

# **City of Farmington, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2011**

# City of Farmington, Michigan

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-10
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14-15
Reconciliation of the Balance Sheet to the Statement of Net Assets	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17-18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Assets	20
Statement of Revenue, Expenses, and Changes in Net Assets	21
Statement of Cash Flows	22-23
Fiduciary Funds:	
Statement of Net Assets	24
Statement of Changes in Net Assets	25
Component Units:	
Statement of Net Assets	26
Statement of Activities	27
Notes to Financial Statements	28-54
<b>Required Supplemental Information</b>	55
Budgetary Comparison Schedule - General Fund	56
Budgetary Comparison Schedules	57-59

# City of Farmington, Michigan

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## Contents (Continued)

<b>Other Supplemental Information</b>	60
Nonmajor Governmental Funds:	
Combining Balance Sheet	61
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	62
Internal Service Funds:	
Combining Statement of Net Assets	63
Combining Statement of Revenue, Expenses, and Changes in Net Assets	64
Combining Statement of Cash Flows	65
Fiduciary Funds:	
Combining Statement of Assets and Liabilities	66
Combining Statement of Changes in Fiduciary Net Assets	67

## Independent Auditor's Report

To the City Council  
City of Farmington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Farmington, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Farmington, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, there was not a change to the City's fund structure. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

*Plante & Moran, PLLC*

November 9, 2011

# City of Farmington, Michigan

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## Management's Discussion and Analysis

### Overview of the Financial Statements

The City of Farmington, Michigan's (the "City") annual report has been prepared in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34 and consists of a management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The government-wide financial statements were designed to provide 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 assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increases or decreases of net assets 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 assets changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net assets.

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 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 assets, which are not included in the fund balance sheets; 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.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Position and Results of Operation for the City as a Whole

The City had a decrease of \$244,000 in net assets in its governmental activities for the fiscal year ended June 30, 2011. Significant increases and decreases in revenue are as follows: Capital grants and contributions decreased. In 2010, the City received a one-time \$500,000 contribution from the Farmington DDA for the Grand River Streetscape project. In 2011, the City received a \$261,250 grant to purchase a new fire engine. Property taxes decreased \$314,000 in the current year due to a 13.65 percent decrease in taxable value. Cable franchise fees increased because the City is now receiving and recording franchise fees that were previously remitted directly to the Southwest Oakland Cable Commission.

Significant increases and decreases in expenditures are as follows: General government decreased \$348,000 primarily due to several large insurance claims amounting to \$195,000 that were incurred in 2010 and \$153,000 in salary and benefit reductions. Public safety decreased \$193,000 as a result of salary and benefit reductions. Public works increased \$86,000 primarily due to higher depreciation charges associated with the completion of the Grand River Streetscape of \$112,000 and increased maintenance costs on City roads of \$34,000.

The City had an increase of \$89,000 in net assets in its business-type activities for the fiscal year ended June 30, 2011. This increase is primarily due to an increase in net assets of its Water and Sewer Fund. The increase in the Water and Sewer Fund's net assets resulted from property tax revenue received by the system in excess of the system's operating loss.

In a condensed format, the tables below show the net assets and changes in net assets (in thousands of dollars) as of June 30, 2011 and 2010.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current assets	\$ 7,810	\$ 7,872	\$ 4,110	\$ 1,983	\$ 11,920	\$ 9,855
Capital assets	17,449	17,820	16,485	16,893	33,934	34,713
Total assets	25,259	25,692	20,595	18,876	45,854	44,568
<b>Liabilities</b>						
Current liabilities	784	1,271	792	1,428	1,576	2,699
Long-term liabilities	5,709	5,411	3,323	1,057	9,032	6,468
Total liabilities	6,493	6,682	4,115	2,485	10,608	9,167
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	12,984	13,083	14,820	14,988	27,804	28,071
Restricted	1,801	1,679	75	75	1,876	1,754
Unrestricted	3,981	4,248	1,585	1,328	5,566	5,576
Total net assets	<u>\$ 18,766</u>	<u>\$ 19,010</u>	<u>\$ 16,480</u>	<u>\$ 16,391</u>	<u>\$ 35,246</u>	<u>\$ 35,401</u>

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,604	\$ 1,689	\$ 3,610	\$ 3,290	\$ 5,214	\$ 4,979
Operating grants and contributions	716	709	-	-	716	709
Capital grants and contributions	373	568	-	-	373	568
General revenue:						
Property taxes	4,467	4,781	723	713	5,190	5,494
State-shared revenue	800	800	-	-	800	800
Unrestricted investment earnings	47	62	3	7	50	69
Cable franchise fees	160	119	-	-	160	119
Cell tower fees	47	47	-	9	47	56
Transfers	(65)	(128)	65	128	-	-
Gain on sale of capital assets	15	10	2	-	17	10
Total revenue	8,164	8,657	4,403	4,147	12,567	12,804
<b>Program Expenses</b>						
General government	1,803	2,151	-	-	1,803	2,151
Public safety	3,690	3,883	-	-	3,690	3,883
Public works	2,178	2,092	-	-	2,178	2,092
Health and welfare	11	17	-	-	11	17
Community and economic development	34	61	-	-	34	61
Recreation and culture	491	523	-	-	491	523
Interest on long-term debt	201	206	-	-	201	206
Water and sewer	-	-	3,906	3,680	3,906	3,680
Community theatre	-	-	408	364	408	364
Total program expenses	8,408	8,933	4,314	4,044	12,722	12,977
<b>Change in Net Assets</b>	<b>\$ (244)</b>	<b>\$ (276)</b>	<b>\$ 89</b>	<b>\$ 103</b>	<b>\$ (155)</b>	<b>\$ (173)</b>

