
City of Farmington, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Component Units:	
Statement of Net Position	22
Statement of Activities	23-24
Notes to Financial Statements	25-57
Required Supplemental Information	58
Budgetary Comparison Schedule - General Fund	59
Budgetary Comparison Schedule - Major Special Revenue Fund	60
Schedule of Changes in the Net Pension Liability and Related Ratios	61
Schedule of Pension Contributions	62
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios	63
Schedule of OPEB Contributions	64
Schedule of OPEB Investment Returns	65
Notes to Required Supplemental Information	66
Other Supplemental Information	67
Nonmajor Governmental Funds:	
Combining Balance Sheet	68-69
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	70-71
Internal Service Funds:	
Combining Statement of Net Position	72
Combining Statement of Revenue, Expenses, and Changes in Net Position	73
Combining Statement of Cash Flows	74
Fiduciary Funds:	
Statement of Fiduciary Net Position	75
Statement of Changes in Fiduciary Net Position	76

Independent Auditor's Report

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

Opinions

We have audited the 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 City of Farmington, Michigan (the "City") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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. Such 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. The 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 2, 2022

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to 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 \$1,774,000 in the net position of its governmental activities and a decrease of \$58,000 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 a 10-year property tax millage voted on in 2018 that is providing additional revenue of \$1,061,000 and the receipt of \$129,000 in grant proceeds related to a public safety grant.

In the City's Water and Sewer Fund, the net position decreased by \$169,000. The decrease in net position was caused by lower than anticipated water usage in the summer of 2021. Large amounts of rain during the summer led to customers using less water for irrigation. In the City's Farmington Community Theater Fund, net position increased by \$112,000. This increase is mostly attributed to the theater receiving a \$319,000 grant to fund operations from the start of the COVID-19 pandemic through the end of the 2021 calendar year. Had this grant not been received, the theater would have experienced a decrease in net position of \$208,000. The closing of the theater during the pandemic and ongoing reduced attendance continue to affect the theater, even though attendance trends have been improving. This business-type activity will be closely monitored in the upcoming year, as operations will continue to be challenging due to the pandemic.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

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

In a condensed format, the tables below show the net position and changes in net position as of and for the years ended June 30, 2022 and 2021. Following the tables is an explanation of the reasons for significant fluctuations.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 13,718,868	\$ 10,694,337	\$ 2,850,090	\$ 3,728,181	\$ 16,568,958	\$ 14,422,518
Capital assets	22,872,849	21,332,846	18,459,131	17,791,914	41,331,980	39,124,760
Total assets	36,591,717	32,027,183	21,309,221	21,520,095	57,900,938	53,547,278
Deferred Outflows of Resources						
	3,563,688	2,672,274	306,487	237,507	3,870,175	2,909,781
Liabilities						
Current liabilities	2,612,865	1,149,722	609,539	480,097	3,222,404	1,629,819
Noncurrent liabilities	21,039,338	18,038,423	5,698,570	6,011,579	26,737,908	24,050,002
Total liabilities	23,652,203	19,188,145	6,308,109	6,491,676	29,960,312	25,679,821
Deferred Inflows of Resources						
	1,994,787	2,777,128	197,950	98,709	2,192,737	2,875,837
Net Position						
Net investment in capital assets	20,260,305	18,789,962	13,984,663	12,974,568	34,244,968	31,764,530
Restricted	1,434,707	2,233,553	-	-	1,434,707	2,233,553
Unrestricted	(7,186,597)	(8,289,331)	1,124,986	2,192,649	(6,061,611)	(6,096,682)
Total net position	<u>\$ 14,508,415</u>	<u>\$ 12,734,184</u>	<u>\$ 15,109,649</u>	<u>\$ 15,167,217</u>	<u>\$ 29,618,064</u>	<u>\$ 27,901,401</u>

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 2,137,474	\$ 2,122,319	\$ 5,433,098	\$ 5,280,728	\$ 7,570,572	\$ 7,403,047
Operating grants	1,506,999	1,894,899	319,472	9,737	1,826,471	1,904,636
Capital grants	375,706	235,838	-	-	375,706	235,838
General revenue:						
Property taxes	6,965,389	6,799,231	-	-	6,965,389	6,799,231
Intergovernmental	1,543,877	1,175,624	-	-	1,543,877	1,175,624
Investment earnings	(89,959)	42,933	(18,015)	11,662	(107,974)	54,595
Other revenue:						
Cable franchise fees	174,209	190,535	-	-	174,209	190,535
Other miscellaneous income	79,581	63,815	-	-	79,581	63,815
Total revenue	12,693,276	12,525,194	5,734,555	5,302,127	18,427,831	17,827,321
Expenses						
General government	1,582,375	1,560,480	-	-	1,582,375	1,560,480
District court	531,266	716,558	-	-	531,266	716,558
Public safety	4,329,892	3,660,681	-	-	4,329,892	3,660,681
Public works	2,996,903	2,679,687	-	-	2,996,903	2,679,687
Health and welfare	5,587	5,174	-	-	5,587	5,174
Community and economic development	212,528	279,585	-	-	212,528	279,585
Recreation and culture	843,080	867,999	-	-	843,080	867,999
Interest on long-term debt	417,414	418,941	-	-	417,414	418,941
Water and Sewer	-	-	5,293,791	5,015,970	5,293,791	5,015,970
Farmington Community Theater	-	-	498,332	294,534	498,332	294,534
Total expenses	10,919,045	10,189,105	5,792,123	5,310,504	16,711,168	15,499,609
Change in Net Position	1,774,231	2,336,089	(57,568)	(8,377)	1,716,663	2,327,712
Net Position - Beginning of year	12,734,184	10,398,095	15,167,217	15,175,594	27,901,401	25,573,689
Net Position - End of year	\$ 14,508,415	\$ 12,734,184	\$ 15,109,649	\$ 15,167,217	\$ 29,618,064	\$ 27,901,401

Governmental Activities

The City's governmental activities statement of net position changed from the prior year as follows. First, current and other assets increased by approximately \$3,025,000 primarily due to a \$3,000,000 increase of cash related to the issuance of debt to fund the Farmington Road Streetscape project. Second, capital assets increased by approximately \$1,540,000, as the City invested in significant road, sidewalk, and park projects. Third, deferred outflows of resources increased approximately \$891,000 primarily due to deferral of investment losses incurred by the retiree health care fund. Fourth, current liabilities increased approximately \$1,463,000 primarily due to the receipt of a \$1,102,000 American Rescue Plan Act grant that has been set aside for infrastructure improvements that will occur subsequent to year end. Fifth, noncurrent liabilities increased approximately \$3,001,000 due to the issuance of approximately \$3,000,000 in bonds to fund the Farmington Road Streetscape project and the \$1,029,000 change in OPEB from an asset to a liability, which was partially offset by the \$839,000 pay down of existing debt issues. Sixth, deferred inflows of resources decreased approximately \$782,000 due to an increase in deferred pension costs of \$693,000 from higher than anticipated investment returns, and a decrease of \$1,475,000 in deferred OPEB due to lower than anticipated investment returns.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

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

Total revenue increased by \$168,000. Operating decreased by approximately \$388,000 due to multiple one-time grants related to COVID-19 grants received in 2021. Intergovernmental revenue increased by approximately \$368,000 due to an increase in state-shared revenue resulting from increased sales tax collection at the State and increased population, as identified in the 2020 census.

Total expenses increased by \$730,000. The most significant increases occurred in the public safety function (\$670,000) and public works function (\$317,000), primarily due to a large decrease in the Retiree Health Care liability that occurred in the prior year. This was partially offset by a decrease in district court expenditures attributed to the decrease in court funding cost share with the City of Farmington Hills, Michigan.

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 21.58 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 \$1,166,000. 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 28.39 percent.

Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2022, the City received an AA bond rating, with the rating agency analysis noting the following attributes: strong economy, strong management, healthy financial performance, ample liquidity, forward-looking planning, moderate debt burden, and strong institutional framework score.

Business-type Activities

The City had a decrease in net position of approximately \$58,000 in its business-type activities for the fiscal year ended June 30, 2022.

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

Current and other assets decreased by \$878,000 and capital assets increased by \$667,000 because the City used cash reserves to replace the water main along Oakland Street between Grand River and Gill. Noncurrent liabilities decreased by \$313,000 because the City paid down debt.

Revenue increased in the current year by \$432,000 because theater income increased \$200,000 as revenue began to return to more normal levels after the pandemic. This was partially offset by slightly less revenue in the Water and Sewer Fund because of slightly lower consumption in the summer of 2021. Expenses increased \$482,000. Expenses in the Water and Sewer Fund increased \$290,000, largely due to a \$218,000 increase in transmission, distribution, and maintenance. The Farmington Community Theater Fund expenses increased \$203,000, resulting from return to more normal levels after the pandemic. Of significance, the Theater received a grant in the amount of \$319,000 in the current year to offset losses related to COVID-19 in both the current and prior fiscal year.

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 major funds include the General Fund, Local Streets Fund, and Capital Improvement Millage Fund.

General Fund

The General Fund ended the fiscal year with an increase in fund balance of approximately \$368,000.

Revenue in the General Fund increased by approximately \$109,000 in the current year. Significant increases and decreases relate to the following:

- Property taxes increased by approximately \$138,000 due to a 2.6 percent increase in taxable value.
- Federal grants decreased by \$520,000 as a result of a variety of one-time grants received to offset costs related to COVID-19 experienced by the City in the prior fiscal year.
- State-shared revenue and grants increased by approximately \$323,000 due to state-shared revenue returning to pre-COVID-19 levels and an 11.8 percent increase in population.
- Licenses and permits increased by \$125,000 due to increased construction activity.

Expenditures in the General Fund increased by approximately \$140,000 in the current year. This increase was primarily due to increased public safety costs and a number of minor increases/decreases throughout the City's other functions.

Local Streets Fund

The Local Streets Fund expenditures exceeded revenue by approximately \$303,000. Expenditures exceeded revenue because of one-time expenditures related to the reconstruction of Oakland Street from Grand River to Gill and engineering expenditures related to HMA roads west of Farmington and south of Grand River and expenditures related to storm damage that will be reimbursed next fiscal year.

Capital Improvement Millage Fund

The Capital Improvement Millage Fund revenue and other financing sources exceeded expenditures by approximately \$2,189,000. This excess primarily relates to bond proceeds received in the current year that will be spent in the following year. Significant projects completed included renovations to the Shiawassee and Drake park bathrooms (\$322,000), improvements to Drake Park (\$368,000), purchase of self-contained breathing apparatus for public safety (\$176,000), and improvements to city hall and DPW entrances and HVAC systems (\$141,000). The City also began improvements to the Farmington Road Streetscape.

General Operating Fund Budgetary Highlights

Actual revenue was over budget by approximately \$20,000. Significant variances include the following: increase in state-shared revenue of approximately \$74,000 due to a larger than expected population increase and a decrease of approximately \$84,000 in other revenue due to lower than anticipated investment returns.

