increased in the DPW Equipment Revolving Fund by approximately \$130,000 as the City builds up funds to purchase a vactor truck. Second, capital assets decreased approximately \$258,000, as depreciation of current assets exceeded the City's investment in infrastructure. Third, deferred outflows increased approximately \$1,228,000, and deferred inflows increased approximately \$680,000. These fluctuations were primarily the result of changes in pension and OPEB deferrals relating to differences between projected and actual investment earnings, differences between projected and actual experience, and changes in assumptions related to economic and demographic factors. Fourth, noncurrent liabilities increased approximately \$476,000. Noncurrent liabilities increased because the net pension liability increased approximately \$2,106,000 due to poor market returns. This was partially offset by a decrease in OPEB liability of approximately \$996,000 as a result of lower than anticipated increases in health insurance premiums and a decrease in long-term debt of approximately \$593,000 as the City paid down its outstanding debt.

Significant increases and decreases to the governmental activities statement of activities are as follows:

Total revenue increased approximately \$857,000. Operating grants increased approximately \$224,000 due to an increase in drug forfeiture revenue and liquor license fees. Property taxes increased approximately \$227,000 due to an increase in taxable value. Sale of capital assets increased approximately \$236,000 because of the sale of the old 47th District Court building.

Total expenses increased approximately \$494,000. This increase is primarily attributable to an increase in public safety of approximately \$395,000. Public safety pension expense increased approximately \$259,000 and the remainder of the increase is from the normal increases of salary and benefit expense.

The City of Farmington, Michigan, by policy, strives to maintain a cash surplus sufficient to bridge any expected gap in current year revenue or increases in ordinary, unanticipated current year expenditures. In the General Fund, the City's policy has been to maintain an unassigned fund balance of 25 percent of current year operating expenditures. During the current year, the City's unassigned fund balance equaled 22.11 percent of expenditures. The unassigned fund balance is less than target because the City purchased land for development purposes, creating a deposit and a nonspendable fund balance totaling approximately \$471,000. This land is intended to be resold to developers, and the deposit and assignment will be returned to unassigned fund balance. When these two items are returned to unassigned fund balance, the unassigned fund balance would be 27.75 percent.

Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2019, the City received an "AA" bond rating, with the rating agency analysis noting the following attributes: strong economy, strong management, strong budgetary performance, very strong budgetary flexibility, very strong liquidity, adequate debt and contingent liability, and strong institutional framework score.

#### **Business-type Activities**

The City had a decrease in net position of approximately \$56,000 in its business-type activities for the fiscal year ended June 30, 2019.

Significant changes to the statement of net position include the following:

Current and other assets increased approximately \$236,000 primarily due to a reduction of cash and receivables in the Water and Sewer Fund. The reduction was the result of lower than budgeted water and sewer sales, especially for the June 2019 billing, because of a wet spring. Current liabilities decreased approximately \$217,000, primarily due to renovation of the City's water storage tank totaling approximately \$171,000. The renovation took place prior to June 30, 2018 but the invoice was not paid until after year end and was included in the June 30, 2018 accounts payable balance.

Revenue and expenditures were slightly down in the Water and Sewer Fund during the current year due to a wetter than anticipated spring in 2019.



### ***Financial Analysis of Individual Funds***

Of the City's governmental funds, the General Fund accounts for all significant ongoing expenditures, except for roads and debt service. The City's only major fund is the General Fund.

#### **General Fund**

The General Fund ended the fiscal year with an increase in fund balance of approximately \$57,000.

Revenue in the General Fund increased approximately \$483,000 in the current year. Significant increases and decreases relate to the following:

- Property taxes increased approximately \$207,000 due to an increase in taxable value.
- State-shared revenue and grants increased approximately \$152,000 due to an increase of approximately \$89,000 in drug enforcement revenue; an increase of approximately \$39,000 of state-shared revenue, resulting from higher sales tax collections; and an increase of approximately \$35,000 in liquor license fees due to the sale of three redevelopment liquor licenses.
- Fines and forfeitures increased approximately \$43,000 due to an increase in ticket fees.
- Licenses and permits increased approximately \$67,000 due to an increase in development projects.
- Other revenue increased approximately \$30,000 primarily due to an approximately \$19,000 increase in the excess net asset distribution of the City's general liability insurance carrier.

Expenditures in the General Fund increased approximately \$298,000 in the current year. Significant increases and decreases relate to the following:

- Public safety expenditures increased approximately \$123,000 as a result of a general increase in salary and benefits.
- Public works increased approximately \$150,000 primarily due to a \$102,000 conversion of the City's streetlights to LED.
- Community and economic development increased approximately \$53,000 due to the completion of an update to the City's Master Plan.
- Recreation and culture decreased \$58,000 due to an approximately \$34,000 decrease in parks maintenance and a \$32,000 decrease in capital outlay for the Warner Mansion.

#### ***General Operating Fund Budgetary Highlights***

Actual revenue was over budget by approximately \$91,000. Significant variances include the following: federal grants actual was approximately \$94,000 less than amended budget because a grant for the purchase and installation of cameras was partially delayed until after year end. State-shared revenue and grants actual was approximately \$86,000 more than budget primarily because the City recognized approximately \$67,000 more in drug forfeiture revenue than anticipated. Other miscellaneous income actual was approximately \$74,000 over budget primarily because the City's general liability insurance distribution of excess net assets was approximately \$70,000 more than anticipated. The original budget was amended to include an increase in revenue of approximately \$210,000. This increase is composed of an approximately \$101,000 increase in federal grant due the addition of the camera grant mentioned above and an approximately \$44,000 increase in state-shared revenue and grants due to an increase in the constitutional portion of revenue sharing of approximately \$28,000 and the increase of liquor license fees of approximately \$22,000, resulting from the sale of two redevelopment liquor licenses.

Actual expenditures were under budget by approximately \$419,000. Significant positive budget variance resulted from the following: public safety was approximately \$126,000 under budget. Medical premiums were approximately \$39,000 less than budget, because of lower than expected premium increases. Capital outlay was approximately \$45,000 less than budget because of the delay in the camera grant. Public works was approximately \$174,000 under budget because a \$130,000 drain project was not started until after year end. Recreation and culture was approximately \$81,000 under budget because less time was spent performing routine maintenance in the parks, due to a shortage of staffing.

The original budget was amended to include an increase in budgeted expenditures of approximately \$226,000. Significant changes include an increase of approximately \$106,000 in public safety primarily related to the addition of a \$100,000 camera grant. Public works was increased approximately \$150,000 as the result of the addition of approximately \$162,000 of drain projects.

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

Major capital asset and infrastructure additions in governmental funds consisted of the following:

- Road repair (\$940,000)
- Conversion of streetlighting to LED (\$103,000)
- Repairs to DPW roof (\$80,000)
- Public safety vehicles and equipment (\$28,000)
- Miscellaneous IT upgrades (\$15,000)
- Swaploader container (\$8,000)

Major capital asset and infrastructure additions in the business-type funds consisted of the following:

- Repairs to DPW roof (\$80,000)
- Water meter replacements (\$137,000)
- Miscellaneous water and sewer system upgrades (\$209,000)
- Water meter replacements (\$105,000)
- Meter reading tablets (\$16,000)
- Civic Theater HVAC unit (\$12,000)
- Civic Theater screen upgrade (\$22,000)

The City did not issue debt in the current fiscal year.

#### ***Economic Factors and Next Year's Budgets and Rates***

On November 8, 2018, Farmington voters approved a millage increase of 3 mills for 10 years. This vote affirmed what residents and businesses had expressed during several community forums and numerous town hall meetings - the Farmington community wants to invest in its future. The new millage will be allocated 1 mill to operations and 2 mills to capital projects. The 1 mill for operations should create a surplus in the General Fund over the next several years that will help to restore unassigned fund balance to its target of 25 percent of operating expenditures. The 2 mills for capital projects will fund important community projects, including roads, water and sewer lines, drains, sidewalks and streetscapes, parking lots improvements, renovation of city buildings, and replacement of city vehicles and equipment.

During the current year, property taxes comprised 53.0 percent of the City's General Fund revenue. Taxable value increased in the City 5.1 percent. For the upcoming fiscal year, taxable value will increase 4.9 percent, and the City anticipates taxable value growth into the foreseeable future. Several factors that should have a positive impact on the City's taxable value over the next several years are increasing property tax values and several significant development projects.

State-shared revenue accounted for 13.5 percent of General Fund revenue this year; however, current funding levels remain at risk as a result of the financial condition and priorities of the State.

The decline of the financial markets in 2008 will continue to have a significant effect on the City's pension system. Currently, the system is funded at 72.7 percent based on the most recent actuarial valuation dated December 31, 2018. This is a decrease of 8.6 percent over the prior year.

The City is also impacted by its retiree healthcare obligations. Currently, the system is funded at 97.1 percent based on the most recent actuarial valuation dated June 30, 2019. This is an increase of 8.9 percent over the prior year. The City paid \$665,000 in the current year for insurance for its retirees. This is down \$35,000 from the prior year. Costs have been kept at a relatively constant level over the last several years primarily due to changes in the types of insurance offered to retirees, including implementing a Medicare advantage program for retirees 65 years and older and favorable claims experience. In order to provide a degree of budget stability going forward, the City issued bonds in 2013 to fund its retiree healthcare obligations. The proceeds of the bonds, together with anticipated investment proceeds, are anticipated to pay the retiree healthcare premiums over the term of the bonds. When the bonds are paid off, the City will resume paying premiums from its General Fund and Water and Sewer Fund.

The City is refunding several bond issues in 2019 that will result in savings to the City of \$1,040,000 in future debt service with a present value savings of \$876,000.

Adequate cash reserves and authorized unlevied millages ensure provision of current services in the near term as the City meets these challenges and plans for the future.