### Governmental Activities

The City is currently being affected by the downturn in the national economy. Several of the City's significant revenue sources, including property taxes, state-shared revenue, and investment earnings, have been reduced over the last five years.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

The City has historically experienced modest but steady growth in tax revenue. During the year ended June 30, 2011, however, property tax values decreased by 13.6 percent. The following is a five-year history of the City's taxable value growth.

Fiscal Year	Taxable Value	Percent Change	Dollar Change	One Mill Generates
2007	\$ 409,220,090	4.0%	\$ 15,825,440	\$ 409,220
2008	423,676,390	3.5%	14,456,300	423,676
2009	419,820,960	-0.9%	(3,855,430)	419,821
2010	406,024,900	-3.3%	(13,796,060)	406,025
2011	350,616,290	-13.6%	(55,408,610)	350,616

State-shared revenue, statutorily designated to support local community services and historically about 20 percent of the City's general operating revenue, continued to decline in the current year, and is now the third largest revenue source behind property taxes and charges for service. The State of Michigan continues to capture local government revenue to fund state expenditures. The following is an analysis of the state-shared revenue received by the City:

Year Ended June 30	Statutory Revenue Sharing	Percent Change	Constitutional Revenue Sharing	Percent Change	Total Revenue Sharing	Percent Change
2007	\$ 238,893	-5.8%	\$ 704,061	-1.8%	\$ 942,954	-2.8%
2008	216,544	-9.4%	721,187	2.4%	937,731	-0.5%
2009	216,041	-0.2%	683,000	-5.3%	899,041	-4.1%
2010	137,532	-36.3%	662,075	-3.1%	799,607	-11.1%
2011	99,860	-27.4%	699,747	5.6%	799,607	0.0%

Expenses, which had remained relatively stable over a number of years and within the general rate of inflation, declined in the current year. The reason for the decline is that the City implemented a 5 percent pay cut for all employees, reduced medical and dental coverage for all employees, and instituted payroll deductions for medical and dental coverage for all employees of 10 percent of premiums or more.

In addition, the City has restructured its operations and eliminated five full-time equivalent positions, reducing staffing by 8 percent since fiscal year 2005-2006.

# **City of Farmington, Michigan**

## **Management's Discussion and Analysis (Continued)**

The City of Farmington, 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 expenditures. Due to significant reductions in revenue and increased contribution requirements for retiree health care, the City's unreserved, undesignated fund balance fell short of this target. During the current year, the City's unassigned fund balance was 27.8 percent of current year expenditures.

Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2011, the City received an "AA" bond rating, with the rating agency analysis noting that "the City's financial management is considered 'good' under Standard & Poor's Financial Management Assessment (FMA) methodology."

### **Business-type Activities**

The City operates a water and sewer system and a theatre. The water and sewer system provides water and sewage services to almost all of the City's residents and to some outside users. Rates are set to provide for annual operations, to service debt, and to build an operating cash reserve. Rates are evaluated annually and increased on July 1, 2010 by 5 percent for water and 5 percent for sewer. Water loss for the year was approximately 9.18 percent of water purchased, and increased from the prior year's 8.45 percent of water purchased. The water and sewer system ended the year with an increase in net assets of \$83,117. The system's operations had a net loss of \$605,522 due to a 14 percent decrease in water consumption from the system's 10-year average. This operating loss was offset by \$723,518 of property tax revenue received by the system to pay the debt service related to a significant sewer project.

The City operates a theatre, which ended the year with an increase in net assets of \$5,834. The theatre's operations had a net loss for the year of \$40,944, with the theatre's debt paid for through a transfer from the Capital Improvement Fund.

### **Analysis of Individual Funds**

Of the City's governmental funds, the General Fund and the Major and Local Streets Funds account for all significant ongoing expenditures, except for debt service.

The General Fund ended the fiscal year with an increase in fund balance of \$345,375. Revenue increased approximately \$177,000 in the current year. Property tax revenue decreased by approximately \$78,000, as a result of a decline of 13.6 percent in the City's taxable value, which was partially offset by an additional 1.4068 mills allocated to support General Fund operations. Federal grants increased by approximately \$237,000 due to the City receiving a grant for the purchase of a new fire engine.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

Expenditures in the General Fund decreased approximately \$741,000 in the current year. Expenditures decreased significantly for two reasons. First, in the prior year, there was a one-time charge of approximately \$629,000 for accrued employee benefits. The charge for accrued employee benefits occurred in relation to the establishment of an accrued employee benefits internal service fund. The purpose of the internal service fund is to provide funding for earned but unused sick and vacation benefits for which employees are entitled to be paid, based on union contracts and City employment policies. Second, during the current year, the City implemented a 5 percent pay cut for all employees, reduced medical and dental coverage for all employees, and instituted payroll deductions for medical and dental coverage for all employees of 10 percent of premiums or more. During the prior year, the City transferred \$1,300,000 to the Capital Improvement Fund. The transfer was made to provide funding to pay for future debt service related to the City's capital projects. The City also transferred \$60,000 to the Farmington Community Theatre Fund in the prior year to provide funding for operations.