The original budget was amended to include an increase in revenue of approximately \$354,000. This increase is composed of an increase in state-shared revenue of approximately \$307,000 due to an 11.8 percent increase in population and a one-time census adjustment and an increase in licenses and permits of approximately \$100,000 due to increased business activity.

Actual expenditures were under budget by approximately \$562,000. Significant positive budget variances resulted from the following: general government was under budget by approximately \$102,000 due to numerous small savings achieved by multiple departments; public safety was approximately \$117,000 under budget primarily due to reduced capital expenditures, medical premium savings, and cost savings in operating expenditures; community and economic development was under budget by approximately \$74,000 due to lower than anticipated expenditures related to the Maxfield Training Center development project and engineering and planning contractual services; and recreation and culture was approximately \$167,000 under budget, as several capital projects were postponed to the following year.

The original budget was amended to include an increase in budgeted expenditures of approximately \$2,000. Significant changes in budgeted expenditures include a decrease in budgeted expenditures in community and economic development of approximately \$90,000, related to a \$40,000 decrease in anticipated MTC facilitation costs and a \$30,000 decrease in anticipated cost associated with engineering reviews for new developments, and an increase in budgeted expenditures related to recreation and culture of approximately \$104,000 for park bleachers and tree planting and maintenance in city parks.

Transfers in - Capital Improvement Fund were under budget by approximately \$136,000, as capital purchases were funded by revenue increases. The original budget was amended to decrease transfers in by approximately \$73,000, as certain capital items were removed from the budget.

Local Streets Fund

Revenue was under budget by approximately \$79,000 primarily due to grant funding related to storm damage not being received before year end. Revenue was amended to increase by approximately \$72,000 for grant revenue anticipated to be received from the State related to storm damage.

Expenditures were under budget by approximately \$156,000. Operations and maintenance were under budget by approximately \$77,000 due to lower than anticipated routine costs. Construction was under budget by approximately \$79,000 due to projects spanning fiscal year end.

The original budget for operations and maintenance was increased approximately \$132,000 primarily due to storm damage. Construction expenditures increased by approximately \$247,000 resulting from projects spanning fiscal year end.

Capital Assets and Debt Administration

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

- Streetscapes (\$351,000)
- Road repair (\$930,000)
- Park improvements (\$774,000)
- Public safety vehicles and equipment (\$282,000)
- City hall and DPW building improvements (\$274,000)

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

- Water main replacements (\$1,065,000)
- Sewer lining (\$173,000)
- Miscellaneous water and sewer system upgrades (\$101,000)

The City issued \$3,000,000 in Capital Improvement Bonds in the current year to finance the Farmington Road Streetscape project. The bonds will be repaid through a voter-approved and Downtown Development Authority TIF capture.

Economic Factors and Next Year's Budgets and Rates

On November 8, 2018, City of Farmington, Michigan 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 lot improvements, renovation of city buildings, and replacement of city vehicles and equipment.

During the current year, property taxes comprised 55.7 percent of the City's General Fund revenue. Taxable value (TV) increased by 2.58 percent in the City. For the upcoming fiscal year, taxable value will increase by 6.21 percent, and the City anticipates taxable value growth into the foreseeable future. Several factors that will have a positive impact on taxable value include the construction of 14 new homes, which broke ground in the prior fiscal year; 54 new townhomes planned for construction in the 2024 fiscal year; and the construction of a fiber network by a private company valued at \$15,000,000 that will connect all properties in the City.

Licenses and permits increased 45.8 percent in the current year as a result of many construction projects in the City.

State-shared revenue increased 26.2 percent in the current year due to higher levels of sales tax revenue collected by the State as well as an increase of 11.8 percent in population, which will result in higher state-shared revenue going forward, and a one-time census adjustment received in the current year.

The City's expenditures are for the most part consistent, predictable, and controllable. The two expenses that have the greatest potential to change on a yearly basis are defined benefit pension and retiree health care costs.

The City's pension system is funded at 78.7 percent based on the most recent actuarial valuation dated December 31, 2021. This is an increase of 2.2 percentage points over the prior year.

The City is also impacted by its retiree health care obligations. Currently, the system is funded at 89.3 percent based on the most recent actuarial valuation dated June 30, 2022. This is a decrease of 21.4 percentage points from the prior year. The City paid approximately \$415,000 in the current year for insurance for its retirees. This is down approximately \$125,000 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 health care obligations. The proceeds of the bonds, together with anticipated investment proceeds, are projected to pay the retiree health care premiums over the term of the bonds. When the bonds are paid off, the City will resume paying premiums from the General Fund and the Water and Sewer Fund.

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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,772,264	\$ 1,478,392	\$ 9,250,656	\$ 511,920
Receivables (Note 4)	927,937	1,694,657	2,622,594	27,629
Due from component units	10,829	-	10,829	-
Due from primary government	-	-	-	20,000
Internal balances (Note 6)	395,388	(395,388)	-	-
Inventory	48,443	69,932	118,375	-
Prepaid expenses and other assets	122,738	2,497	125,235	3,550
Restricted assets	3,270,241	-	3,270,241	-
Land held for resale	1,171,028	-	1,171,028	-
Capital assets: (Note 5)				
Assets not subject to depreciation	4,287,724	1,495,790	5,783,514	460,580
Assets subject to depreciation - Net	18,585,125	16,963,341	35,548,466	240,805
Total assets	36,591,717	21,309,221	57,900,938	1,264,484
Deferred Outflows of Resources				
Deferred charges on bond refunding	671,373	80,532	751,905	-
Deferred pension costs (Note 9)	1,714,638	207,675	1,922,313	-
Deferred OPEB costs (Note 10)	1,177,677	18,280	1,195,957	-
Total deferred outflows of resources	3,563,688	306,487	3,870,175	-
Liabilities				
Accounts payable	799,011	548,704	1,347,715	19,416
Due to other governmental units	-	824	824	5,219
Due to component units	10,000	10,000	20,000	-
Due to primary government	-	-	-	10,829
Refundable deposits	168,400	57	168,457	-
Accrued liabilities and other	456,003	46,677	502,680	61,374
Unearned revenue	1,179,451	3,277	1,182,728	-
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	117,777	-	117,777	-
Compensated absences	179,997	26,830	206,827	-
Current portion of long-term debt	1,089,786	392,500	1,482,286	-
Due in more than one year:				
Compensated absences	83,423	1,588	85,011	1,224
Net pension liability (Note 9)	5,910,966	715,930	6,626,896	-
Net OPEB liability (Note 10)	1,029,044	15,972	1,045,016	-
Long-term debt	12,628,345	4,545,750	17,174,095	-
Total liabilities	23,652,203	6,308,109	29,960,312	98,062
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	1,581,422	191,540	1,772,962	-
Deferred OPEB cost reductions (Note 10)	413,365	6,410	419,775	-
Total deferred inflows of resources	1,994,787	197,950	2,192,737	-
Net Position				
Net investment in capital assets	20,260,305	13,984,663	34,244,968	701,385
Restricted:				
Roads	1,291,423	-	1,291,423	-
Sidewalks	52,982	-	52,982	-
Drug forfeiture	87,259	-	87,259	-
Grants	3,043	-	3,043	-
Unrestricted	(7,186,597)	1,124,986	(6,061,611)	465,037
Total net position	\$ 14,508,415	\$ 15,109,649	\$ 29,618,064	\$ 1,166,422

City of Farmington, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,582,375	\$ 216,558	\$ 9,800	\$ -
District court	531,266	288,194	57,342	-
Public safety	4,329,892	554,300	24,767	129,397
Public works	2,996,903	934,501	1,375,048	246,309
Health and welfare	5,587	-	-	-
Community and economic development	212,528	36,977	-	-
Recreation and culture	843,080	106,944	40,042	-
Interest on long-term debt	417,414	-	-	-
Total governmental activities	10,919,045	2,137,474	1,506,999	375,706
Business-type activities:				
Water and Sewer	5,293,791	5,139,059	-	-
Farmington Community Theater	498,332	294,039	319,472	-
Total business-type activities	5,792,123	5,433,098	319,472	-
Total primary government	\$ 16,711,168	\$ 7,570,572	\$ 1,826,471	\$ 375,706
Component units:				
Downtown Development Authority	\$ 872,926	\$ 210,650	\$ 195,000	\$ 7,500
Brownfield Redevelopment Authority	4,001	-	274	-
Corridor Improvement Authority	13,093	-	8,728	-
Total component units	\$ 890,020	\$ 210,650	\$ 204,002	\$ 7,500
General revenue:				
Property taxes				
Unrestricted state-shared revenue:				
State-shared revenue				
Local community stabilization authority				
Investment loss				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,356,017)	\$ -	\$ (1,356,017)	\$ -
(185,730)	-	(185,730)	-
(3,621,428)	-	(3,621,428)	-
(441,045)	-	(441,045)	-
(5,587)	-	(5,587)	-
(175,551)	-	(175,551)	-
(696,094)	-	(696,094)	-
(417,414)	-	(417,414)	-
(6,898,866)	-	(6,898,866)	-
-	(154,732)	(154,732)	-
-	115,179	115,179	-
-	(39,553)	(39,553)	-
(6,898,866)	(39,553)	(6,938,419)	-
-	-	-	(459,776)
-	-	-	(3,727)
-	-	-	(4,365)
-	-	-	(467,868)
6,965,389	-	6,965,389	529,400
1,448,133	-	1,448,133	1,535
95,744	-	95,744	-
(89,959)	(18,015)	(107,974)	(5,713)
174,209	-	174,209	-
79,581	-	79,581	-
8,673,097	(18,015)	8,655,082	525,222
1,774,231	(57,568)	1,716,663	57,354
12,734,184	15,167,217	27,901,401	1,109,068
\$ 14,508,415	\$ 15,109,649	\$ 29,618,064	\$ 1,166,422

City of Farmington, Michigan

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Local Streets Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,113,114	\$ 219,265	\$ 659,575	\$ 1,563,450	\$ 6,555,404
Receivables	546,321	141,510	10,999	215,669	914,499
Due from component units	10,829	-	-	-	10,829
Due from other funds	37,950	212,412	5,000	1,159	256,521
Advances to other funds	154,000	-	-	-	154,000
Inventory	48,443	-	-	-	48,443
Prepaid expenses and other assets	8,940	3,333	-	833	13,106
Restricted assets	-	-	3,270,241	-	3,270,241
Land held for resale	1,171,028	-	-	-	1,171,028
Total assets	\$ 6,090,625	\$ 576,520	\$ 3,945,815	\$ 1,781,111	\$ 12,394,071
Liabilities					
Accounts payable	\$ 375,381	\$ 322,736	\$ 89,397	\$ 6,299	\$ 793,813
Due to component units	10,000	-	-	-	10,000
Due to other funds	21,862	3,426	-	7,037	32,325
Refundable deposits	168,400	-	-	-	168,400
Accrued liabilities and other	336,010	3,522	3,350	7,226	350,108
Unearned revenue	1,133,380	-	46,071	-	1,179,451
Payable from restricted assets	-	-	117,777	-	117,777
Total liabilities	2,045,033	329,684	256,595	20,562	2,651,874
Deferred Inflows of Resources -					
Unavailable revenue	11,545	83,837	-	32,285	127,667
Fund Balances					
Nonspendable - Inventory, prepaid expenses, land held for resale, and advances to other funds	1,382,411	3,333	-	833	1,386,577
Restricted:					
Roads	-	159,666	-	1,014,802	1,174,468
Grants and donations	3,043	-	-	-	3,043
Capital projects	-	-	3,152,464	-	3,152,464
Sidewalks	-	-	-	52,982	52,982
Drug forfeiture	87,259	-	-	-	87,259
Committed - Capital projects	-	-	536,756	-	536,756
Assigned:					
Subsequent year's budget	63,344	-	-	-	63,344
Debt service	-	-	-	63,071	63,071
Cemetery	46,259	-	-	-	46,259
Capital projects	488,561	-	-	596,576	1,085,137
Unassigned	1,963,170	-	-	-	1,963,170
Total fund balances	4,034,047	162,999	3,689,220	1,728,264	9,614,530
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,090,625	\$ 576,520	\$ 3,945,815	\$ 1,781,111	\$ 12,394,071