#### ***Requests for Further Information***

This financial report is designed to provide accountability of our stewardship of the resources provided by our citizens, taxpayers, and customers and to provide financial information to the City's investors and creditors. If you have any questions about this report or need additional financial information, contact the city manager or city treasurer at City Hall, 23600 Liberty Street, Farmington, MI 48335.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,172,112	\$ 1,842,674	\$ 8,014,786	\$ 488,408
Receivables (Note 4)	744,578	1,420,216	2,164,794	6,868
Due from component units	188,026	-	188,026	-
Internal balances (Note 7)	(63,332)	63,332	-	-
Inventory	59,106	55,949	115,055	-
Prepaid expenses and other assets	87,680	500	88,180	2,815
Land held for resale	470,849	-	470,849	-
Capital assets: (Note 6)				
Assets not subject to depreciation	2,986,358	189,566	3,175,924	460,580
Assets subject to depreciation - Net	14,700,526	16,276,559	30,977,085	324,827
<b>Total assets</b>	<b>25,345,903</b>	<b>19,848,796</b>	<b>45,194,699</b>	<b>1,283,498</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 10)	1,939,684	219,412	2,159,096	-
Deferred OPEB costs (Note 11)	280,153	9,980	290,133	-
<b>Liabilities</b>				
Accounts payable	324,646	339,531	664,177	34,120
Due to other governmental units	13,711	-	13,711	4,945
Due to primary government	-	-	-	188,026
Refundable deposits	56,117	-	56,117	-
Accrued liabilities and other	440,076	38,023	478,099	12,576
Unearned revenue (Note 5)	114,314	-	114,314	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	178,509	21,729	200,238	-
Current portion of long-term debt	593,164	203,500	796,664	-
Due in more than one year:				
Compensated absences	77,709	2,415	80,124	1,361
Net pension liability (Note 10)	6,368,747	720,414	7,089,161	-
Net OPEB liability (Note 11)	269,970	9,617	279,587	-
Long-term debt (Note 8)	9,146,800	3,530,500	12,677,300	-
<b>Total liabilities</b>	<b>17,583,763</b>	<b>4,865,729</b>	<b>22,449,492</b>	<b>241,028</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 10)	230,250	26,045	256,295	-
Deferred OPEB cost reductions (Note 11)	1,113,677	39,672	1,153,349	-
<b>Net Position</b>				
Net investment in capital assets	15,242,920	13,116,125	28,359,045	785,407
Restricted:				
Roads	1,913,745	-	1,913,745	-
Sidewalks	51,680	-	51,680	-
Drug forfeiture	66,582	-	66,582	-
Grants	4,192	-	4,192	-
Unrestricted	(8,641,069)	2,030,617	(6,610,452)	257,063
<b>Total net position</b>	<b>\$ 8,638,050</b>	<b>\$ 15,146,742</b>	<b>\$ 23,784,792</b>	<b>\$ 1,042,470</b>

# City of Farmington, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,417,108	\$ 275,605	\$ -	\$ -
District court	548,878	425,127	21,439	-
Public safety	4,534,186	466,252	159,219	62,781
Public works	2,386,782	764,827	1,096,758	326,370
Health and welfare	6,046	-	-	-
Community and economic development	220,149	18,008	-	-
Recreation and culture	753,097	112,830	23,677	-
Interest on long-term debt	511,260	-	-	-
Total governmental activities	<u>10,377,506</u>	<u>2,062,649</u>	<u>1,301,093</u>	<u>389,151</u>
Business-type activities:				
Water and Sewer	4,897,775	4,803,852	-	-
Farmington Community Theater	535,177	499,165	-	-
Total business-type activities	<u>5,432,952</u>	<u>5,303,017</u>	<u>-</u>	<u>-</u>
Total primary government	<u><b>\$ 15,810,458</b></u>	<u><b>\$ 7,365,666</b></u>	<u><b>\$ 1,301,093</b></u>	<u><b>\$ 389,151</b></u>
Component units:				
Downtown Development Authority	\$ 827,901	\$ 117,619	\$ 191,650	\$ -
Brownfield Redevelopment Authority	3,031	-	-	-
Total component units	<u><b>\$ 830,932</b></u>	<u><b>\$ 117,619</b></u>	<u><b>\$ 191,650</b></u>	<u><b>\$ -</b></u>
General revenue:				
Property taxes				
State-shared revenue:				
State-shared revenue				
Local community stabilization authority				
Investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Transfers				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,141,503)	\$ -	\$ (1,141,503)	\$ -
(102,312)	-	(102,312)	-
(3,845,934)	-	(3,845,934)	-
(198,827)	-	(198,827)	-
(6,046)	-	(6,046)	-
(202,141)	-	(202,141)	-
(616,590)	-	(616,590)	-
(511,260)	-	(511,260)	-
(6,624,613)	-	(6,624,613)	-
-	(93,923)	(93,923)	-
-	(36,012)	(36,012)	-
-	(129,935)	(129,935)	-
(6,624,613)	(129,935)	(6,754,548)	-
-	-	-	(518,632)
-	-	-	(3,031)
-	-	-	(521,663)
5,334,976	-	5,334,976	355,892
1,012,520	-	1,012,520	-
70,888	-	70,888	-
149,329	49,238	198,567	13,516
211,478	-	211,478	-
236,028	-	236,028	-
70,296	-	70,296	-
7,085,515	49,238	7,134,753	369,408
(25,000)	25,000	-	-
435,902	(55,697)	380,205	(152,255)
8,202,148	15,202,439	23,404,587	1,194,725
<b>\$ 8,638,050</b>	<b>\$ 15,146,742</b>	<b>\$ 23,784,792</b>	<b>\$ 1,042,470</b>

# City of Farmington, Michigan

## Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 2,105,394	\$ 2,945,590	\$ 5,050,984
Receivables	530,767	213,811	744,578
Due from component units	5,026	183,000	188,026
Due from other funds	11,585	138,013	149,598
Inventory	59,106	-	59,106
Prepaid expenses and other assets	638	-	638
Land held for resale	470,849	-	470,849
	<u>\$ 3,183,365</u>	<u>\$ 3,480,414</u>	<u>\$ 6,663,779</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 251,702	\$ 67,580	\$ 319,282
Due to other governmental units	-	13,711	13,711
Due to other funds	66,809	161,916	228,725
Refundable deposits	56,117	-	56,117
Accrued liabilities and other	260,224	8,855	269,079
Unearned revenue	4,032	110,282	114,314
	<u>638,884</u>	<u>362,344</u>	<u>1,001,228</u>
Total liabilities			
<b>Deferred Inflows of Resources</b> - Unavailable revenue	50,325	48,579	98,904
<b>Fund Balances</b>			
Nonspendable - Inventory, prepaid expenses, and land held for resale	530,593	-	530,593
Restricted:			
Roads	-	1,896,345	1,896,345
Grants	3,530	662	4,192
Sidewalks	-	51,680	51,680
Drug forfeiture	66,582	-	66,582
Assigned:			
Debt service	-	527,432	527,432
Cemetery	46,259	-	46,259
Capital projects	-	593,372	593,372
Unassigned	1,847,192	-	1,847,192
	<u>2,494,156</u>	<u>3,069,491</u>	<u>5,563,647</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,183,365</u>	<u>\$ 3,480,414</u>	<u>\$ 6,663,779</u>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 5,563,647
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 (excluding internal service fund - DPW Equipment Revolving Fund)	17,028,417
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	98,904
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,739,964)
Accrued interest is not due and payable in the current period and is not reported in the funds	(49,003)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities (excluding internal service funds):	
Pension benefits	(4,550,999)
Retiree healthcare benefits	(1,103,494)
Internal service funds are included as part of governmental activities	<u>1,390,542</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 8,638,050</u></u></b>



# City of Farmington, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2019**

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 4,841,905	\$ 493,071	\$ 5,334,976
Special assessments	-	129,368	129,368
State-shared revenue:			
Federal grants	31,333	-	31,333
State-shared revenue and grants	1,234,661	1,104,724	2,339,385
Charges for services	2,025,180	-	2,025,180
Fines and forfeitures	496,298	-	496,298
Licenses and permits	206,264	-	206,264
Investment income	83,126	66,203	149,329
Other miscellaneous income	218,027	345,373	563,400
Total revenue	9,136,794	2,138,739	11,275,533
<b>Expenditures</b>			
Current services:			
General government	1,797,307	-	1,797,307
District court	511,545	37,333	548,878
Public safety	3,868,612	-	3,868,612
Public works	1,273,830	1,399,725	2,673,555
Health and welfare	6,046	-	6,046
Community and economic development	220,149	-	220,149
Recreation and culture	677,751	-	677,751
Debt service:			
Principal	-	646,412	646,412
Interest on long-term debt	-	515,251	515,251
Total expenditures	8,355,240	2,598,721	10,953,961
<b>Excess of Revenue Over (Under) Expenditures</b>	781,554	(459,982)	321,572
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,211,477	1,211,477
Transfers out	(724,589)	(511,888)	(1,236,477)
Sale of capital assets	-	236,028	236,028
Total other financing (uses) sources	(724,589)	935,617	211,028
<b>Net Change in Fund Balances</b>	56,965	475,635	532,600
<b>Fund Balances - Beginning of year</b>	2,437,191	2,593,856	5,031,047
<b>Fund Balances - End of year</b>	\$ 2,494,156	\$ 3,069,491	\$ 5,563,647

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2019**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 532,600</b>
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 (excluding internal service fund - DPW Equipment Revolving Fund):	
Capital outlay	1,140,450
Depreciation expense	(1,104,196)
Net book value of assets disposed of	(259,660)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(75,374)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	646,412
Interest expense is recognized in the government-wide statements as it accrues	3,990
Some employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (excluding internal service funds)	(511,232)
Internal service funds are included as part of governmental activities	<u>62,912</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 435,902</u></u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,818,786	\$ 23,888	\$ 1,842,674	\$ 1,121,128
Receivables	1,411,603	8,613	1,420,216	-
Due from other funds	38,506	27,664	66,170	21,834
Inventory	51,718	4,231	55,949	-
Prepaid expenses and other assets	-	500	500	87,042
Total current assets	3,320,613	64,896	3,385,509	1,230,004
Noncurrent assets -				
Capital assets:				
Assets not subject to depreciation	96,681	92,885	189,566	-
Assets subject to depreciation - Net	15,571,313	705,246	16,276,559	658,467
Total noncurrent assets	15,667,994	798,131	16,466,125	658,467
Total assets	18,988,607	863,027	19,851,634	1,888,471
<b>Deferred Outflows of Resources</b>				
Deferred pension costs	219,412	-	219,412	45,092
Deferred OPEB costs	9,980	-	9,980	-
Total deferred outflows of resources	229,392	-	229,392	45,092
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	323,578	15,953	339,531	5,364
Due to other funds	2,830	8	2,838	6,039
Accrued liabilities and other	32,842	5,181	38,023	121,994
Compensated absences	21,729	-	21,729	178,509
Current portion of long-term debt	203,500	-	203,500	-
Total current liabilities	584,479	21,142	605,621	311,906
Noncurrent liabilities:				
Compensated absences	2,415	-	2,415	77,709
Net pension liability	720,414	-	720,414	148,054
Net OPEB liability	9,617	-	9,617	-
Long-term debt	3,530,500	-	3,530,500	-
Total noncurrent liabilities	4,262,946	-	4,262,946	225,763
Total liabilities	4,847,425	21,142	4,868,567	537,669
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions	26,045	-	26,045	5,352
Deferred OPEB cost reductions	39,672	-	39,672	-
Total deferred inflows of resources	65,717	-	65,717	5,352
<b>Net Position</b>				
Net investment in capital assets	12,317,994	798,131	13,116,125	658,467
Unrestricted	1,986,863	43,754	2,030,617	732,075
Total net position	<u>\$ 14,304,857</u>	<u>\$ 841,885</u>	<u>\$ 15,146,742</u>	<u>\$ 1,390,542</u>