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 9,614,530
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 the internal service fund DPW Equipment Revolving Fund)	21,876,958
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	127,667
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(13,046,758)
Accrued interest is not due and payable in the current period and is not reported in the funds	(37,901)
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, net of deferred inflow and outflows of resources (excluding internal service funds):	
Pension benefits	(5,663,977)
Retiree health care benefits	(264,732)
Internal service funds are included as part of governmental activities	<u>1,902,628</u>
Net Position of Governmental Activities	<u><u>\$ 14,508,415</u></u>

City of Farmington, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Local Streets Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 5,704,170	\$ -	\$ 735,538	\$ 525,681	\$ 6,965,389
Intergovernmental:					
Federal grants	28,095	-	129,397	-	157,492
State-shared revenue and grants	1,553,382	367,711	12,691	974,146	2,907,930
Charges for services	2,052,681	-	-	-	2,052,681
Fines and forfeitures	324,001	-	-	-	324,001
Licenses and permits	355,110	-	-	-	355,110
Investment income (loss)	(57,968)	(3,521)	(7,346)	(21,124)	(89,959)
Other miscellaneous income	290,500	-	1,200	119,729	411,429
	<u>10,249,971</u>	<u>364,190</u>	<u>871,480</u>	<u>1,598,432</u>	<u>13,084,073</u>
Expenditures					
Current services:					
General government	2,034,990	-	176,723	-	2,211,713
District court	473,166	-	-	58,100	531,266
Public safety	4,314,300	-	175,849	-	4,490,149
Public works	1,262,490	1,497,458	467,707	440,631	3,668,286
Health and welfare	5,587	-	-	-	5,587
Community and economic development	212,528	-	-	-	212,528
Recreation and culture	793,819	-	746,590	-	1,540,409
Debt service:					
Principal	-	-	50,000	789,283	839,283
Interest on long-term debt	-	-	65,623	279,780	345,403
	<u>9,096,880</u>	<u>1,497,458</u>	<u>1,682,492</u>	<u>1,567,794</u>	<u>13,844,624</u>
Excess of Revenue Over (Under) Expenditures	1,153,091	(1,133,268)	(811,012)	30,638	(760,551)
Other Financing Sources (Uses)					
Transfers in	-	830,000	-	785,081	1,615,081
Transfers out	(785,081)	-	-	(830,000)	(1,615,081)
New debt issued	-	-	3,000,000	-	3,000,000
	<u>(785,081)</u>	<u>830,000</u>	<u>3,000,000</u>	<u>(44,919)</u>	<u>3,000,000</u>
Net Change in Fund Balances	368,010	(303,268)	2,188,988	(14,281)	2,239,449
Fund Balances - Beginning of year	3,666,037	466,267	1,500,232	1,742,545	7,375,081
Fund Balances - End of year	<u>\$ 4,034,047</u>	<u>\$ 162,999</u>	<u>\$ 3,689,220</u>	<u>\$ 1,728,264</u>	<u>\$ 9,614,530</u>

Governmental Funds

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$	2,239,449
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 the internal service fund DPW Equipment Revolving Fund):</p>		
Capital outlay and capital contributions		2,911,354
Depreciation expense		(1,322,933)
Net book value of assets disposed of		(13,878)
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		127,667
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position		(3,000,000)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		774,831
Interest expense is recognized in the government-wide statements as it accrues		(7,559)
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)		36,560
Internal service funds are included as part of governmental activities - All other items		28,740
Change in Net Position of Governmental Activities	\$	<u>1,774,231</u>

Proprietary Funds
Statement of Net Position

June 30, 2022

	Enterprise Funds			Governmental
	Nonmajor Enterprise - Farmington		Total	Proprietary Internal
	Water and Sewer	Community Theater		Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,244,763	\$ 233,629	\$ 1,478,392	\$ 1,216,860
Receivables	1,684,627	10,030	1,694,657	13,438
Due from other funds	42	270	312	28,449
Inventory	63,508	6,424	69,932	-
Prepaid expenses and other assets	1,997	500	2,497	109,632
Total current assets	2,994,937	250,853	3,245,790	1,368,379
Noncurrent assets -				
Capital assets:				
Assets not subject to depreciation	1,402,905	92,885	1,495,790	-
Assets subject to depreciation - Net	16,408,614	554,727	16,963,341	995,891
Total noncurrent assets	17,811,519	647,612	18,459,131	995,891
Total assets	20,806,456	898,465	21,704,921	2,364,270
Deferred Outflows of Resources				
Deferred charges on bond refunding	80,532	-	80,532	-
Deferred pension costs	207,675	-	207,675	33,765
Deferred OPEB costs	18,280	-	18,280	-
Total deferred outflows of resources	306,487	-	306,487	33,765
Liabilities				
Current liabilities:				
Accounts payable	535,333	13,371	548,704	5,198
Due to other governmental units	-	824	824	-
Due to component units	-	10,000	10,000	-
Due to other funds	226,879	14,821	241,700	11,257
Refundable deposits	-	57	57	-
Accrued liabilities and other	41,455	5,222	46,677	67,994
Unearned revenue	-	3,277	3,277	-
Compensated absences	26,830	-	26,830	179,997
Current portion of long-term debt	392,500	-	392,500	-
Total current liabilities	1,222,997	47,572	1,270,569	264,446
Noncurrent liabilities:				
Advances from other funds	-	154,000	154,000	-
Compensated absences	1,588	-	1,588	83,423
Net pension liability	715,930	-	715,930	116,397
Net OPEB liability	15,972	-	15,972	-
Long-term debt	4,545,750	-	4,545,750	-
Total noncurrent liabilities	5,279,240	154,000	5,433,240	199,820
Total liabilities	6,502,237	201,572	6,703,809	464,266
Deferred Inflows of Resources				
Deferred pension cost reductions	191,540	-	191,540	31,141
Deferred OPEB cost reductions	6,410	-	6,410	-
Total deferred inflows of resources	197,950	-	197,950	31,141
Net Position				
Net investment in capital assets	13,337,051	647,612	13,984,663	995,891
Unrestricted	1,075,705	49,281	1,124,986	906,737
Total net position	\$ 14,412,756	\$ 696,893	\$ 15,109,649	\$ 1,902,628

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

Year Ended June 30, 2022

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,235,520	\$ -	\$ 2,235,520	\$ -
Sewage disposal charges	2,753,018	-	2,753,018	-
Fees	-	286,236	286,236	-
Other income	150,521	7,803	158,324	15,655
Service charges	-	-	-	725,140
Total operating revenue	5,139,059	294,039	5,433,098	740,795
Operating Expenses				
Source of supply	2,673,015	-	2,673,015	-
Administration and general	972,901	446,752	1,419,653	-
Transmission, distribution, and maintenance	897,795	-	897,795	-
Insurance costs	-	-	-	266,273
Fleet maintenance	-	-	-	340,800
Depreciation	621,824	50,040	671,864	91,802
Total operating expenses	5,165,535	496,792	5,662,327	698,875
Operating (Loss) Income	(26,476)	(202,753)	(229,229)	41,920
Nonoperating (Expense) Revenue				
Investment loss	(14,638)	(3,377)	(18,015)	(15,032)
Interest expense	(128,256)	(1,540)	(129,796)	-
Nonoperating grants	-	319,472	319,472	1,852
Total nonoperating (expense) revenue	(142,894)	314,555	171,661	(13,180)
Change in Net Position	(169,370)	111,802	(57,568)	28,740
Net Position - Beginning of year	14,582,126	585,091	15,167,217	1,873,888
Net Position - End of year	<u>\$ 14,412,756</u>	<u>\$ 696,893</u>	<u>\$ 15,109,649</u>	<u>\$ 1,902,628</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	Enterprise Funds			Governmental
	Nonmajor Enterprise - Farmington		Total	Proprietary Internal Service Funds
	Water and Sewer	Community Theater		
Cash Flows from Operating Activities				
Receipts from customers	\$ 4,961,720	\$ 288,881	\$ 5,250,601	\$ 725,071
Payments to suppliers	(3,736,809)	(289,924)	(4,026,733)	(424,179)
Payments to employees	(595,320)	(144,362)	(739,682)	(86,123)
Internal activity - Payments from other funds	222,952	15,306	238,258	-
Other receipts (payments)	24,895	3,277	28,172	(2,831)
Net cash and cash equivalents provided by (used in) operating activities	877,438	(126,822)	750,616	211,938
Cash Flows from Noncapital Financing Activities				
Operating grants	-	319,472	319,472	-
Principal and interest paid on operating debt	(36,676)	-	(36,676)	-
Net cash and cash equivalents (used in) provided by noncapital financing activities	(36,676)	319,472	282,796	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(1,339,082)	-	(1,339,082)	(57,262)
Principal and interest paid on capital debt	(480,115)	(1,539)	(481,654)	-
Net cash and cash equivalents used in capital and related financing activities	(1,819,197)	(1,539)	(1,820,736)	(57,262)
Cash Flows Provided by Investing Activities - Interest received on investments	6,546	798	7,344	6,912
Net (Decrease) Increase in Cash and Cash Equivalents	(971,889)	191,909	(779,980)	161,588
Cash and Cash Equivalents - Beginning of year	2,237,836	45,895	2,283,731	1,077,216
Cash and Cash Equivalents - End of year	\$ 1,265,947	\$ 237,804	\$ 1,503,751	\$ 1,238,804
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,244,763	\$ 233,629	\$ 1,478,392	\$ 1,216,860
Fair market value adjustment for unrealized losses	21,184	4,175	25,359	21,944
Total cash and cash equivalents	\$ 1,265,947	\$ 237,804	\$ 1,503,751	\$ 1,238,804
Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities				
Operating (loss) income	\$ (26,476)	\$ (202,753)	\$ (229,229)	\$ 41,920
Adjustments to reconcile operating (loss) income to net cash and cash equivalents related to operating activities:				
Depreciation	621,824	50,040	671,864	91,802
Changes in assets and liabilities:				
Receivables	(152,444)	(1,881)	(154,325)	(2,831)
Due to and from other funds	222,952	15,306	238,258	(11,655)
Inventories	(6,689)	(2,256)	(8,945)	-
Prepaid and other assets	(1,997)	-	(1,997)	12,211
Accounts payable	107,068	13,571	120,639	56,645
Net pension liability	84,725	-	84,725	23,463
Deferrals related to pension or OPEB	22,530	-	22,530	5,188
Accrued and other liabilities	5,945	1,151	7,096	(4,805)
Total adjustments	903,914	75,931	979,845	170,018
Net cash and cash equivalents provided by (used in) operating activities	\$ 877,438	\$ (126,822)	\$ 750,616	\$ 211,938
Significant Noncash Transactions - Fair market value adjustment for unrealized losses	\$ 21,184	\$ 4,175	\$ 25,359	\$ 21,944