Proprietary Funds  
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
<b>Operating Revenue</b>				
Sale of water	\$ 2,081,883	\$ -	\$ 2,081,883	\$ -
Sewage disposal charges	2,608,838	-	2,608,838	-
Fees	-	496,642	496,642	-
Other income	113,131	2,523	115,654	-
Service charges	-	-	-	637,688
Total operating revenue	4,803,852	499,165	5,303,017	637,688
<b>Operating Expenses</b>				
Source of supply	2,552,691	-	2,552,691	-
Administration and general	1,010,427	487,183	1,497,610	-
Transmission, distribution, and maintenance	601,055	-	601,055	-
Insurance costs	-	-	-	197,264
Accrued benefit expense	-	-	-	12,679
Fleet maintenance	-	-	-	334,224
Depreciation	561,324	47,994	609,318	54,193
Total operating expenses	4,725,497	535,177	5,260,674	598,360
<b>Operating Income (Loss)</b>	78,355	(36,012)	42,343	39,328
<b>Nonoperating Revenue (Expense)</b>				
Investment income	48,448	790	49,238	23,584
Interest expense	(149,592)	-	(149,592)	-
Loss on sale of assets	(19,941)	(2,745)	(22,686)	-
Total nonoperating (expense) revenue	(121,085)	(1,955)	(123,040)	23,584
<b>Transfers In</b>	-	25,000	25,000	-
<b>Change in Net Position</b>	(42,730)	(12,967)	(55,697)	62,912
<b>Net Position - Beginning of year</b>	14,347,587	854,852	15,202,439	1,327,630
<b>Net Position - End of year</b>	<b>\$ 14,304,857</b>	<b>\$ 841,885</b>	<b>\$ 15,146,742</b>	<b>\$ 1,390,542</b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 4,931,421	\$ 500,051	\$ 5,431,472	\$ 629,094
Payments to suppliers	(3,807,222)	(338,019)	(4,145,241)	(404,321)
Payments to employees	(510,762)	(148,079)	(658,841)	(86,719)
Internal activity - Payments to other funds	(35,949)	(25,196)	(61,145)	(918)
Other receipts	-	-	-	8,594
Net cash and cash equivalents provided by (used in) operating activities	577,488	(11,243)	566,245	145,730
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(422,927)	(34,240)	(457,167)	(19,443)
Principal and interest paid on capital debt	(348,923)	-	(348,923)	-
Net cash and cash equivalents used in capital and related financing activities	(771,850)	(34,240)	(806,090)	(19,443)
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	49,873	790	50,663	23,584
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(144,489)	(44,693)	(189,182)	149,871
<b>Cash and Cash Equivalents - Beginning of year</b>	1,963,275	68,581	2,031,856	971,257
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,818,786</u>	<u>\$ 23,888</u>	<u>\$ 1,842,674</u>	<u>\$ 1,121,128</u>
<b>Classification of Cash and Cash Equivalents -</b>				
Cash and cash equivalents	<u>\$ 1,818,786</u>	<u>\$ 23,888</u>	<u>\$ 1,842,674</u>	<u>\$ 1,121,128</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 78,355	\$ (36,012)	\$ 42,343	\$ 39,328
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	561,324	47,994	609,318	54,193
Changes in assets and liabilities:				
Receivables	127,569	886	128,455	-
Due to and from other funds	(35,949)	(25,196)	(61,145)	(918)
Inventories	4,630	(32)	4,598	-
Prepaid and other assets	-	-	-	(17,883)
Accounts payable	(219,217)	1,385	(217,832)	7,399
Net pension or OPEB liability	182,463	-	182,463	85,020
Deferrals related to pension or OPEB	(120,742)	-	(120,742)	(34,184)
Accrued and other liabilities	(945)	(268)	(1,213)	12,775
Total adjustments	499,133	24,769	523,902	106,402
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 577,488</u>	<u>\$ (11,243)</u>	<u>\$ 566,245</u>	<u>\$ 145,730</u>

Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2019

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Agency Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 523,020	\$ 14,915	\$ 51,814
Investments:			
Mutual funds - Equity	1,261,371	-	-
Common stock	3,445,648	-	-
ETF - Equity	1,837,636	-	-
Mutual funds - Fixed income	2,343,145	-	-
Receivables	220	-	-
	9,411,040	14,915	<b>\$ 51,814</b>
<b>Liabilities</b>			
Due to other governmental units	-	-	\$ 51,814
Accrued liabilities and other	-	14,915	-
	-	14,915	<b>\$ 51,814</b>
<b>Net Position Restricted for Other Postemployment Benefits</b>	<b>\$ 9,411,040</b>	<b>\$ -</b>	

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	<u>Retiree Health Care Fund</u>
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 264,382
Net realized and unrealized gain on investments	97,471
Less investment expenses	<u>(51,081)</u>
Total additions - Net investment income	310,772
<b>Deductions</b>	
Insurance costs	665,475
Administrative expenses	<u>6,121</u>
Total deductions	<u>671,596</u>
<b>Net Decrease in Plan Assets</b>	(360,824)
<b>Net Position Restricted for Other Postemployment Benefits - Beginning of year</b>	<u>9,771,864</u>
<b>Net Position Restricted for Other Postemployment Benefits - End of year</b>	<u><u>\$ 9,411,040</u></u>

# City of Farmington, Michigan

## Component Units Statement of Net Position

June 30, 2019

	Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
<b>Assets</b>				
Cash and investments	\$ 430,156	\$ 25,351	\$ 32,901	\$ 488,408
Receivables	6,868	-	-	6,868
Prepaid expenses and other assets	2,815	-	-	2,815
Capital assets:				
Assets not subject to depreciation	460,580	-	-	460,580
Assets subject to depreciation - Net	324,827	-	-	324,827
Total assets	1,225,246	25,351	32,901	1,283,498
<b>Liabilities</b>				
Accounts payable	34,120	-	-	34,120
Due to other governmental units	-	4,945	-	4,945
Due to primary government	187,526	500	-	188,026
Accrued liabilities and other	12,576	-	-	12,576
Noncurrent liabilities - Due in more than one year - Compensated absences	1,361	-	-	1,361
Total liabilities	235,583	5,445	-	241,028
<b>Net Position</b>				
Net investment in capital assets	785,407	-	-	785,407
Unrestricted	204,256	19,906	32,901	257,063
Total net position	<u>\$ 989,663</u>	<u>\$ 19,906</u>	<u>\$ 32,901</u>	<u>\$ 1,042,470</u>



# City of Farmington, Michigan

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	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Downtown Development Authority	\$ 827,901	\$ 117,619	\$ 191,650	\$ -
Brownfield Redevelopment Authority	3,031	-	-	-
Corridor Improvement Authority	-	-	-	-
Total	<b><u>\$ 830,932</u></b>	<b><u>\$ 117,619</u></b>	<b><u>\$ 191,650</u></b>	<b><u>\$ -</u></b>

General revenue:

Property taxes

Investment income

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

Component Units  
Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position				
Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total	
\$ (518,632)	\$ -	\$ -	\$ (518,632)	
-	(3,031)	-	(3,031)	
-	-	-	-	
(518,632)	(3,031)	-	(521,663)	
352,959	2,933	-	355,892	
12,318	545	653	13,516	
365,277	3,478	653	369,408	
(153,355)	447	653	(152,255)	
1,143,018	19,459	32,248	1,194,725	
<b>\$ 989,663</b>	<b>\$ 19,906</b>	<b>\$ 32,901</b>	<b>\$ 1,042,470</b>	

**Note 1 - Significant Accounting Policies**

***Reporting Entity***

The City of Farmington, Michigan (the "City") is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

**Blended Component Units**

The 2013 LTGO Bonds - OPEB debt service fund serves as a conduit for transfers from the General Fund and Water and Sewer Fund on an as-needed basis to cover the debt service on the taxable LTGO Bond. The governing body is the same as the governing body of the primary government, and the fund provides services entirely to the primary government.

**Discretely Presented Component Units**

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, to encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of seven individuals, is selected by the mayor and City Council. In addition, the Authority's budget is subject to approval by the City Council.

The Brownfield Redevelopment Authority (the "BRA") was created to assist in the redevelopment of environmentally challenged sites within the City. The BRA's governing body, which consists of five individuals, is appointed by the mayor with City Council approval.

The Corridor Improvement Authority (the "CIA") was established to correct and prevent deterioration in the commercial corridor business district, encourage historical preservation, and promote economic growth of the district. The CIA's governing body, which consists of six individuals, is appointed by the mayor with City Council approval.

***Jointly Governed Organization***

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington Hills, Michigan. The City provides 16.08 percent of the funding for the Michigan 47th District Court Administration Fund.

Complete financial statements for the 47th District Court Administration Fund can be obtained from the City's administrative offices at 23600 Liberty Street, Farmington, MI 48335.

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "RRRASOC"). The RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Milford, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan and the charter townships of South Lyon and Milford. The RRRASOC receives its operating revenue from member contributions and miscellaneous income. The City contributed \$12,965 for the year ended June 30, 2019. Financial information for the RRRASOC can be obtained from the RRRASOC's administrative offices at 20000 West Eight Mile Road, Southfield, MI 48075.

For all the above joint ventures, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the future.

**Note 1 - Significant Accounting Policies (Continued)**

***Accounting and Reporting Principles***

The City follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

***Report Presentation***

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

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

***Fund Accounting***

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

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

- General Fund - The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

**Note 1 - Significant Accounting Policies (Continued)**

**Proprietary Funds**

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:

- Water and Sewer Fund - The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

The City's internal service funds are used for the following purposes: to account for the portion of the City's insurance liability not covered by commercially provided insurance; to record the City's liability for accrued vacation and compensated time off; and to record the City's use of the DPW fleet and equipment. The internal service funds are accounted for on the full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

- Retiree Health Care Fund - The Retiree Health Care Fund accounts for the resources set aside by the City to provide health and insurance benefits for its retired employees in accordance with resolutions, ordinances, employee agreements, and union contracts.
- Private Purpose Trust Fund - The Private Purpose Trust Fund accounts for resources restricted for the upkeep and maintenance of the City's cemetery.
- Agency Fund - The agency fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The agency fund is custodial in nature (assets equal liabilities) and does 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.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the 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 City has spent its resources.

**Note 1 - Significant Accounting Policies (Continued)**

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

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

Proprietary funds and fiduciary funds, as applicable, 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**

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Investments are stated at fair value, except for investments in external investment pools, which are valued at amortized cost. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. 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, when applicable.

**Land Held for Resale**

Land held for sale reported in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

**Note 1 - Significant Accounting Policies (Continued)**

**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 \$5,000 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 acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
County roads	20-30
Infrastructure	10-50
Water and sewer mains	50
Water storage tank	50
Water meters	20
Buildings and improvements	5-80
Equipment and other	4-25
Vehicles	3-30
Truck and tractors	7-15
Office equipment	5-20
Court building	10-50
Flowage rights	25
Other equipment	5-15

**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 lives 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 and premiums as "other financing sources" and bond discounts as "other financing uses." The General Fund, Water and Sewer Fund, and debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pension and other postemployment benefits.

In addition to liabilities, the statement of net position 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 future periods and will not be recognized as an inflow of resources (revenue) until that time.

**Note 1 - Significant Accounting Policies (Continued)**

The City reports deferred inflows related to unavailable revenue and deferred inflows related to pension and other postemployment benefits. The deferred inflows of resources related to unavailable revenue from special assessments and other receivables are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted 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 (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes 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. Furthermore, 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.

**Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. The related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The City's 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the City totaled \$344 million (a portion of which is abated and a portion of which is captured by the Authority and BRA), on which taxes levied consisted of 14 mills for general operating purposes, 1.4884 mills for street improvements and maintenance, and 1.9685 mills for the Authority operating. This resulted in approximately \$4,640,000 for general operating, \$493,000 for street improvements and maintenance, and \$43,000 for the Authority operating. These amounts are recognized in the respective General Fund, Municipal Street Fund, and the Authority fund.



**Note 1 - Significant Accounting Policies (Continued)**

**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 pensions, 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. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund, DPW Equipment Revolving Fund, and Water and Sewer Fund.

**Other Postemployment Benefit Costs**

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Farmington Retiree Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability has generally been liquidated from the funds from which the individual salaries are paid, which are the General Fund and Water and Sewer Fund.

**Compensated Absences (Vacation and Compensated Time Off)**

It is the City's policy to permit employees to accumulate earned but unused vacation and compensated time off pay. In the government-wide and proprietary fund financial statements, a portion of the vacation pay and compensated time off is accrued when incurred for the amount that would be paid out upon separation of the employee from the City. In the governmental funds, an internal service fund records the portion of the vacation pay and compensated time off when incurred and charges the governmental funds in order to provide resources to pay employees upon termination. The compensated absences recorded in the business-type activities have generally been liquidated from the Water and Sewer Fund.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is 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 these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

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

**Note 1 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

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

***Budgetary Information***

The City Charter requires the city manager to submit a budget for the next fiscal year to the City Council on or before April 20 and the City Council to adopt, by resolution, a budget for the next fiscal year on or after May 1 and not later than June 20. The City Council may pass amendments to the budget during the fiscal year by resolution.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2019 has not been calculated.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with the statement of revenue, expenditures, and changes in fund balances, including budget variances, for the General Fund is presented as required supplemental information. A comparison of the budget with the statement of revenue, expenditures, and changes in fund balances, including budget variances, for the nonmajor funds can be obtained from the city offices at 23600 Liberty Street, Farmington, MI 48335.

**Note 2 - Stewardship, Compliance, and Accountability (Continued)**

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget document presents information by fund, function, department, and line item. The legal level of budgetary control adopted by the governing body is the activity level.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the City incurred expenditures in the community and economic development department that were in excess of the amounts budgeted by \$3,277. The overage resulted from the write-off of uncollectible engineering fees relating to a legal proceeding.

**Construction Code Fees**

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

Shortfall at July 1, 2018		\$ (1,040,870)
Current year permit revenue		167,549
Related expenses:		
Direct costs	\$ 188,694	
Estimated indirect costs	18,869	207,563
		<u>(40,014)</u>
Current year shortfall		<u>(40,014)</u>
Cumulative shortfall June 30, 2019		<u>\$ (1,080,884)</u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. 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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 Retiree Health Care Fund is also authorized by Michigan Public Act 347 of 2012, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has deposited funds at seven banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority. Additionally, the City participates in the Oakland County Local Government Investment Pool and the Michigan CLASS investment pool. The investment pools are not subject to regulatory oversight, are not registered with the SEC, and do not issue a separate financial report. The fair value of the position in the investment pools is the same as the value of the pool shares.

**Note 3 - 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 \$3,785,533 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$523,020 of a fiduciary trust fund. The City's component units had no bank deposits that were 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.

As noted above, the City participates in the Oakland County Local Government Investment Pool and the Michigan CLASS investment pool. As of June 30, 2019, the City's investment in the Oakland County investment pool was \$1,764,547. As of June 30, 2019, the City's investment in the Michigan CLASS investment pool was \$1,838,043.

**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	Carrying Value	Weighted-average Maturity (Years)
<b>Primary Government</b>		
Michigan CLASS investment pool	\$ 1,838,043	0.17
Oakland County Local Government Investment Pool	1,764,547	2.39
Comerica J Fund	517,761	0.33
Total	\$ 4,120,351	
Investment	Carrying Value	Weighted-average Maturity (Years)
<b>Fiduciary Funds</b>		
Mutual funds - Fixed income	\$ 1,198,531	5.10
Mutual funds - Fixed income	1,144,614	4.13
Total	\$ 2,343,145	

**Note 3 - 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 June 30, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan CLASS investment pool	\$ 1,838,043	AAAm	S&P
Oakland County Local Government Investment Pool	1,764,547	Not rated	N/A
Comerica J Fund	517,761	Not rated	N/A
Total	<u>\$ 4,120,351</u>		

Investment	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Mutual funds - Fixed income	<u>\$ 2,343,145</u>	Not rated	N/A

**Fair Value Measurements**

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

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

June 30, 2019

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

The City has the following recurring fair value measurements as of June 30, 2019:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Debt securities - Mutual funds - Fixed income	\$ 2,343,145	\$ -	\$ -	\$ 2,343,145
Equity securities:				
Mutual funds - Equity	1,261,371	-	-	1,261,371
Stocks	3,445,648	-	-	3,445,648
Exchange-traded funds	1,837,636	-	-	1,837,636
Total equity securities	6,544,655	-	-	6,544,655
Total	\$ 8,887,800	\$ -	\$ -	8,887,800
Investments measured at NAV:				
Michigan CLASS investment pool				1,838,043
Oakland County Local Government Investment Pool				1,764,547
Comerica J Fund				517,761
Total investments measured at NAV				4,120,351
Total assets				\$ 13,008,151

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the net asset value per share (or its equivalent) is presented on the table below.

**Investments in Entities that Calculate Net Asset Value per Share**

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	\$ 1,838,043	\$ -	No restrictions	None
Oakland County Local Government Investment Pool	1,764,547	-	No restrictions	None
Comerica J Fund	517,761	-	No restrictions	None

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

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares because the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost.

The Comerica J Fund is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost. The amortized cost value reported is within 0.05 percent of fair value.

**Note 4 - Receivables**

Receivables as of June 30, 2019 for the City's individual major funds and the nonmajor funds are as follows:

	General Fund	Nonmajor Funds	Total Governmental Activities
Receivables:			
Taxes	\$ 4,090	\$ -	\$ 4,090
Special assessments	-	48,579	48,579
Due from other governmental units	340,598	162,532	503,130
Interest and other	186,079	2,700	188,779
Net receivables	<u>\$ 530,767</u>	<u>\$ 213,811</u>	<u>\$ 744,578</u>

Receivables as of year end for the City's enterprise funds are as follows:

	Water and Sewer Fund	Nonmajor Enterprise Fund - Farmington Community Theater	Total Business- type Activities
Delinquent water and sewer bills	\$ 205,309	\$ -	\$ 205,309
Customer receivables	1,184,890	-	1,184,890
Intergovernmental	8,464	-	8,464
Interest and other	12,940	8,613	21,553
Total receivables	<u>\$ 1,411,603</u>	<u>\$ 8,613</u>	<u>\$ 1,420,216</u>

June 30, 2019

**Note 5 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2019, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Special assessments	\$ 48,579	\$ -
Grants	50,325	114,314
<b>Total</b>	<b>\$ 98,904</b>	<b>\$ 114,314</b>