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Assets				
Cash and cash equivalents	\$ 357,642	\$ 15,018	\$ 710,019	\$ 1,082,679
Investments:				
Mutual funds - Equity	1,774,812	-	-	1,774,812
Common stock	4,199,156	-	-	4,199,156
Mutual funds - Fixed income	1,441,071	-	-	1,441,071
Corporate bonds	65,250	-	-	65,250
Real estate	706,602	-	-	706,602
Government securities	141,167	-	-	141,167
Total assets	<u>8,685,700</u>	<u>15,018</u>	<u>710,019</u>	<u>9,410,737</u>
Liabilities - Accrued liabilities and other	<u>-</u>	<u>15,018</u>	<u>-</u>	<u>15,018</u>
Net Position				
Restricted:				
Postemployment benefits other than pension	8,685,700	-	-	8,685,700
Organizations and other governments	-	-	710,019	710,019
Total net position	<u>\$ 8,685,700</u>	<u>\$ -</u>	<u>\$ 710,019</u>	<u>\$ 9,395,719</u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Additions				
Investment income (loss):				
Interest and dividends	\$ 195,873	\$ -	\$ -	\$ 195,873
Net realized and unrealized loss on investments	(1,511,092)	-	-	(1,511,092)
Less investment expense	(53,536)	-	-	(53,536)
Net investment loss	(1,368,755)	-	-	(1,368,755)
Property tax collections	-	-	11,903,626	11,903,626
Other additions	-	-	43,252	43,252
District court collections	-	-	3,459,503	3,459,503
Total additions - Net	(1,368,755)	-	15,406,381	14,037,626
Deductions				
Insurance costs	414,768	-	-	414,768
Administrative expenses	8,250	-	-	8,250
Tax distributions to other governments	-	-	11,903,626	11,903,626
Other deductions	-	-	39,627	39,627
District court disbursements	-	-	3,441,195	3,441,195
Total deductions	423,018	-	15,384,448	15,807,466
Net (Decrease) Increase in Fiduciary Net Position	(1,791,773)	-	21,933	(1,769,840)
Net Position - Beginning of year	10,477,473	-	688,086	11,165,559
Net Position - End of year	<u>\$ 8,685,700</u>	<u>\$ -</u>	<u>\$ 710,019</u>	<u>\$ 9,395,719</u>

City of Farmington, Michigan

Component Units Statement of Net Position

June 30, 2022

	Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets				
Cash and cash equivalents	\$ 414,690	\$ 6,826	\$ 90,404	\$ 511,920
Receivables	11,430	274	15,925	27,629
Due from primary government	20,000	-	-	20,000
Prepaid expenses and other assets	3,550	-	-	3,550
Capital assets:				
Assets not subject to depreciation	460,580	-	-	460,580
Assets subject to depreciation - Net	240,805	-	-	240,805
Total assets	1,151,055	7,100	106,329	1,264,484
Liabilities				
Accounts payable	19,416	-	-	19,416
Due to other governmental units	274	4,945	-	5,219
Due to primary government	10,029	800	-	10,829
Accrued liabilities and other	46,498	-	14,876	61,374
Noncurrent liabilities - Due in more than one year - Compensated absences	1,224	-	-	1,224
Total liabilities	77,441	5,745	14,876	98,062
Net Position				
Net investment in capital assets	701,385	-	-	701,385
Unrestricted	372,229	1,355	91,453	465,037
Total net position	<u>\$ 1,073,614</u>	<u>\$ 1,355</u>	<u>\$ 91,453</u>	<u>\$ 1,166,422</u>

City of Farmington, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 872,926	\$ 210,650	\$ 195,000	\$ 7,500
Brownfield Redevelopment Authority	4,001	-	274	-
Corridor Improvement Authority	13,093	-	8,728	-
Total component units	\$ 890,020	\$ 210,650	\$ 204,002	\$ 7,500

General revenue:

Property taxes

Unrestricted state-shared revenue

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, 2022

Net (Expense) Revenue and Changes in Net Position			
Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ (459,776)	\$ -	\$ -	\$ (459,776)
-	(3,727)	-	(3,727)
-	-	(4,365)	(4,365)
(459,776)	(3,727)	(4,365)	(467,868)
491,098	4,200	34,102	529,400
1,535	-	-	1,535
(4,298)	(93)	(1,322)	(5,713)
488,335	4,107	32,780	525,222
28,559	380	28,415	57,354
1,045,055	975	63,038	1,109,068
\$ 1,073,614	\$ 1,355	\$ 91,453	\$ 1,166,422

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 Retiree Health Care Funding Bonds debt service fund serves as a conduit for transfers from the General Fund and the Water and Sewer Fund on an as-needed basis to cover the debt service on the 2013 LTGO Bonds and the portion of the 2019 LTGO Refunding Bonds used to refund certain maturities of the taxable 2013 LTGO Bonds. 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, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of seven individuals, is selected by the mayor and the 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 the City Council's 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 the City Council's approval.

The Farmington Retiree Health Care Plan is governed by a three-member board that includes the mayor, city manager, and city treasurer. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints the voting majority to the board, and the plan imposes a financial burden on the City.

Jointly Governed Organization

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington Hills, Michigan. The City provides 15.30 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 \$13,484 for the year ended June 30, 2022. 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), as 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 funds as major governmental funds:

- 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.
- Local Streets Fund - The Local Streets Fund is a special revenue fund that accounts for the revenue and expenses related to maintaining the City's local streets.
- Capital Improvement Millage Fund - The Capital Improvement Millage Fund is a capital project fund that accounts for the capital project activity that is funded by the voter-approved capital improvement millage.

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, record the City's liability for accrued vacation and compensated time off, and 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.
- Custodial funds - The custodial funds account for assets held by the City in a trustee capacity or as an agent for organizations and other governments.

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 health care-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.

In August 2021, the City entered into a purchase agreement to sell the land held for resale to a developer for \$1,250,000. At June 30, 2022, the developer continues to perform its due diligence.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets in the governmental activities consist of unspent bond proceeds associated with the 2020 capital improvement bond and the 2022 capital improvement bond.

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:

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
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 life of the bond 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.

Unearned Revenue

Unearned revenue represents an advance-funded federal grant award from the American Rescue Plan.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to 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 and deferred charges on bond refunding.

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows related to unavailable revenue, pension and other postemployment benefits.

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 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$386.9 million (a portion of which is abated and a portion of which is captured by the Authority, the BRA, and the CIA), on which taxes levied consisted of 14 mills for general operating purposes, 1.4293 mills for street improvements and maintenance, 2.8812 mills for operations and capital, and 1.7818 mills for operating the Authority. This resulted in approximately \$5,157,000 for general operating, \$526,000 for street improvements and maintenance, \$1,061,000 for operations and capital, and \$46,000 for operating the Authority. These amounts are recognized in the respective General Fund, Municipal Street Fund, Capital Improvement Millage Fund, and the Downtown Development Authority.

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 health care benefits to retirees. The City records a net OPEB liability or asset 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 or asset, 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 or asset has generally been reported in the funds from which the individual salaries are paid, which are the General Fund and the 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 and the Farmington Community Theater 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 March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

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 no 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, 2022 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.

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

The City did not have significant expenditure budget variances.

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

Construction Code Fees

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

Cumulative shortfall at July 1, 2021		\$ (1,225,555)
Current year permit revenue		318,261
Related expenses:		
Direct costs	\$ 249,317	
Estimated indirect costs	24,932	274,249
		44,012
Current year surplus		44,012
Cumulative shortfall at June 30, 2022		\$ (1,181,543)

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 no 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 bank deposits of \$5,386,893 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$357,642 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, 2022, the City's investment in the Oakland County investment pool was \$5,745,535. As of June 30, 2022, the City's investment in the Michigan CLASS investment pool was \$2,156,268.

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)
Primary Government		
Michigan CLASS investment pool	\$ 2,156,268	0.20
Oakland County Local Government Investment Pool	5,745,535	1.47
Comerica J Fund	<u>538,356</u>	0.33
Total	<u>\$ 8,440,159</u>	

Investment	Carrying Value	Weighted-average Maturity (Years)
Fiduciary Funds		
Mutual funds - Fixed income	\$ 1,441,071	4.49
Corporate bonds	65,250	7.98
Government securities	<u>141,167</u>	19.87
Total	<u>\$ 1,647,488</u>	

June 30, 2022

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, 2022, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Michigan CLASS investment pool	\$ 2,156,268	AAA	S&P
Oakland County Local Government Investment Pool	5,745,535	Not rated	N/A
Comerica J Fund	538,356	Not rated	N/A
Total	<u>\$ 8,440,159</u>		

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds - Fixed income	\$ 1,441,071	Not rated	Not rated
Corporate bonds	65,250	A2-BAA2	Moody's
Government securities	141,167	Not rated - AAA	Moody's
Total	<u>\$ 1,647,488</u>		

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, and 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 where 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, 2022

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022			Balance at June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt securities:				
Mutual funds - Fixed income	\$ 1,441,071	\$ -	\$ -	\$ 1,441,071
Corporate bonds	-	65,250	-	65,250
Government securities	57,100	84,067	-	141,167
Equity securities:				
Mutual funds - Equity	1,774,812	-	-	1,774,812
Stocks	4,199,156	-	-	4,199,156
Total equity securities	5,973,968	-	-	5,973,968
Total	\$ 7,472,139	\$ 149,317	\$ -	7,621,456
Investments measured at NAV:				
Michigan CLASS investment pool				2,156,268
Oakland County Local Government Investment Pool				5,745,535
Comerica J Fund				538,356
Real estate funds				706,602
Total investments measured at NAV				9,146,761
Total assets				\$ 16,768,217

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

The fair values of the governmental securities and corporate bonds were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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

Investments in Entities That Calculate Net Asset Value per Share

The City holds shares or interests in investment companies where 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.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

At June 30, 2022, 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	\$ 2,156,268	\$ -	No restrictions	None
Oakland County Local Government Investment Pool	5,745,535	-	No restrictions	None
Comerica J Fund	538,356	-	No restrictions	None
Real estate funds	706,602	-	Monthly	One month

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 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 amortized cost value reported is within 0.05 percent of fair value.

The real estate funds invest primarily in stabilized income-generating commercial real estate in the United States. The fair value of the investment has been estimated using net asset value per share of the investment.