**Note 6 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,955,923	\$ -	\$ -	\$ (16,541)	\$ 1,939,382
Construction in progress	1,079,770	(906,465)	873,671	-	1,046,976
Subtotal	3,035,693	(906,465)	873,671	(16,541)	2,986,358
Capital assets being depreciated:					
County roads	391,690	-	-	-	391,690
Flowage rights	946,170	-	-	-	946,170
Infrastructure	22,583,766	826,056	223,621	-	23,633,443
Buildings and improvements	3,604,627	80,409	-	-	3,685,036
Equipment and other	1,144,445	-	15,389	-	1,159,834
Vehicles	2,105,144	-	47,212	(41,757)	2,110,599
Court building	2,310,486	-	-	(622,738)	1,687,748
Subtotal	33,086,328	906,465	286,222	(664,495)	33,614,520
Accumulated depreciation:					
County roads	195,845	-	13,056	-	208,901
Flowage rights	918,563	-	13,804	-	932,367
Infrastructure	12,199,797	-	791,783	-	12,991,580
Buildings and improvements	2,380,740	-	95,195	-	2,475,935
Equipment and other	639,493	-	78,977	-	718,470
Vehicles	956,600	-	131,819	(41,759)	1,046,660
Court building	885,943	-	33,755	(379,617)	540,081
Subtotal	18,176,981	-	1,158,389	(421,376)	18,913,994
Net capital assets being depreciated	14,909,347	906,465	(872,167)	(243,119)	14,700,526
Net governmental activities capital assets	\$ 17,945,040	\$ -	\$ 1,504	\$ (259,660)	\$ 17,686,884



June 30, 2019

**Note 6 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 174,009	\$ -	\$ -	\$ -	\$ 174,009
Construction in progress	36,137	(198,778)	178,198	-	15,557
Subtotal	210,146	(198,778)	178,198	-	189,566
Capital assets being depreciated:					
Water and sewer mains	29,804,510	118,369	90,792	-	30,013,671
Water storage tank	224,377	-	-	-	224,377
Water meters	421,446	-	137,101	-	558,547
Building	1,909,029	80,409	11,795	-	2,001,233
Truck and tractors	379,167	-	-	-	379,167
Office equipment	787,429	-	39,281	(57,688)	769,022
Subtotal	33,525,958	198,778	278,969	(57,688)	33,946,017
Accumulated depreciation:					
Water and sewer mains	14,745,728	-	506,721	-	15,252,449
Water storage tank	53,791	-	11,372	-	65,163
Water meters	81,200	-	20,593	-	101,793
Building	1,257,557	-	38,778	-	1,296,335
Truck and tractors	355,166	-	8,000	-	363,166
Office equipment	601,700	-	23,854	(35,002)	590,552
Subtotal	17,095,142	-	609,318	(35,002)	17,669,458
Net capital assets being depreciated	16,430,816	198,778	(330,349)	(22,686)	16,276,559
Net business-type activities capital assets	\$ 16,640,962	\$ -	\$ (152,151)	\$ (22,686)	\$ 16,466,125

***Component Units***

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated -					
Land	\$ 460,580	\$ -	\$ -	\$ -	\$ 460,580
Capital assets being depreciated:					
Green areas	308,116	-	28,964	-	337,080
Office equipment	30,812	-	-	-	30,812
Land improvements	208,052	-	75,664	-	283,716
Subtotal	546,980	-	104,628	-	651,608
Accumulated depreciation:					
Green areas	168,582	-	31,070	-	199,652
Office equipment	15,458	-	2,122	-	17,580
Land improvements	97,774	-	11,775	-	109,549
Subtotal	281,814	-	44,967	-	326,781
Net capital assets being depreciated	265,166	-	59,661	-	324,827
Net component units capital assets	\$ 725,746	\$ -	\$ 59,661	\$ -	\$ 785,407

June 30, 2019

**Note 6 - Capital Assets (Continued)**

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

Governmental activities:		
General government		\$ 91,103
Public safety		156,068
Public works		790,269
Recreation and culture		66,756
Internal Service Fund (depreciation is charged to the various functions based on their usage of the asset)		<u>54,193</u>
Total governmental activities		<u>\$ 1,158,389</u>
Business-type activities:		
Water and sewer		\$ 561,324
Theater		<u>47,994</u>
Total business-type activities		<u>\$ 609,318</u>
Component unit activities - Downtown Development Authority		<u>\$ 44,967</u>

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 3,242
	Nonmajor enterprise fund	8
	Water and Sewer Fund	2,296
	Internal service fund - DPW Equipment Revolving Fund	<u>6,039</u>
	Total General Fund	11,585
Nonmajor governmental funds	General Fund	7,194
	Nonmajor governmental funds	<u>130,819</u>
	Total nonmajor governmental funds	138,013
Internal service fund - DPW Equipment Revolving Fund	General Fund	8,445
	Nonmajor governmental funds	2,855
	Water and Sewer Fund	<u>534</u>
	Total internal service fund - DPW Equipment Revolving Fund	11,834
Internal service fund - Employee Accrued Benefits Fund	General Fund	10,000
Water and Sewer Fund	General Fund	38,506
Nonmajor enterprise fund	General Fund	2,664
	Nonmajor governmental fund	<u>25,000</u>
	Total nonmajor enterprise fund	<u>27,664</u>
	Total	<u>\$ 237,602</u>

**Note 7 - Interfund Receivables, Payables, and Transfers (Continued)**

The balance of amounts due to/from discretely presented component units is as follows:

Receivable	Payable	Amount
General Fund	Downtown Development Authority	\$ 4,526
	Brownfield Redevelopment Authority	500
	Total General Fund	5,026
Nonmajor governmental fund	Downtown Development Authority	183,000
	Total	<u>\$ 188,026</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

Transfer In	Transfer Out	Amount
Nonmajor governmental funds	General Fund (1)	\$ 724,589
	Nonmajor governmental funds (2)	486,888
Nonmajor enterprise fund	Nonmajor governmental fund (3)	25,000
	Total	<u>\$ 1,236,477</u>

(1) The transfer from the General Fund to the nonmajor governmental funds (2005 Capital Improvement Bond, 47th District Court Building Authority Bonds, and 2013 LTGO OPEB Bonds) was made to provide for current year debt service payments.

(2) The transfer from the nonmajor governmental fund (Municipal Street Fund) to the nonmajor governmental fund (Local Street Fund) was made to finance a portion of the cost of the City's road programs. The transfer from the nonmajor governmental fund (Drakeshire Debt Service Fund) to the nonmajor governmental fund (Nonvoted Debt Service Fund) was to transfer residual fund balance and close out the Drakeshire Debt Service Fund.

(3) The transfer from the nonmajor governmental fund (Capital Improvement Fund) to the nonmajor enterprise fund (Farmington Community Theater Fund) was made to fund capital outlay expenditures in the current year, including an HVAC unit and lower theater screen replacement.

**Note 8 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

June 30, 2019

**Note 8 - Long-term Debt (Continued)**

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements - 2012 Special Assessment Bond:							
Amount of issue - \$400,000							
Maturing through 2019	N/A	N/A	\$ 80,000	\$ -	\$ (80,000)	\$ -	\$ -
Other debt:							
Transportation Fund							
Bonds - 2007 Michigan Transportation Fund							
Bonds:							
Amount of issue - \$1,450,000		\$125,000-					
Maturing through 2021	3.90%	\$145,000	540,000	-	(125,000)	415,000	130,000
Building Authority Bonds:							
2017 47th District							
Court Bond:							
Amount of issue - \$1,400,300		\$119,662 -					
Maturing through 2021	4.00%-5.50%	\$127,300	373,626	-	(119,662)	253,964	126,664
2009 Capital Improvement Bond:							
Amount of issue - \$1,000,000		\$45,000 -					
Maturing through 2029	4.750% - 4.875%	\$75,000	660,000	-	(45,000)	615,000	50,000
2005 Capital Improvement Bond:							
Amount of issue - \$1,500,000		\$155,000					
Maturing through 2019	3.65% - 4.00%		305,000	-	(150,000)	155,000	155,000
2013 Capital Improvement Bond:							
Amount of issue - \$1,300,000		\$65,000 -					
Maturing through 2033	1.00% - 3.50%	\$100,000	1,070,000	-	(65,000)	1,005,000	65,000
Limited Tax General Obligation Bond - 2013 OPEB Bond:							
Amount of issue - \$7,514,500		\$66,500 -					
Maturing through 2033	1.35% - 5.73%	\$840,750	7,357,750	-	(61,750)	7,296,000	66,500
Total other debt principal outstanding			10,306,376	-	(566,412)	9,739,964	593,164
Compensated absences			243,539	180,524	(167,845)	256,218	178,509
Total governmental activities long-term debt			\$ 10,629,915	\$ 180,524	\$ (814,257)	\$ 9,996,182	\$ 771,673

June 30, 2019

**Note 8 - Long-term Debt (Continued)**

**Business-type Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt:							
2003 Capital Improvement Sewer Bonds:							
Amount of issue - \$900,000	4.15% -	\$55,000 -					
Maturing through 2023	4.80%	\$60,000	\$ 285,000	\$ -	\$ (55,000)	\$ 230,000	\$ 55,000
2011 General Obligation Capital Improvement Water and Sewer Bonds:							
Amount of issue - \$2,215,000	2.00% -	\$80,000 -					
Maturing through 2031	4.25%	\$205,000	1,920,000	-	(75,000)	1,845,000	80,000
2013 OPEB Bond:							
Amount of issue - \$395,500	1.35% -	\$3,500 -					
Maturing through 2033	5.73%	\$44,250	387,250	-	(3,250)	384,000	3,500
2015 Capital Improvement Bond:							
Amount of issue - \$1,500,000	3.00% -	\$65,000 -					
Maturing through 2035	3.50%	\$100,000	1,340,000	-	(65,000)	1,275,000	65,000
Total other debt principal outstanding			3,932,250	-	(198,250)	3,734,000	203,500
Compensated absences			25,738	22,297	(23,891)	24,144	21,729
Total business-type activities long-term debt			<u>\$ 3,957,988</u>	<u>\$ 22,297</u>	<u>\$ (222,141)</u>	<u>\$ 3,758,144</u>	<u>\$ 225,229</u>

Total interest expense for the year was approximately \$626,000.

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Other Debt			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 593,164	\$ 458,179	\$ 1,051,343	\$ 203,500	\$ 143,395	\$ 346,895
2021	591,300	441,885	1,033,185	216,000	135,479	351,479
2022	649,750	422,437	1,072,187	240,250	126,918	367,168
2023	533,250	400,371	933,621	251,750	117,353	369,103
2024	566,750	379,079	945,829	253,250	107,710	360,960
2025-2029	3,385,500	1,469,838	4,855,338	1,449,500	381,457	1,830,957
2030-2034	3,420,250	484,129	3,904,379	1,019,750	105,606	1,125,356
2035-2036	-	-	-	100,000	3,500	103,500
Total	<u>\$ 9,739,964</u>	<u>\$ 4,055,918</u>	<u>\$ 13,795,882</u>	<u>\$ 3,734,000</u>	<u>\$ 1,121,418</u>	<u>\$ 4,855,418</u>

**Note 8 - Long-term Debt (Continued)**

*Revenue Pledged in Connection with Debt*

The Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the principal and interest on the 2009 Streetscape Capital Improvement Bond. The Authority has further agreed to reimburse the City for any costs of the project not financed from the proceeds of the bonds, including, if necessary, the cost of issuance, any publication costs, and other costs incurred by the City associated with the design and acquisition of the project, in an amount not to exceed \$935,000.

The Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the principal and interest on the 2013 Grove Street Capital Improvement Bond. The Authority has further agreed to reimburse the City for any costs of the project not financed from the proceeds of the bonds, including, if necessary, the costs of issuance, any publication costs, and other costs incurred by the City associated with the design and acquisition of the project, in an amount not to exceed \$1,400,000.

**Note 9 - Risk Management**

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

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

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The activity for the Authority is accounted for in the Self-insurance Fund.

The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	
	2019	2018
Estimated liability - Beginning of year	\$ 116,500	\$ 56,418
Estimated claims incurred, including changes in estimates	13,500	64,498
Claim payments	(9,817)	(4,416)
Estimated liability - End of year	<u>\$ 120,183</u>	<u>\$ 116,500</u>

**Note 10 - Agent Defined Benefit Pension Plan**

***Plan Description***

The City of Farmington, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). 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.

The pension system 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](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***Benefits Provided***

The plan provides 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.

The MERS plan covers substantially all employees of the City, including the nonunion, department head, command, public safety, dispatch, and department of public works employees hired prior to June 30, 2013. Summary information for each of these groups is provided below.

**Nonunion**

Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is seven years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction.

**Department Head**

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 58 with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is seven years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 3 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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

**Command**

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 3 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

**Public Safety**

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 3 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

**Dispatch**

Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is six years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. This plan is closed to new entrants.



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

**Department of Public Works**

Retirement benefits for employees are calculated as 2.25 percent of the employee’s final five-year average salary times the employee’s years of service. Normal retirement age is 60 with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. This plan is closed to new entrants.

There are no annual cost of living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date.

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**

The following members were covered by the benefit terms:

Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	58
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>42</u>
Total employees covered by the plan	<u><u>108</u></u>

**Contributions**

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

For the year ended December 31, 2018, the active employee contribution rate was 3.0 percent of annual pay for department heads, command, and public safety and 0 percent for nonunion and dispatch. The City’s contribution rates for the year ended June 30, 2019 were set in the December 31, 2016 actuarial valuation. The contribution rates for the year ended June 30, 2019 as a percentage of annual payroll are as follows: nonunion - 19.38 percent, department heads - 38.57 percent, command - 28.15 percent, and public safety - 21.87 percent. The City contributes \$8,081 per month for the department of public works and \$0 for dispatch.

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

**Net Pension Liability**

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement 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
<b>Balance at December 31, 2017</b>	\$ 25,502,800	\$ 20,734,733	\$ 4,768,067
Changes for the year:			
Service cost	388,664	-	388,664
Interest	1,986,607	-	1,986,607
Differences between expected and actual experience	(147,213)	-	(147,213)
Contributions - Employer	-	670,288	(670,288)
Contributions - Employee	-	60,195	(60,195)
Net investment income	-	(783,996)	783,996
Benefit payments, including refunds	(1,729,164)	(1,729,164)	-
Administrative expenses	-	(39,523)	39,523
Net changes	498,894	(1,822,200)	2,321,094
<b>Balance at December 31, 2018</b>	<u>\$ 26,001,694</u>	<u>\$ 18,912,533</u>	<u>\$ 7,089,161</u>

The plan's fiduciary net position represents 72.7 percent of the total pension liability.

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,524,621.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 165,376	\$ (256,295)
Changes in assumptions	205,486	-
Net difference between projected and actual earnings on pension plan investments	1,449,930	-
Employer contributions to the plan subsequent to the measurement date	338,304	-
Total	<u>\$ 2,159,096</u>	<u>\$ (256,295)</u>

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date, of \$338,304 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2020	\$ 716,838
2021	123,783
2022	243,626
2023	480,250
Total	<u>\$ 1,564,497</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, salary increases (including inflation) of 3.75 percent (with merit increases totaling up to 11 percent, for a total of 3.75 percent - 14.75 percent), and an investment rate of return (net of administrative and investment expenses) of 7.75 percent.

Mortality rates were based on 50 percent male - 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male - 50 percent RP-2014 Disabled Retiree Mortality Tables.

These assumptions were applied to all periods included in the measurement, and are based on an experience study conducted for the period from January 1, 2009 through December 31, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

**Investment Rate of Return**

Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

***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 8.0 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the City	\$ 9,887,297	\$ 7,089,161	\$ 4,706,290

***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 of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 11 - Other Postemployment Benefit Plan**

***Plan Description***

The Farmington Retiree Health Care Plan board of trustees (the "Board") administers the Farmington Retiree Health Care Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all full-time public safety employees hired before July 1, 2013 and all other full-time employees who had over 20 years of service as of June 30, 2009. The Plan is closed to all new hires.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested with the pension board, which consists of three members: the mayor, the city manager, and the city treasurer.

**MERS Health Care Savings Plan**

On June 30, 2009, the council established, by resolution, the MERS HCSP, a defined contribution retiree healthcare plan. The MERS HCSP is a tax-qualified "governmental plan" and trust under Section 401(a) of the Internal Revenue Code of 1986, and all trust assets are, therefore, exempt from taxation under Code Section 501(a) (IRS Letter of Favorable Determination dated June 15, 2005). The MERS HCSP is administered by the Municipal Employees' Retirement System. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The MERS HCSP is available to all full-time public safety employees hired after June 30, 2013 and all other full-time employees who had less than 20 years of services as of July 1, 2009.

**Note 11 - Other Postemployment Benefit Plan (Continued)**

***Benefits Provided***

The Plan provides healthcare and dental benefits for retirees, retiree spouses, and some dependents. Benefits are provided through a third-party insurer. The amount of the benefit is determined based on labor contracts and employee agreements, in accordance with the Plan. The Plan was established by ordinance and created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999, and is administered by the City of Farmington, Michigan. The Irrevocable Trust Fund (the "Trust Fund"), established in the Plan, funds the City's share of retiree healthcare insurance premiums and is administered by the Board.

***MERS Health Care Savings Plan***

Under the terms of MERS HCSP, nonunion, department head, and public safety employees receive \$2,100 per year in contributions from the City and department of public service employees receive \$65 per year. Employer contributions for the year were approximately \$52,000. Terms of the MERS HCSP may be amended by future labor contracts and by resolution.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Farmington Retiree Health Care Plan
Date of member count	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	37
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	18
	<hr/>
Total plan members	57
	<hr/> <hr/>

***Contributions***

The City, by ordinance, is required to fund the Trust Fund in an amount sufficient to pay all projected coverage premiums for that fiscal year. The City may contribute additional amounts consistent with the actuarial valuations and calculations made by the actuary for the Trust Fund to result in a prefunded plan. During the year ended June 30, 2014, the City prefunded its employer contribution in the amount of \$8,037,596. For the year ended June 30, 2019, the Trust Fund paid postemployment healthcare premiums of \$665,475. There were no required employee contributions. Plan members are not required to contribute to the Plan.

***Net OPEB Liability***

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019.

**Note 11 - Other Postemployment Benefit Plan (Continued)**

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2018</b>	\$ 11,079,877	\$ 9,771,863	\$ 1,308,014
Changes for the year:			
Service cost	102,908	-	102,908
Interest	755,902	-	755,902
Differences between expected and actual experience	(1,660,941)	-	(1,660,941)
Changes in assumptions	78,356	-	78,356
Net investment income	-	310,773	(310,773)
Benefit payments, including refunds	(665,475)	(665,475)	-
Administrative expenses	-	(6,121)	6,121
<b>Net changes</b>	<b>(1,389,250)</b>	<b>(360,823)</b>	<b>(1,028,427)</b>
<b>Balance at June 30, 2019</b>	<b>\$ 9,690,627</b>	<b>\$ 9,411,040</b>	<b>\$ 279,587</b>

The plan's fiduciary net position represents 97.1 percent of the total OPEB liability.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2019, the City recognized OPEB expense of \$(214,709).

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 27,034	\$ (1,153,349)
Changes in assumptions	54,410	-
Net difference between projected and actual earnings on OPEB plan investments	208,689	-
<b>Total</b>	<b>\$ 290,133</b>	<b>\$ (1,153,349)</b>

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

Years Ending June 30	Amount
2020	\$ (419,116)
2021	(428,649)
2022	(85,402)
2023	69,951
<b>Total</b>	<b>\$ (863,216)</b>

**Note 11 - Other Postemployment Benefit Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, which used updated procedures to roll forward the liability to June 30, 2019. The actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a healthcare cost trend rate of 8.25 percent for 2019, decreasing 3.5 percent in year 10; and the RP-2014 Mortality Tables with rates multiplied by 105 percent. These assumptions were applied to all periods included in the measurement.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for MERS for the period from January 1, 2009 to December 31, 2013.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	35.00 %	5.80 %
International equity	20.00	5.80
Emerging markets equity	5.00	6.90
Fixed income and preferred	20.00	1.80
Private real estate	10.00	6.00
Private equity	5.00	10.90
Equity hedge assets	3.00	3.60
Cash and equivalents	2.00	1.00

**Note 11 - Other Postemployment Benefit Plan (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability (asset) of the Farmington Retiree Health Care Plan	\$ 1,491,100	\$ 279,587	\$ (728,284)

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.25%)	Current Healthcare Cost Trend Rate (8.25%)	1 Percent Increase (9.25%)
Net OPEB (asset) liability of the Farmington Retiree Health Care Plan	\$ (836,830)	\$ 279,587	\$ 1,629,346

***OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 12 - Subsequent Events**

Subsequent to year end, the City issued Limited Tax General Obligation Refunding Bonds (the "Refunding Bonds") totaling \$10,520,000. The Refunding Bonds bear interest ranging from 1.79 to 2.82 percent and mature through June 1, 2033. The Refunding Bonds refunded all or a portion of the outstanding principal amount of the City's 2013 OPEB Bond, the 2013 Capital Improvement Bonds, the 2011 General Obligation Capital Improvement Bonds, and the 2009 General Obligation Capital Improvement Bonds.