Note 4 - Receivables

Receivables as of June 30, 2022 for the City's individual major governmental funds and the nonmajor governmental funds are as follows:

	General Fund	Local Streets Fund	Capital Improvement Millage Fund	Nonmajor Funds	Proprietary Internal Service Funds	Total Governmental Activities
Receivables:						
Taxes	\$ 22,620	\$ -	\$ 999	\$ 714	\$ -	\$ 24,333
Due from other governmental units	369,407	137,910	-	214,955	1,852	724,124
Interest and other	154,294	3,600	10,000	-	11,586	179,480
Net receivables	<u>\$ 546,321</u>	<u>\$ 141,510</u>	<u>\$ 10,999</u>	<u>\$ 215,669</u>	<u>\$ 13,438</u>	<u>\$ 927,937</u>

Note 4 - Receivables (Continued)

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

	Water and Sewer Fund	Nonmajor Enterprise Fund - Farmington Community Theater Fund	Total Business- type Activities
Delinquent water and sewer bills	\$ 149,344	\$ -	\$ 149,344
Customer receivables	1,502,267	-	1,502,267
Intergovernmental	5,434	-	5,434
Interest and other	27,582	10,030	37,612
Total receivables	<u>\$ 1,684,627</u>	<u>\$ 10,030</u>	<u>\$ 1,694,657</u>
			Component Units
Other			\$ 7,476
Due from other governmental units			15,407
Property taxes receivable			<u>4,746</u>
Total			<u>\$ 27,629</u>

June 30, 2022

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,939,382	\$ -	\$ -	\$ -	\$ 1,939,382
Construction in progress	1,206,967	(922,858)	2,064,233	-	2,348,342
Subtotal	3,146,349	(922,858)	2,064,233	-	4,287,724
Capital assets being depreciated:					
County roads	391,690	-	-	-	391,690
Flowage rights	946,170	-	-	-	946,170
Infrastructure	28,559,512	841,090	330,292	(101,369)	29,629,525
Buildings and improvements	3,752,106	81,768	169,095	(2,498)	4,000,471
Equipment and other	1,383,122	-	278,385	(26,725)	1,634,782
Vehicles	2,700,560	-	126,611	(32,383)	2,794,788
Court building	1,687,748	-	-	-	1,687,748
Subtotal	39,420,908	922,858	904,383	(162,975)	41,085,174
Accumulated depreciation:					
County roads	235,013	-	13,056	-	248,069
Flowage rights	946,171	-	-	-	946,171
Infrastructure	14,769,578	-	1,019,133	(101,369)	15,687,342
Buildings and improvements	2,585,770	-	62,196	(2,498)	2,645,468
Equipment and other	848,716	-	94,634	(26,725)	916,625
Vehicles	1,241,572	-	191,961	(18,505)	1,415,028
Court building	607,591	-	33,755	-	641,346
Subtotal	21,234,411	-	1,414,735	(149,097)	22,500,049
Net capital assets being depreciated	18,186,497	922,858	(510,352)	(13,878)	18,585,125
Net governmental activities capital assets	\$ 21,332,846	\$ -	\$ 1,553,881	\$ (13,878)	\$ 22,872,849

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 174,009	\$ -	\$ -	\$ -	\$ 174,009
Construction in progress	170,878	-	1,150,903	-	1,321,781
Subtotal	344,887	-	1,150,903	-	1,495,790
Capital assets being depreciated:					
Water and sewer mains	32,315,151	-	172,839	-	32,487,990
Water storage tank	224,377	-	-	-	224,377
Water meters	681,578	-	-	(14,737)	666,841
Building	2,040,603	-	-	-	2,040,603
Truck and tractors	124,517	-	-	-	124,517
Office equipment	759,466	-	15,339	(101,918)	672,887
Subtotal	36,145,692	-	188,178	(116,655)	36,217,215
Accumulated depreciation:					
Water and sewer mains	16,319,905	-	563,828	-	16,883,733
Water storage tank	87,907	-	11,372	-	99,279
Water meters	162,492	-	33,598	(14,737)	181,353
Building	1,366,294	-	35,701	-	1,401,995
Truck and tractors	124,516	-	-	-	124,516
Office equipment	637,551	-	27,365	(101,918)	562,998
Subtotal	18,698,665	-	671,864	(116,655)	19,253,874
Net capital assets being depreciated	17,447,027	-	(483,686)	-	16,963,341
Net business-type activities capital assets	<u>\$ 17,791,914</u>	<u>\$ -</u>	<u>\$ 667,217</u>	<u>\$ -</u>	<u>\$ 18,459,131</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

Component Units

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 460,580	\$ -	\$ -	\$ -	\$ 460,580
Capital assets being depreciated:					
Green areas	380,924	-	12,436	(32,311)	361,049
Office equipment	30,812	-	-	(3,040)	27,772
Land improvements	315,870	-	5,469	-	321,339
Subtotal	727,606	-	17,905	(35,351)	710,160
Accumulated depreciation:					
Green areas	284,516	-	48,796	(32,311)	301,001
Office equipment	21,826	-	2,123	(3,040)	20,909
Land improvements	134,384	-	13,061	-	147,445
Subtotal	440,726	-	63,980	(35,351)	469,355
Net capital assets being depreciated	286,880	-	(46,075)	-	240,805
Net component units capital assets	\$ 747,460	\$ -	\$ (46,075)	\$ -	\$ 701,385

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

Governmental activities:	
General government	\$ 85,392
Public safety	158,747
Public works	1,003,386
Recreation and culture	75,408
Internal service fund (depreciation is charged to the various functions based on their usage of the asset)	91,802
Total governmental activities	<u>\$ 1,414,735</u>
Business-type activities:	
Water and sewer	\$ 621,824
Theater	50,040
Total business-type activities	<u>\$ 671,864</u>
Component unit activities - Downtown Development Authority	<u>\$ 63,980</u>

Construction Commitments

The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Governmental activities - Farmington Road Streetscape	\$ 53,873	\$ 3,308,671

June 30, 2022

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 2,765
	Nonmajor governmental fund	4,498
	Water and Sewer Fund	4,609
	Nonmajor enterprise fund	14,821
	Internal service fund - DPW Equipment Revolving Fund	11,257
	Total General Fund	37,950
Local Streets Fund	Water and Sewer Fund	212,412
Nonmajor governmental funds	General Fund	1,159
Internal service fund - DPW Equipment Revolving Fund	General Fund	5,433
	Local Streets Fund	661
	Nonmajor governmental fund	2,497
	Water and Sewer Fund	9,858
	Total internal service fund - DPW Equipment Revolving Fund	18,449
Water and Sewer Fund	Nonmajor governmental fund	42
Nonmajor enterprise fund	General Fund	270
Capital Improvement Millage	General Fund	5,000
Internal service fund - Employee Accrued Benefits Fund	General Fund	10,000
	Total	<u>\$ 285,282</u>

The City has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
General Fund	Nonmajor enterprise fund	\$ 154,000

The advance from the General Fund to the nonmajor enterprise fund (Farmington Community Theater Fund) was made to cover expenditures during time of mandatory theater shutdown due to the COVID-19 pandemic. The advance will be repaid by June 30, 2024 and bears interest at 1 percent.

June 30, 2022

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

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

Receivable	Payable	Amount
General Fund	Downtown Development Authority	\$ 10,029
	Brownfield Redevelopment Authority	800
	Total General Fund	10,829
Downtown Development Authority	General Fund	10,000
	Nonmajor enterprise fund	10,000
	Total Downtown Development Authority	20,000
Total		<u>\$ 30,829</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:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Nonmajor governmental funds (1)	Local Streets Fund	\$ 830,000
General Fund (2)	Nonmajor governmental funds	785,081
Total		<u>\$ 1,615,081</u>

(1) The transfer from the nonmajor governmental funds (Municipal Street Fund and Major Streets Fund) to the Local Streets Fund was made to finance a portion of the cost of the City’s road and sidewalk programs.

(2) The transfer from the General Fund to the nonmajor governmental funds was made to provide for current year debt service payments (2020 Maxfield Training Center Installment Purchase Agreement and Retiree Health Care Funding Bonds).

Note 7 - 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 reassessment 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, 2022

Note 7 - Long-term Debt (Continued)

Long-term debt activity for the year ended June 30, 2022 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 borrowing:							
2020 Installment							
Purchase Agreement:							
Amount of issue -							
\$690,000		\$72,286-					
Maturing through 2029	2.85%	\$85,562	\$ 621,664	\$ -	\$ (70,283)	\$ 551,381	\$ 72,286
Other debt:							
Transportation Fund							
Bonds - 2007 Michigan							
Transportation Fund							
Bonds:							
Amount of issue -							
\$1,450,000							
Maturing through 2022	3.90%	\$145,000	145,000	-	(145,000)	-	-
Limited Tax General							
Obligation Bond - 2013							
OPEB Bond:							
Amount of issue -							
\$7,514,500	3.70%-						
Maturing through 2023	4.15%	\$413,250	798,000	-	(384,750)	413,250	413,250
2019 Limited Tax							
General Obligation							
Refunding Bonds:							
Amount of issue -							
\$8,466,250	1.79%-	\$189,250-					
Maturing through 2033	2.82%	\$912,250	8,042,750	-	(189,250)	7,853,500	189,250
2020 Capital							
Improvement Bond:							
Amount of issue -							
\$2,000,000		\$120,000-					
Maturing through 2035	2.00%	\$175,000	1,950,000	-	(50,000)	1,900,000	155,000
2022 Capital							
Improvement Bonds							
Millage:							
Amount of issue -							
\$3,000,000	2.30% -	\$70,000-					
Maturing through 2037	3.30%	\$305,000	-	3,000,000	-	3,000,000	260,000
Total other debt							
principal							
outstanding			10,935,750	3,000,000	(769,000)	13,166,750	1,017,500
Total bonds and							
contracts payable			11,557,414	3,000,000	(839,283)	13,718,131	1,089,786
Compensated absences			267,489	182,110	(186,179)	263,420	179,997
Total governmental							
activities long-term							
debt			\$11,824,903	\$3,182,110	\$ (1,025,462)	\$13,981,551	\$ 1,269,783

June 30, 2022

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other debt:							
2003 Capital Improvement Sewer Bonds:							
Amount of issue - \$900,000	4.15%-						
Maturing through 2023	4.80%	\$60,000	\$ 120,000	\$ -	\$ (60,000)	\$ 60,000	\$ 60,000
2011 General Obligation Capital Improvement Water and Sewer Bonds:							
Amount of issue - \$2,215,000							
Maturing through 2031			90,000	-	(90,000)	-	-
2013 OPEB Bond:							
Amount of issue - \$395,500	3.70%-						
Maturing through 2023	4.15%	\$21,750	42,000	-	(20,250)	21,750	21,750
2015 Capital Improvement Bond:							
Amount of issue - \$1,500,000	3.00%-	\$70,000-					
Maturing through 2035	3.50%	\$100,000	1,145,000	-	(70,000)	1,075,000	70,000
2019 Limited Tax General Obligation Refunding Bonds:							
Amount of issue - \$2,053,750	1.79%-	\$42,750-					
Maturing through 2033	2.82%	\$237,750	2,017,250	-	(25,750)	1,991,500	120,750
2020 Capital Improvement Bond:							
Amount of issue - \$2,000,000		\$120,000-					
Maturing through 2035	2.00%	\$160,000	1,910,000	-	(120,000)	1,790,000	120,000
Total other debt principal outstanding			5,324,250	-	(386,000)	4,938,250	392,500
Compensated absences			28,325	26,923	(26,830)	28,418	26,830
Total business-type activities long-term debt			<u>\$ 5,352,575</u>	<u>\$ 26,923</u>	<u>\$ (412,830)</u>	<u>\$ 4,966,668</u>	<u>\$ 419,330</u>

Total interest expense for the year was approximately \$425,000.

Note 7 - Long-term Debt (Continued)

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		
	Direct Borrowings and Direct Placements		Other Debt			Other Debt		
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 72,286	\$ 15,714	\$1,017,500	\$ 331,356	\$1,436,856	\$ 392,500	\$ 119,258	\$ 511,758
2024	74,346	13,654	1,051,000	309,207	1,448,207	399,000	110,080	509,080
2025	76,465	11,535	1,089,500	285,532	1,463,032	410,500	101,330	511,830
2026	78,644	9,356	1,128,250	259,989	1,476,239	421,750	92,021	513,771
2027	80,886	7,115	1,167,000	232,705	1,487,706	428,000	82,246	510,246
2028-2032	168,754	7,248	5,581,250	723,752	6,481,004	2,093,750	251,817	2,345,567
Thereafter	-	-	2,132,250	132,276	2,264,526	792,750	39,879	832,629
Total	<u>\$551,381</u>	<u>\$ 64,622</u>	<u>\$3,166,750</u>	<u>\$2,274,817</u>	<u>\$6,057,570</u>	<u>\$4,938,250</u>	<u>\$ 796,631</u>	<u>\$5,734,881</u>

Revenue Pledged in Connection with Debt

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the DDA's portion of the principal and interest on the 2019 Limited Tax General Obligation Refunding Bonds (formerly the 2009 Streetscape Capital Improvement Bond, which was refunded). 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 Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the DDA's portion of the principal and interest on the 2019 Limited Tax General Obligation Refunding Bonds (formerly the 2013 Grove Street Capital Improvement Bond, which was refunded). 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.

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the DDA's portion of the principal and interest on the 2022 Capital Improvement Bond, which was issued to fund the Farmington Streetscape improvements. 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 \$1,500,000.

Note 8 - Risk Management

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

Note 8 - Risk Management (Continued)

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 "Risk 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 Risk 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 Risk 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	
	2022	2021
Estimated liability - Beginning of year	\$ 13,000	\$ 48,000
Estimated claims incurred, including changes in estimates	93,252	(30,170)
Claim payments	(40,252)	(4,830)
Estimated liability - End of year	<u>\$ 66,000</u>	<u>\$ 13,000</u>

Note 9 - 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.mersofmich.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.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Nonunion

Retirement benefits for employees are calculated as 2.25 percent of the employee's final 5-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 7 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. Non-duty-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 1.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Department Head

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-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 7 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. Non-duty-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 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Command

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement for employees hired prior to January 31, 2020 age is 60, with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. Normal retirement age for employees hired on or after January 31, 2020 is 60, with early unreduced retirement at 25 years of service and age 50 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. Non-duty-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 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Public Safety

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age for employees hired prior to December 2, 2019 is 60, with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. Normal retirement age for employees hired on or after December 2, 2019 is 60, with early unreduced retirement at 25 years of service and age 50 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. Non-duty-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 4.0 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 5-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 6 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. Non-duty-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.

Department of Public Works

Retirement benefits for employees are calculated as 2.25 percent of the employee's final 5-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. Non-duty-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. Employees contribute 1.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

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. Public safety employees' benefit terms may be subject to binding arbitration in certain circumstances.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	57
Inactive plan members entitled to but not yet receiving benefits	17
Active plan members	41
	115
Total employees covered by the plan	115

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, 2021, the active employee contribution rate was 4.5 percent of annual pay for command, 4.5 percent for department heads and public safety, 1.50 percent for nonunion, and 0 percent for dispatch. The City's contribution rates for the year ended June 30, 2022 were set in the December 31, 2019 actuarial valuation and modified through the fiscal year ended June 30, 2022 as benefits were changed. The contribution rates for the year ended June 30, 2022 as a percentage of annual payroll are as follows: nonunion - 25.02 percent; department heads - 57.48 percent; and public safety hired after November 18, 2019 - 10.93 percent. The City contributes \$12,828 per month for the department of public works, \$21,304 per month for the command, and \$28,683 per month for public safety.

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, 2022 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, 2021 measurement date. The total pension liability was based on the December 31, 2021 actuarial valuation.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 29,169,959	\$ 22,306,224	\$ 6,863,735
Changes for the year:			
Service cost	369,531	-	369,531
Interest	2,161,463	-	2,161,463
Changes in benefits	(8,182)	-	(8,182)
Differences between expected and actual experience	133,677	-	133,677
Changes in assumptions	1,109,857	-	1,109,857
Contributions - Employer	-	968,159	(968,159)
Contributions - Employee	-	105,478	(105,478)
Net investment income	-	2,964,713	(2,964,713)
Benefit payments, including refunds	(1,828,830)	(1,828,830)	-
Administrative expenses	-	(35,165)	35,165
Net changes	1,937,516	2,174,355	(236,839)
Balance at December 31, 2021	<u>\$ 31,107,475</u>	<u>\$ 24,480,579</u>	<u>\$ 6,626,896</u>

The plan's fiduciary net position represents 78.7 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, 2022, the City recognized pension expense of \$1,256,039.

At June 30, 2022, 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	\$ 100,316	\$ (26,289)
Changes in assumptions	1,291,326	-
Net difference between projected and actual earnings on pension plan investments	-	(1,746,673)
Employer contributions to the plan subsequent to the measurement date	530,671	-
Total	<u>\$ 1,922,313</u>	<u>\$ (1,772,962)</u>

Note 9 - 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 of \$530,671 made subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ 705,401
2024	(311,178)
2025	(515,649)
2026	(259,894)
Total	<u>\$ (381,320)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, salary increases (including inflation) of 3.0 percent (with merit increases totaling up to 6.7 percent, for a total of 3.0 percent - 9.7 percent), and an investment rate of return (net of investment expenses) of 7.25 percent.

Mortality rates were based on certain sex-distinct Pub-2010 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 2013 through 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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, 2021 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	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private assets	20.00	7.00

Note 9 - 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 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 10,197,149	\$ 6,626,896	\$ 3,620,284

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.

Assumption Changes

The discount rate was reduced from 7.6 percent to 7.25 percent in the December 31, 2021 actuarial valuation.

Note 10 - Other Postemployment Benefit Plan

Farmington Retiree Health Care 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, city manager, and city treasurer.

Benefits Provided

The Plan provides health care 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 health care insurance premiums and is administered by the Board.

Note 10 - Other Postemployment Benefit Plan (Continued)

MERS Health Care Savings Plan

Plan Description

On June 30, 2009, the council established, by resolution, the MERS HCSP, a defined contribution retiree health care plan. The MERS HCSP is a tax-qualified governmental plan and trust under Section 401(a) of the Internal Revenue Code of 1986, and, therefore, all trust assets are 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.

Benefits Provided

Under the terms of the 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 \$60,000. 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
	June 30, 2020
Date of member count	
Inactive plan members or beneficiaries currently receiving benefits	39
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	17
	<hr/>
Total plan members	58
	<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, 2022, the Trust Fund paid postemployment health care premiums of \$414,768. There were no required employee contributions. Plan members are not required to contribute to the Plan.

Net OPEB Liability (Asset)

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability (asset). The June 30, 2022 fiscal year end reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2022 measurement date. The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, which used update procedures to roll forward the estimated liability to June 30, 2022.

June 30, 2022

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB (Asset) Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset) Liability
Balance at July 1, 2021	\$ 9,470,627	\$ 10,477,473	\$ (1,006,846)
Changes for the year:			
Service cost	87,273	-	87,273
Interest	651,482	-	651,482
Differences between expected and actual experience	(63,897)	-	(63,897)
Net investment loss	-	(1,368,754)	1,368,754
Benefit payments, including refunds	(414,768)	(414,768)	-
Administrative expenses	-	(8,250)	8,250
Net changes	260,090	(1,791,772)	2,051,862
Balance at June 30, 2022	<u>\$ 9,730,717</u>	<u>\$ 8,685,701</u>	<u>\$ 1,045,016</u>

The plan's fiduciary net position represents 89.26 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, 2022, the City recognized an OPEB recovery of \$91,356.

At June 30, 2022, 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	\$ 3,501	\$ (419,775)
Changes in assumptions	213,598	-
Net difference between projected and actual earnings on OPEB plan investments	978,858	-
Total	<u>\$ 1,195,957</u>	<u>\$ (419,775)</u>

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
2023	\$ 89,845
2024	202,157
2025	66,705
2026	417,475
Total	<u>\$ 776,182</u>

Note 10 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, which used update procedures to roll forward the liability to June 30, 2022. The actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including 3.0 percent inflation) of 3.6 percent to 9.7 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a health care cost trend rate for pre-65 medical and drug costs of 7.50 percent for 2021, decreasing to 3.5 percent in year 12; a health care cost trend rate for post-65 medical and drug costs of 6.25 percent for 2021, decreasing to 3.5 percent in year 12; and a health care cost trend rate of 3.5 percent for dental. Mortality rates were based on the sex-distinct Pub-2010 tables and include a margin for future mortality improvements projected using a fully generational improvement scale.

Certain actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for MERS for the period from January 1, 2014 to December 31, 2018. These assumptions were first used in the June 30, 2020 actuarial valuation.

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, 2022 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 table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	30.00 %	6.14 %
International equity	20.00	4.94
Emerging markets equity	5.00	6.34
Fixed income and preferred	25.00	1.54
Private real estate	10.00	5.34
Private equity	5.00	10.44
Equity hedge assets	3.00	4.34
Cash and equivalents	2.00	0.74

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (13.67) percent. The money-weighted rate of return expresses investment performance, net of investment, adjusted for the changing amounts actually invested.