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## Required Supplemental Information

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**City of Farmington, Michigan**

**Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund**

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,847,324	\$ 4,842,446	\$ 4,841,905	\$ (541)
State-shared revenue:				
Federal grants	23,622	125,817	31,333	(94,484)
State-shared revenue and grants	1,104,199	1,148,270	1,234,661	86,391
Charges for services	2,028,283	2,036,806	2,025,180	(11,626)
Fines and forfeitures	480,500	500,500	496,298	(4,202)
Licenses and permits	161,300	182,100	206,264	24,164
Investment income	45,000	65,000	83,126	18,126
Other miscellaneous income	144,800	144,478	218,027	73,549
	8,835,028	9,045,417	9,136,794	91,377
<b>Expenditures</b>				
Current services:				
General government	1,859,049	1,836,523	1,797,307	39,216
District court	511,545	511,545	511,545	-
Public safety	3,888,572	3,995,010	3,868,612	126,398
Public works	1,297,959	1,448,191	1,273,830	174,361
Health and welfare	6,930	6,930	6,046	884
Community and economic development	216,158	216,872	220,149	(3,277)
Recreation and culture	767,842	759,160	677,751	81,409
	8,548,055	8,774,231	8,355,240	418,991
<b>Excess of Revenue Over Expenditures</b>	286,973	271,186	781,554	510,368
<b>Other Financing Sources (Uses)</b>				
Transfers in - Capital Improvement Fund	223,000	176,403	-	(176,403)
Transfers out - Debt service	(724,489)	(724,589)	(724,589)	-
	(501,489)	(548,186)	(724,589)	(176,403)
<b>Net Change in Fund Balance</b>	(214,516)	(277,000)	56,965	333,965
<b>Fund Balance - Beginning of year</b>	2,437,191	2,437,191	2,437,191	-
<b>Fund Balance - End of year</b>	<b>\$ 2,222,675</b>	<b>\$ 2,160,191</b>	<b>\$ 2,494,156</b>	<b>\$ 333,965</b>

# City of Farmington, Michigan

## Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios

	<b>Last Five Fiscal Years</b>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 388,664	\$ 384,427	\$ 367,638	\$ 384,742	\$ 345,578
Interest	1,986,607	1,936,899	1,935,559	1,804,775	1,755,332
Differences between expected and actual experience	(147,213)	16,098	(583,546)	786,640	-
Changes in assumptions	-	-	-	1,027,429	-
Benefit payments, including refunds	(1,729,164)	(1,707,291)	(1,715,276)	(1,637,965)	(1,404,412)
<b>Net Change in Total Pension Liability</b>	498,894	630,133	4,375	2,365,621	696,498
<b>Total Pension Liability - Beginning of year</b>	25,502,800	24,872,667	24,868,292	22,502,671	21,806,173
<b>Total Pension Liability - End of year</b>	<b><u>\$ 26,001,694</u></b>	<b><u>\$ 25,502,800</u></b>	<b><u>\$ 24,872,667</u></b>	<b><u>\$ 24,868,292</u></b>	<b><u>\$ 22,502,671</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 670,288	\$ 594,340	\$ 486,144	\$ 586,076	\$ 411,173
Contributions - Member	60,195	59,397	55,978	56,538	54,100
Net investment (loss) income	(783,996)	2,501,487	2,050,005	(288,575)	1,222,462
Administrative expenses	(39,523)	(39,689)	(40,522)	(42,719)	(44,733)
Benefit payments, including refunds	(1,729,164)	(1,707,291)	(1,715,276)	(1,637,965)	(1,404,412)
<b>Net Change in Plan Fiduciary Net Position</b>	(1,822,200)	1,408,244	836,329	(1,326,645)	238,590
<b>Plan Fiduciary Net Position - Beginning of year</b>	20,734,733	19,326,489	18,490,160	19,816,805	19,578,215
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 18,912,533</u></b>	<b><u>\$ 20,734,733</u></b>	<b><u>\$ 19,326,489</u></b>	<b><u>\$ 18,490,160</u></b>	<b><u>\$ 19,816,805</u></b>
<b>City's Net Pension Liability - Ending</b>	<b><u>\$ 7,089,161</u></b>	<b><u>\$ 4,768,067</u></b>	<b><u>\$ 5,546,178</u></b>	<b><u>\$ 6,378,132</u></b>	<b><u>\$ 2,685,866</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	72.74 %	81.30 %	77.70 %	74.35 %	88.06 %
<b>Covered Employee Payroll</b>	\$ 2,893,629	\$ 2,875,893	\$ 2,737,705	\$ 2,843,843	\$ 2,608,682
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	244.99 %	165.79 %	202.58 %	224.28 %	102.96 %

Required Supplemental Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 700,803	\$ 672,235	\$ 545,225	\$ 478,424	\$ 410,775	\$ 385,777	\$ 466,160	\$ 420,458	\$ 450,793	\$ 520,562
Contributions in relation to the actuarially determined contribution	700,803	672,235	545,225	478,424	410,775	385,777	466,160	420,458	450,793	520,562
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,893,629</b>	<b>\$ 2,875,893</b>	<b>\$ 2,737,705</b>	<b>\$ 2,843,843</b>	<b>\$ 2,608,682</b>	<b>\$ 2,881,089</b>	<b>\$ 2,839,161</b>	<b>\$ 3,107,680</b>	<b>\$ 3,335,300</b>	<b>\$ 3,105,768</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>24.22 %</b>	<b>23.37 %</b>	<b>19.92 %</b>	<b>16.82 %</b>	<b>15.75 %</b>	<b>13.39 %</b>	<b>16.42 %</b>	<b>13.53 %</b>	<b>13.52 %</b>	<b>16.76 %</b>

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	12-20 years depending on division
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent, including inflation
Investment rate of return	7.75 percent, including inflation
Retirement age	60 years
Mortality	50 percent male - 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and the RP-2014 Juvenile Mortality Tables
Other information	None

## City of Farmington, Michigan

### Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

	<b>Last Three Fiscal Years</b>		
	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 102,908	\$ 106,758	\$ 107,013
Interest	755,902	740,117	722,901
Differences between expected and actual experience	(1,660,941)	63,600	124,964
Changes in assumptions	78,356	-	-
Benefit payments, including refunds	(665,475)	(700,645)	(716,960)
<b>Net Change in Total OPEB Liability</b>	(1,389,250)	209,830	237,918
<b>Total OPEB Liability - Beginning of year</b>	11,079,877	10,870,047	10,632,129
<b>Total OPEB Liability - End of year</b>	<b>\$ 9,690,627</b>	<b>\$ 11,079,877</b>	<b>\$ 10,870,047</b>
<b>Plan Fiduciary Net Position</b>			
Net investment income	\$ 310,773	\$ 773,670	\$ 1,084,916
Administrative expenses	(6,121)	(21,540)	-
Other	(665,475)	(700,645)	(716,960)
<b>Net Change in Plan Fiduciary Net Position</b>	(360,823)	51,485	367,956
<b>Plan Fiduciary Net Position - Beginning of year</b>	9,771,863	9,720,378	9,352,422
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 9,411,040</b>	<b>\$ 9,771,863</b>	<b>\$ 9,720,378</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 279,587</b>	<b>\$ 1,308,014</b>	<b>\$ 1,149,669</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	97.11 %	88.19 %	89.42 %
<b>Covered Employee Payroll</b>	\$ 1,505,032	\$ 1,532,434	\$ 1,587,676
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	18.58 %	85.36 %	72.41 %

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 233,882	\$ 234,154	\$ 100,742	\$ 104,518	\$ 107,957	\$ 985,812	\$ 1,304,812	\$ 962,885	\$ 963,620	\$ 910,935
Contributions in relation to the actuarially determined contribution	-	-	-	8,037,596	8,037,596	8,037,596	692,000	788,311	633,711	252,000
<b>Contribution (Deficiency) Excess</b>	<b>\$ (233,882)</b>	<b>\$ (234,154)</b>	<b>\$ (100,742)</b>	<b>\$ 7,933,078</b>	<b>\$ 7,929,639</b>	<b>\$ 7,051,784</b>	<b>\$ (612,812)</b>	<b>\$ (174,574)</b>	<b>\$ (329,909)</b>	<b>\$ (658,935)</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2018. Actuarially determined contribution rates are calculated as of June 30 of even-numbered years. The valuation date is 12 months prior to the fiscal year end of odd-numbered fiscal years and 24 months prior to the fiscal year end of even-numbered fiscal years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	21 years
Asset valuation method	Market value of assets
Inflation	2.50 percent
Healthcare cost trend rates	Initial trend of 8.25 percent, gradually decreasing to 3.5 percent in year 10
Salary increase	3.0 to 14.0 percent
Investment rate of return	7.00 percent, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	The RP-2014 Mortality Table
Other information	There were no benefit changes during the year

**City of Farmington, Michigan**

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**Required Supplemental Information  
Schedule of OPEB Investment Returns**

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**Last Three Fiscal Years  
Years Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	3.29 %	8.27 %	12.20 %

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## Other Supplemental Information

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# City of Farmington, Michigan

	Special Revenue Funds				Debt Service Funds	
	Major Streets	Local Streets	Municipal Street	Indigent Defense	Grove Street Debt Service	Nonvoted Debt Service
<b>Assets</b>						
Cash and investments	\$ 697,757	\$ 134,497	\$ 791,185	\$ 124,655	\$ 512,574	\$ 216
Receivables	118,686	63,946	-	-	-	-
Due from component units	183,000	-	-	-	-	-
Due from other funds	7,194	128,361	-	-	-	2,458
<b>Total assets</b>	<b>\$ 1,006,637</b>	<b>\$ 326,804</b>	<b>\$ 791,185</b>	<b>\$ 124,655</b>	<b>\$ 512,574</b>	<b>\$ 2,674</b>
<b>Liabilities</b>						
Accounts payable	\$ 38,594	\$ 28,986	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	13,711	-	-
Due to other funds	2,690	3,395	128,361	-	-	12
Accrued liabilities and other	3,689	2,262	2,904	-	-	-
Unearned revenue	-	-	-	110,282	-	-
<b>Total liabilities</b>	<b>44,973</b>	<b>34,643</b>	<b>131,265</b>	<b>123,993</b>	<b>-</b>	<b>12</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	17,400	-	-	-	-
<b>Fund Balances</b>						
Restricted:						
Roads	961,664	274,761	659,920	-	-	-
Grants	-	-	-	662	-	-
Sidewalks	-	-	-	-	-	-
Assigned:						
Debt service	-	-	-	-	512,574	2,662
Capital projects	-	-	-	-	-	-
<b>Total fund balances</b>	<b>961,664</b>	<b>274,761</b>	<b>659,920</b>	<b>662</b>	<b>512,574</b>	<b>2,662</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,006,637</b>	<b>\$ 326,804</b>	<b>\$ 791,185</b>	<b>\$ 124,655</b>	<b>\$ 512,574</b>	<b>\$ 2,674</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