Note 10 - 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 (asset) 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 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability (asset) of the Farmington Retiree Health Care Plan	\$ 2,329,716	\$ 1,045,016	\$ (10,061)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

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

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB (asset) liability of the Farmington Retiree Health Care Plan	\$ (208,752)	\$ 1,045,016	\$ 2,586,628

OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is not available in a 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.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,704,914	\$ 5,693,780	\$ 5,704,170	\$ 10,390
Intergovernmental:				
Federal grants	64,219	47,095	28,095	(19,000)
State-shared revenue and grants	1,172,894	1,479,668	1,553,382	73,714
Charges for services	2,051,028	2,040,309	2,052,681	12,372
Fines and forfeitures	325,000	325,000	324,001	(999)
Licenses and permits	239,300	339,200	355,110	15,910
Investment income (loss)	35,000	25,000	(59,325)	(84,325)
Other miscellaneous income	281,830	278,343	290,500	12,157
Total revenue	9,874,185	10,228,395	10,248,614	20,219
Expenditures				
Current services:				
General government	2,095,875	2,137,419	2,034,990	102,429
District court	515,531	518,021	473,166	44,855
Public safety	4,498,017	4,431,372	4,314,300	117,072
Public works	1,286,309	1,297,834	1,262,490	35,344
Health and welfare	7,010	6,660	5,587	1,073
Community and economic development	377,018	286,866	212,528	74,338
Recreation and culture	857,252	961,065	793,819	167,246
Contingency	20,000	20,000	-	20,000
Total expenditures	9,657,012	9,659,237	9,096,880	562,357
Excess of Revenue Over Expenditures	217,173	569,158	1,151,734	582,576
Other Financing Sources (Uses)				
Transfers in - Capital Improvement Fund	208,225	135,500	-	(135,500)
Transfers out - Debt service	(785,380)	(785,665)	(785,081)	584
Total other financing uses	(577,155)	(650,165)	(785,081)	(134,916)
Net Change in Fund Balance	(359,982)	(81,007)	366,653	447,660
Fund Balance - Beginning of year	3,666,037	3,666,037	3,666,037	-
Fund Balance - End of year	\$ 3,306,055	\$ 3,585,030	\$ 4,032,690	\$ 447,660

City of Farmington, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Fund
 Local Streets

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 27,409	\$ -	\$ -	\$ -
Intergovernmental - State-shared revenue and grants	343,241	443,441	367,711	(75,730)
Investment income (loss)	500	200	(3,521)	(3,721)
Total revenue	371,150	443,641	364,190	(79,451)
Expenditures				
Current services - Public works:				
Operations and maintenance	332,964	464,960	388,321	76,639
Construction	941,736	1,188,425	1,109,137	79,288
Total expenditures	1,274,700	1,653,385	1,497,458	155,927
Excess of Expenditures Over Revenue	(903,550)	(1,209,744)	(1,133,268)	76,476
Other Financing Sources				
Transfers in - Municipal Street Fund	505,000	505,000	505,000	-
Transfers in - Major Streets Fund	325,000	350,000	325,000	(25,000)
Total other financing sources	830,000	855,000	830,000	(25,000)
Net Change in Fund Balance	(73,550)	(354,744)	(303,268)	51,476
Fund Balance - Beginning of year	466,267	466,267	466,267	-
Fund Balance - End of year	<u>\$ 392,717</u>	<u>\$ 111,523</u>	<u>\$ 162,999</u>	<u>\$ 51,476</u>

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

Last Eight Plan Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 369,531	\$ 396,874	\$ 409,084	\$ 388,664	\$ 384,427	\$ 367,638	\$ 384,742	\$ 345,578
Interest	2,161,463	2,040,140	2,025,834	1,986,607	1,936,899	1,935,559	1,804,775	1,755,332
Changes in benefit terms	(8,182)	(10,200)	(3,847)	-	-	-	-	-
Differences between expected and actual experience	133,677	(78,868)	44,792	(147,213)	16,098	(583,546)	786,640	-
Changes in assumptions	1,109,857	1,048,979	807,047	-	-	-	1,027,429	-
Benefit payments, including refunds	(1,828,830)	(1,744,960)	(1,766,610)	(1,729,164)	(1,707,291)	(1,715,276)	(1,637,965)	(1,404,412)
Net Change in Total Pension Liability	1,937,516	1,651,965	1,516,300	498,894	630,133	4,375	2,365,621	696,498
Total Pension Liability - Beginning of year	29,169,959	27,517,994	26,001,694	25,502,800	24,872,667	24,868,292	22,502,671	21,806,173
Total Pension Liability - End of year	\$ 31,107,475	\$ 29,169,959	\$ 27,517,994	\$ 26,001,694	\$ 25,502,800	\$ 24,872,667	\$ 24,868,292	\$ 22,502,671
Plan Fiduciary Net Position								
Contributions - Employer	\$ 968,159	\$ 798,148	\$ 722,843	\$ 670,288	\$ 594,340	\$ 486,144	\$ 586,076	\$ 411,173
Contributions - Member	105,478	84,216	65,738	60,195	59,397	55,978	56,538	54,100
Net investment income (loss)	2,964,713	2,795,874	2,522,346	(783,996)	2,501,487	2,050,005	(288,575)	1,222,462
Administrative expenses	(35,165)	(40,476)	(43,428)	(39,523)	(39,689)	(40,522)	(42,719)	(44,733)
Benefit payments, including refunds	(1,828,830)	(1,744,960)	(1,766,610)	(1,729,164)	(1,707,291)	(1,715,276)	(1,637,965)	(1,404,412)
Net Change in Plan Fiduciary Net Position	2,174,355	1,892,802	1,500,889	(1,822,200)	1,408,244	836,329	(1,326,645)	238,590
Plan Fiduciary Net Position - Beginning of year	22,306,224	20,413,422	18,912,533	20,734,733	19,326,489	18,490,160	19,816,805	19,578,215
Plan Fiduciary Net Position - End of year	\$ 24,480,579	\$ 22,306,224	\$ 20,413,422	\$ 18,912,533	\$ 20,734,733	\$ 19,326,489	\$ 18,490,160	\$ 19,816,805
City's Net Pension Liability - Ending	\$ 6,626,896	\$ 6,863,735	\$ 7,104,572	\$ 7,089,161	\$ 4,768,067	\$ 5,546,178	\$ 6,378,132	\$ 2,685,866
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.70 %	76.47 %	74.18 %	72.74 %	81.30 %	77.70 %	74.35 %	88.06 %
Covered Payroll	\$ 3,084,556	\$ 2,928,849	\$ 3,024,228	\$ 2,893,629	\$ 2,875,893	\$ 2,737,705	\$ 2,843,843	\$ 2,608,682
City's Net Pension Liability as a Percentage of Covered Payroll	214.84 %	234.35 %	234.92 %	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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,065,336	\$ 859,627	\$ 756,555	\$ 700,803	\$ 672,235	\$ 545,225	\$ 478,424	\$ 410,775	\$ 385,777	\$ 466,160
Contributions in relation to the actuarially determined contribution	1,065,336	859,627	756,555	700,803	672,235	545,225	478,424	410,775	385,777	466,160
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,084,556	\$ 2,928,849	\$ 3,024,228	\$ 2,893,629	\$ 2,875,893	\$ 2,737,705	\$ 2,843,843	\$ 2,608,682	\$ 2,881,089	\$ 2,839,161
Contributions as a Percentage of Covered Payroll	34.54 %	29.35 %	25.02 %	24.22 %	23.37 %	19.92 %	16.82 %	15.75 %	13.39 %	16.42 %

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	4-20 years depending on division
Asset valuation method	5-year smoothed with dedicated gains policy
Inflation	2.5 percent
Salary increase	3.00 percent, including inflation
Investment rate of return	7.35 percent
Retirement age	60 years
Mortality	50 percent male - 50 percent female blend of the Pub-2010 tables
Other information	None

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

Last Six Fiscal Years

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 87,273	\$ 89,011	\$ 89,066	\$ 102,908	\$ 106,758	\$ 107,013
Interest	651,482	675,619	660,434	755,902	740,117	722,901
Differences between expected and actual experience	(63,897)	(1,429,131)	37,529	(1,660,941)	63,600	124,964
Changes in assumptions	-	797,598	-	78,356	-	-
Benefit payments, including refunds	(414,768)	(539,343)	(600,783)	(665,475)	(700,645)	(716,960)
Net Change in Total OPEB Liability	260,090	(406,246)	186,246	(1,389,250)	209,830	237,918
Total OPEB Liability - Beginning of year	9,470,627	9,876,873	9,690,627	11,079,877	10,870,047	10,632,129
Total OPEB Liability - End of year	\$ 9,730,717	\$ 9,470,627	\$ 9,876,873	\$ 9,690,627	\$ 11,079,877	\$ 10,870,047
Plan Fiduciary Net Position						
Net investment (loss) income	\$ (1,368,754)	\$ 2,342,907	\$ (91,358)	\$ 310,773	\$ 773,670	\$ 1,084,916
Miscellaneous other charges	(8,250)	(21,890)	(23,100)	(6,121)	(21,540)	-
Benefit payments, including refunds	(414,768)	(539,343)	(600,783)	(665,475)	(700,645)	(716,960)
Net Change in Plan Fiduciary Net Position	(1,791,772)	1,781,674	(715,241)	(360,823)	51,485	367,956
Plan Fiduciary Net Position - Beginning of year	10,477,473	8,695,799	9,411,040	9,771,863	9,720,378	9,352,422
Plan Fiduciary Net Position - End of year	\$ 8,685,701	\$ 10,477,473	\$ 8,695,799	\$ 9,411,040	\$ 9,771,863	\$ 9,720,378
Net OPEB Liability (Asset) - Ending	\$ 1,045,016	\$ (1,006,846)	\$ 1,181,074	\$ 279,587	\$ 1,308,014	\$ 1,149,669
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	89.26 %	110.63 %	88.04 %	97.11 %	88.19 %	89.42 %
Covered-employee Payroll	\$ 1,309,913	\$ 1,402,168	\$ 1,483,638	\$ 1,505,032	\$ 1,532,434	\$ 1,587,676
Net OPEB Liability (Asset) as a Percentage of Covered-employee Payroll	79.78 %	(71.81)%	79.61 %	18.58 %	85.36 %	72.41 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 152,260	\$ 76,023	\$ 75,363	\$ 233,882	\$ 234,154	\$ 100,742	\$ 104,518	\$ 107,957	\$ 985,812	\$ 1,304,812
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	8,037,596	692,000
Contribution (Deficiency) Excess	\$ (152,260)	\$ (76,023)	\$ (75,363)	\$ (233,882)	\$ (234,154)	\$ (100,742)	\$ (104,518)	\$ (107,957)	\$ 7,051,784	\$ (612,812)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2020. 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	18 years
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 8.25 percent, gradually decreasing to 3.5 percent in year 10
Salary increase	3.0 to 9.7 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	A version of the sex-distinct Pub-2010 tables

City of Farmington, Michigan

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

	Last Six Fiscal Years Years Ended June 30					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	(13.67)%	28.30 %	(1.04)%	3.29 %	8.27 %	12.20 %

Budgetary Information

A reconciliation of the General Fund budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures and Other Financing Uses</u>	<u>Net Change in Fund Balance</u>
Amounts per operating statement	\$ 10,249,971	\$ 9,881,961	\$ 368,010
American Rescue Plan Act	(1,357)	-	(1,357)
Amounts per budget statement	<u>\$ 10,248,614</u>	<u>\$ 9,881,961</u>	<u>\$ 366,653</u>

Pension Information

Changes in Assumptions

2022: The discount rate was reduced from 7.6 percent to 7.25 percent in the December 31, 2021 actuarial valuation.

2021: A five-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. The experience study resulted in updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates that were first used in the December 31, 2020 actuarial valuation.

2020: The discount rate was reduced from 7.75 percent to 7.6 percent in the December 31, 2019 actuarial valuation.

2016: The discount rate was reduced from 8.0 percent to 7.75 percent in the December 31, 2016 actuarial valuation. In addition, the mortality rates were updated to be based on the RP-2014 tables.

OPEB Information

Changes in Assumptions

2021: The mortality rates were updated to be based on the sex-distinct Pub-2010 tables. In addition, the health care cost trend rates were updated for pre-65 medical and drug costs to 7.50 percent, and the health care cost trend rates for post-65 medical and drug costs were updated to 6.25 percent.

Other Supplemental Information

City of Farmington, Michigan

	Special Revenue Funds		
	Major Streets	Municipal Street	Indigent Defense
Assets			
Cash and investments	\$ 380,198	\$ 470,373	\$ -
Receivables	214,955	714	-
Due from other funds	1,159	-	-
Prepaid expenses and other assets	833	-	-
Total assets	\$ 597,145	\$ 471,087	\$ -
Liabilities			
Accounts payable	\$ 6,049	\$ -	\$ -
Due to other funds	7,037	-	-
Accrued liabilities and other	4,275	2,951	-
Total liabilities	17,361	2,951	-
Deferred Inflows of Resources - Unavailable revenue	32,285	-	-
Fund Balances			
Nonspendable	833	-	-
Restricted:			
Roads	546,666	468,136	-
Sidewalks	-	-	-
Assigned:			
Debt service	-	-	-
Capital projects	-	-	-
Total fund balances	547,499	468,136	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 597,145	\$ 471,087	\$ -

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

Debt Service Funds				Capital Project Fund	
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	Total
\$ 42,588	\$ 2,672	\$ -	\$ 18,061	\$ 649,558	\$ 1,563,450
-	-	-	-	-	215,669
-	-	-	-	-	1,159
-	-	-	-	-	833
\$ 42,588	\$ 2,672	\$ -	\$ 18,061	\$ 649,558	\$ 1,781,111
\$ 250	\$ -	\$ -	\$ -	\$ -	\$ 6,299
-	-	-	-	-	7,037
-	-	-	-	-	7,226
250	-	-	-	-	20,562
-	-	-	-	-	32,285
-	-	-	-	-	833
-	-	-	-	-	1,014,802
-	-	-	-	52,982	52,982
42,338	2,672	-	18,061	-	63,071
-	-	-	-	596,576	596,576
42,338	2,672	-	18,061	649,558	1,728,264
\$ 42,588	\$ 2,672	\$ -	\$ 18,061	\$ 649,558	\$ 1,781,111

City of Farmington, Michigan

	Special Revenue Funds		
	Major Streets	Municipal Street	Indigent Defense
Revenue			
Property taxes	\$ -	\$ 525,681	\$ -
Intergovernmental	913,204	9,072	51,870
Investment income (loss)	(5,491)	(6,485)	4
Other miscellaneous income	8,500	-	5,472
Total revenue	916,213	528,268	57,346
Expenditures			
Current services:			
District court	-	-	58,100
Public works	440,631	-	-
Debt service:			
Principal	145,000	-	-
Interest on long-term debt	33,241	-	-
Total expenditures	618,872	-	58,100
Excess of Revenue Over (Under) Expenditures	297,341	528,268	(754)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(325,000)	(505,000)	-
Total other financing (uses) sources	(325,000)	(505,000)	-
Net Change in Fund Balances	(27,659)	23,268	(754)
Fund Balances - Beginning of year	575,158	444,868	754
Fund Balances - End of year	<u>\$ 547,499</u>	<u>\$ 468,136</u>	<u>\$ -</u>

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

Year Ended June 30, 2022

Debt Service Funds				Capital Project Fund		
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$	525,681
-	-	-	-	-		974,146
(569)	(40)	-	944	(9,487)		(21,124)
<u>34,349</u>	<u>-</u>	<u>71,408</u>	<u>-</u>	<u>-</u>		<u>119,729</u>
33,780	(40)	71,408	944	(9,487)		1,598,432
-	-	-	-	-		58,100
-	-	-	-	-		440,631
20,000	70,283	60,000	494,000	-		789,283
<u>14,050</u>	<u>17,717</u>	<u>11,408</u>	<u>203,364</u>	<u>-</u>		<u>279,780</u>
<u>34,050</u>	<u>88,000</u>	<u>71,408</u>	<u>697,364</u>	<u>-</u>		<u>1,567,794</u>
(270)	(88,040)	-	(696,420)	(9,487)		30,638
-	88,001	-	697,080	-		785,081
-	-	-	-	-		(830,000)
-	88,001	-	697,080	-		(44,919)
(270)	(39)	-	660	(9,487)		(14,281)
<u>42,608</u>	<u>2,711</u>	<u>-</u>	<u>17,401</u>	<u>659,045</u>		<u>1,742,545</u>
<u>\$ 42,338</u>	<u>\$ 2,672</u>	<u>\$ -</u>	<u>\$ 18,061</u>	<u>\$ 649,558</u>	<u>\$</u>	<u>1,728,264</u>

City of Farmington, Michigan

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

June 30, 2022

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 256,875	\$ 315,695	\$ 644,290	\$ 1,216,860
Receivables	-	-	13,438	13,438
Due from other funds	-	10,000	18,449	28,449
Prepaid expenses and other assets	109,632	-	-	109,632
Total current assets	366,507	325,695	676,177	1,368,379
Noncurrent assets - Capital assets subject to depreciation	-	-	995,891	995,891
Total assets	366,507	325,695	1,672,068	2,364,270
Deferred Outflows of Resources - Deferred outflows related to pensions	-	-	33,765	33,765
Liabilities				
Current liabilities:				
Accounts payable	-	-	5,198	5,198
Due to other funds	-	-	11,257	11,257
Accrued liabilities and other	66,000	-	1,994	67,994
Compensated absences	-	179,997	-	179,997
Total current liabilities	66,000	179,997	18,449	264,446
Noncurrent liabilities:				
Compensated absences	-	83,423	-	83,423
Net pension liability	-	-	116,397	116,397
Total liabilities	66,000	263,420	134,846	464,266
Deferred Inflows of Resources - Deferred inflows related to pensions	-	-	31,141	31,141
Net Position				
Net investment in capital assets	-	-	995,891	995,891
Unrestricted	300,507	62,275	543,955	906,737
Total net position	<u>\$ 300,507</u>	<u>\$ 62,275</u>	<u>\$ 1,539,846</u>	<u>\$ 1,902,628</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, 2022

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Operating Revenue				
Other income	\$ -	\$ 4,069	\$ 11,586	\$ 15,655
Service charges	198,252	10,000	516,888	725,140
Total operating revenue	198,252	14,069	528,474	740,795
Operating Expenses				
Insurance costs	266,273	-	-	266,273
Fleet maintenance	-	-	340,800	340,800
Depreciation	-	-	91,802	91,802
Total operating expenses	266,273	-	432,602	698,875
Operating (Loss) Income	(68,021)	14,069	95,872	41,920
Nonoperating (Expense) Revenue				
Investment loss	(938)	(4,607)	(9,487)	(15,032)
Nonoperating grants	-	-	1,852	1,852
Total nonoperating expense	(938)	(4,607)	(7,635)	(13,180)
Change in Net Position	(68,959)	9,462	88,237	28,740
Net Position - Beginning of year	369,466	52,813	1,451,609	1,873,888
Net Position - End of year	\$ 300,507	\$ 62,275	\$ 1,539,846	\$ 1,902,628

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds

Year Ended June 30, 2022

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 198,252	\$ -	\$ 526,819	\$ 725,071
Payments to suppliers	(201,062)	-	(223,117)	(424,179)
Payments to employees and fringes	-	-	(86,123)	(86,123)
Other payments	-	-	(2,831)	(2,831)
Net cash and cash equivalents (used in) provided by operating activities	(2,810)	-	214,748	211,938
Cash Flows Used in Financing Activities -				
Purchase of capital assets	-	-	(57,262)	(57,262)
Cash Flows Provided by Investing Activities -				
Interest received on investments	3,694	1,086	2,132	6,912
Net Increase in Cash and Cash Equivalents	884	1,086	159,618	161,588
Cash and Cash Equivalents - Beginning of year	260,623	320,302	496,291	1,077,216
Cash and Cash Equivalents - End of year	\$ 261,507	\$ 321,388	\$ 655,909	\$ 1,238,804
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 256,875	\$ 315,695	\$ 644,290	\$ 1,216,860
Fair market value adjustment for unrealized losses	4,632	5,693	11,619	21,944
Total cash and cash equivalents	\$ 261,507	\$ 321,388	\$ 655,909	\$ 1,238,804
Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities				
Operating (loss) income	\$ (68,021)	\$ 14,069	\$ 95,872	\$ 41,920
Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities:				
Depreciation	-	-	91,802	91,802
Changes in assets and liabilities:				
Receivables	-	-	(2,831)	(2,831)
Due to and from other funds	-	(10,000)	(1,655)	(11,655)
Prepaid and other assets	12,211	-	-	12,211
Accounts payable	53,000	-	3,645	56,645
Net pension liability	-	-	23,463	23,463
Deferrals related to pension	-	-	5,188	5,188
Accrued and other liabilities	-	(4,069)	(736)	(4,805)
Total adjustments	65,211	(14,069)	118,876	170,018
Net cash and cash equivalents (used in) provided by operating activities	\$ (2,810)	\$ -	\$ 214,748	\$ 211,938
Significant Noncash Transactions - Fair market value adjustment for unrealized losses	\$ 4,632	\$ 5,693	\$ 11,619	\$ 21,944

City of Farmington, Michigan

Other Supplemental Information
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2022

	Custodial Funds			Total
	Custodial	47th District Court	Tax Collection	
Assets - Cash and cash equivalents	\$ 19,794	\$ 690,225	\$ -	\$ 710,019
Net Position - Organizations and other governments	<u>\$ 19,794</u>	<u>\$ 690,225</u>	<u>\$ -</u>	<u>\$ 710,019</u>

City of Farmington, Michigan

**Other Supplemental Information
Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2022

	Custodial Funds			
	Custodial	47th District Court	Tax Collection	Total
Additions				
Property tax collections	\$ -	\$ -	\$ 11,903,626	\$ 11,903,626
Other additions	43,252	-	-	43,252
District court collections	-	3,459,503	-	3,459,503
Total additions	43,252	3,459,503	11,903,626	15,406,381
Deductions				
Tax distributions to other governments	-	-	11,903,626	11,903,626
Other deductions	39,627	-	-	39,627
District court disbursements	-	3,441,195	-	3,441,195
Total deductions	39,627	3,441,195	11,903,626	15,384,448
Net Increase in Fiduciary Net Position	3,625	18,308	-	21,933
Net Position - Beginning of year	16,169	671,917	-	688,086
Net Position - End of year	\$ 19,794	\$ 690,225	\$ -	\$ 710,019