Debt Service Funds				Capital Project Fund	
Streetscape Debt Service	Special Assessment Debt Service	2013 LTGO Bonds	Drakeshire Debt Service	Capital Improvement	Total
\$ -	\$ 338	\$ 11,858	\$ 2,458	\$ 670,052	\$ 2,945,590
-	31,179	-	-	-	213,811
-	-	-	-	-	183,000
-	-	-	-	-	138,013
<b>\$ -</b>	<b>\$ 31,517</b>	<b>\$ 11,858</b>	<b>\$ 2,458</b>	<b>\$ 670,052</b>	<b>\$ 3,480,414</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,580
-	-	-	-	-	13,711
-	-	-	2,458	25,000	161,916
-	-	-	-	-	8,855
-	-	-	-	-	110,282
-	-	-	2,458	25,000	362,344
-	31,179	-	-	-	48,579
-	-	-	-	-	1,896,345
-	-	-	-	-	662
-	-	-	-	51,680	51,680
-	338	11,858	-	-	527,432
-	-	-	-	593,372	593,372
-	338	11,858	-	645,052	3,069,491
<b>\$ -</b>	<b>\$ 31,517</b>	<b>\$ 11,858</b>	<b>\$ 2,458</b>	<b>\$ 670,052</b>	<b>\$ 3,480,414</b>

# City of Farmington, Michigan

	Special Revenue Funds				Debt Service Funds	
	Major Streets	Local Streets	Municipal Street	Indigent Defense	Grove Street Debt Service	Nonvoted Debt Service
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 493,071	\$ -	\$ -	\$ -
Special assessments	-	10,950	-	-	-	-
State-shared revenue	781,518	299,346	7,966	15,894	-	-
Investment income	12,480	4,588	21,736	662	10,891	5
Other miscellaneous income	204,025	-	-	21,439	42,895	-
<b>Total revenue</b>	<b>998,023</b>	<b>314,884</b>	<b>522,773</b>	<b>37,995</b>	<b>53,786</b>	<b>5</b>
<b>Expenditures</b>						
Current services:						
District court	-	-	-	37,333	-	-
Public works	595,033	804,692	-	-	-	-
Debt service						
Principal	125,000	-	-	-	65,000	119,662
Interest on long-term debt	18,923	-	-	-	32,695	39,343
<b>Total expenditures</b>	<b>738,956</b>	<b>804,692</b>	<b>-</b>	<b>37,333</b>	<b>97,695</b>	<b>159,005</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>259,067</b>	<b>(489,808)</b>	<b>522,773</b>	<b>662</b>	<b>(43,909)</b>	<b>(159,000)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	484,430	-	-	-	161,451
Transfers out	-	-	(484,430)	-	-	-
Sale of capital assets	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>484,430</b>	<b>(484,430)</b>	<b>-</b>	<b>-</b>	<b>161,451</b>
<b>Net Change in Fund Balances</b>	<b>259,067</b>	<b>(5,378)</b>	<b>38,343</b>	<b>662</b>	<b>(43,909)</b>	<b>2,451</b>
<b>Fund Balances - Beginning of year</b>	<b>702,597</b>	<b>280,139</b>	<b>621,577</b>	<b>-</b>	<b>556,483</b>	<b>211</b>
<b>Fund Balances - End of year</b>	<b>\$ 961,664</b>	<b>\$ 274,761</b>	<b>\$ 659,920</b>	<b>\$ 662</b>	<b>\$ 512,574</b>	<b>\$ 2,662</b>

Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

**Year Ended June 30, 2019**

Debt Service Funds				Capital Project Fund	
Streetscape Debt Service	Special Assessment Debt Service	2013 LTGO Bonds	Drakeshire Debt Service	Capital Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 493,071
-	33,618	-	84,800	-	129,368
-	-	-	-	-	1,104,724
-	152	3,221	573	11,895	66,203
77,014	-	-	-	-	345,373
77,014	33,770	3,221	85,373	11,895	2,138,739
-	-	-	-	-	37,333
-	-	-	-	-	1,399,725
45,000	150,000	61,750	80,000	-	646,412
32,014	9,500	377,976	4,800	-	515,251
77,014	159,500	439,726	84,800	-	2,598,721
-	(125,730)	(436,505)	573	11,895	(459,982)
-	125,882	439,714	-	-	1,211,477
-	-	-	(2,458)	(25,000)	(511,888)
-	-	-	-	236,028	236,028
-	125,882	439,714	(2,458)	211,028	935,617
-	152	3,209	(1,885)	222,923	475,635
-	186	8,649	1,885	422,129	2,593,856
<b>\$ -</b>	<b>\$ 338</b>	<b>\$ 11,858</b>	<b>\$ -</b>	<b>\$ 645,052</b>	<b>\$ 3,069,491</b>

**City of Farmington, Michigan**

**Other Supplemental Information  
Combining Statement of Net Position  
Internal Service Funds**

**June 30, 2019**

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 255,078	\$ 283,913	\$ 582,137	\$ 1,121,128
Due from other funds	-	10,000	11,834	21,834
Prepaid expenses and other assets	87,042	-	-	87,042
Total current assets	342,120	293,913	593,971	1,230,004
Noncurrent assets - Capital assets subject to depreciation				
	-	-	658,467	658,467
Total assets	342,120	293,913	1,252,438	1,888,471
<b>Deferred Outflows of Resources - Deferred outflows related to pensions</b>				
	-	-	45,092	45,092
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	-	5,364	5,364
Due to other funds	-	-	6,039	6,039
Accrued liabilities and other	120,183	-	1,811	121,994
Compensated absences	-	178,509	-	178,509
Total current liabilities	120,183	178,509	13,214	311,906
Noncurrent liabilities:				
Compensated absences	-	77,709	-	77,709
Net pension liability	-	-	148,054	148,054
Total liabilities	120,183	256,218	161,268	537,669
<b>Deferred Inflows of Resources - Deferred inflows related to pensions</b>				
	-	-	5,352	5,352
<b>Net Position</b>				
Net investment in capital assets	-	-	658,467	658,467
Unrestricted	221,937	37,695	472,443	732,075
Total net position	<u>\$ 221,937</u>	<u>\$ 37,695</u>	<u>\$ 1,130,910</u>	<u>\$ 1,390,542</u>

**City of Farmington, Michigan**

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenses, and Changes in Net Position**  
**Internal Service Funds**

**Year Ended June 30, 2019**

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
<b>Operating Revenue - Service charges</b>	\$ 208,765	\$ 10,000	\$ 418,923	\$ 637,688
<b>Operating Expenses</b>				
Insurance costs	197,264	-	-	197,264
Accrued benefit expense	-	12,679	-	12,679
Fleet maintenance	-	-	334,224	334,224
Depreciation	-	-	54,193	54,193
Total operating expenses	<u>197,264</u>	<u>12,679</u>	<u>388,417</u>	<u>598,360</u>
<b>Operating Income (Loss)</b>	11,501	(2,679)	30,506	39,328
<b>Nonoperating Revenue - Investment income</b>	<u>7,763</u>	<u>5,605</u>	<u>10,216</u>	<u>23,584</u>
<b>Change in Net Position</b>	19,264	2,926	40,722	62,912
<b>Net Position - Beginning of year</b>	<u>202,673</u>	<u>34,769</u>	<u>1,090,188</u>	<u>1,327,630</u>
<b>Net Position - End of year</b>	<u><u>\$ 221,937</u></u>	<u><u>\$ 37,695</u></u>	<u><u>\$ 1,130,910</u></u>	<u><u>\$ 1,390,542</u></u>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds

**Year Ended June 30, 2019**

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 208,765	\$ 10,000	\$ 410,329	\$ 629,094
Payments to suppliers	(211,464)	-	(192,857)	(404,321)
Payments to employees and fringes	-	-	(86,719)	(86,719)
Payments to other funds	-	-	(918)	(918)
Other receipts	-	-	8,594	8,594
Net cash (used in) provided by operating activities	(2,699)	10,000	138,429	145,730
<b>Cash Flows Used in Financing Activities -</b>				
Purchase of capital assets	-	-	(19,443)	(19,443)
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	7,763	5,605	10,216	23,584
<b>Net Increase in Cash</b>	<b>5,064</b>	<b>15,605</b>	<b>129,202</b>	<b>149,871</b>
<b>Cash - Beginning of year</b>	<b>250,014</b>	<b>268,308</b>	<b>452,935</b>	<b>971,257</b>
<b>Cash - End of year</b>	<b>\$ 255,078</b>	<b>\$ 283,913</b>	<b>\$ 582,137</b>	<b>\$ 1,121,128</b>
<b>Classification of Cash - Cash</b>	<b>\$ 255,078</b>	<b>\$ 283,913</b>	<b>\$ 582,137</b>	<b>\$ 1,121,128</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 11,501	\$ (2,679)	\$ 30,506	\$ 39,328
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	-	-	54,193	54,193
Changes in assets and liabilities:				
Due to and from other funds	-	-	(918)	(918)
Prepaid and other assets	(17,883)	-	-	(17,883)
Accounts payable	3,683	-	3,716	7,399
Net pension liability	-	-	85,020	85,020
Deferrals related to pension	-	-	(34,184)	(34,184)
Accrued and other liabilities	-	12,679	96	12,775
Net cash (used in) provided by operating activities	<b>\$ (2,699)</b>	<b>\$ 10,000</b>	<b>\$ 138,429</b>	<b>\$ 145,730</b>