The Major, Local, and Municipal Streets Funds have targeted fund balances of \$200,000, \$100,000, and \$250,000, respectively. The street funds meet or exceed these fund balance targets. City streets are in excellent condition, and as a result of a voter-approved millage for street construction and maintenance, funding remains adequate for future road projects and road repair needs.

The Capital Improvement Fund recorded transfers to the debt service funds and Community Theater Fund to pay for debt service. The Special Assessments Debt Service Fund recorded the repayment of the 2005 Capital Improvement Bonds. The bonds were repaid through a transfer from the Capital Improvement Fund and through special assessments.

### General Operating Fund Budget Highlights

**General Fund** - Actual revenue was over budget by \$60,309. There was one significant variance with the amended budget for revenue. This variance related to fines and forfeitures. Fines and forfeitures exceeded the amended budget due to higher than anticipated collections. The original budget was amended to include an increase in revenue of \$88,628. Significant amendments to budgeted revenue included an increase in state-shared revenue and grants of \$73,329. Sales tax collections at the state level were higher than budgeted by the State. In addition, the State's reduction of the statutory portion of revenue sharing was not as large as originally anticipated. Actual expenditures were under budget by \$401,787 as a result of numerous small favorable budget variances throughout each City department. In addition, the budget for general government included the purchase of computer equipment for \$30,000, which was not spent during the fiscal year. The original budget was amended to include a decrease in budgeted expenditures of \$104,651. The budget was amended to remove \$225,000 for sidewalk maintenance that was postponed until the 2012 fiscal year. Transfers into the General Fund were under budget by \$151,326. The transfer was intended to fund the purchase of equipment and was not deemed necessary in the current year. The original budget for transfers in was amended to remove \$225,000 related to the City's sidewalk program.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

**Major, Local, and Municipal Streets Funds** - There were no significant revenue variances from the budget. There were no significant amendments to budgeted revenue. The expenditures recorded in these street funds are divided into two categories: construction and operation and maintenance. Variances from the construction budget resulted solely from the timing difference between when the projects were budgeted and when work was completed. The timing differences occur because the City's road programs typically span two fiscal years. The Local Streets Fund and Municipal Streets Fund budgets were amended to add \$402,885 for construction for River Glen, Hawthorne, Astor, and Thomas streets. There were no significant variances or amendments related to operations and maintenance expenditures. Transfers between the Local Streets Fund and the Municipal Streets Fund were amended to add amounts related to construction for River Glen, Hawthorne, Astor, and Thomas streets.

### Capital Asset and Long-term Debt Activity

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

1. Road improvements in the amount of \$151,000 for local street improvements including Hawthorne, Astor, Thomas Street, and River Glen
2. Public safety equipment and vehicles in the amount of \$412,000

Major capital asset and infrastructure additions in the business-type funds consisted of work performed by the City related to the replacement of water mains associated with Hawthorne, Astor, and Thomas streets in the amount of \$141,000 and the lining of the Floral Park sewer pipe in the amount of \$40,000.

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

The City has enjoyed a relatively stable property tax millage rate over many years with the exception of a millage added in 1991 to provide for extensive revisions to the City's sewer system; a road program millage approved by the voters in 1995 to ensure streets in the City are in excellent repair; and a millage added in 2011 to help offset the reduction in taxable value brought about by a dramatic decrease in the housing market. With these three additions totaling approximately 4 mills, the millage went from about 11 mills in 1990 to 15 mills in 2011.

During the current year, property taxes comprised 53.4 percent of the City's General Fund revenue. Typically, property tax values have increased greater than the rate of inflation. However, due to the local and national decline in the housing market, this is no longer the case.

State-shared revenue accounted for about 10.5 percent of General Fund revenue this year, and current funding levels remain at risk as a result of the financial condition and priorities of the State.

# **City of Farmington, Michigan**

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## **Management's Discussion and Analysis (Continued)**

In addition to the decline of property taxes and state-shared revenue, the decline of the financial markets during the last two fiscal years will have a significant effect on the City's pension system. Currently, the system is funded at 99.2 percent. This percentage will decrease as the result of less than expected returns for the year ended June 30, 2009. The decrease in the funding percentage will cause the City's annual required contribution, which is paid for by the City's General Fund and Water and Sewer Fund, to increase over the next several years.

In order to address the decrease in property taxes, state-shared revenue, and the financial markets, the City has reduced its workforce by several positions, has reduced wages by 5 percent for all employees, reduced healthcare benefits for all employees, and changed the retiree healthcare benefit for its dispatch, DPW, and nonunion employees. In addition, the City concluded to raise its total millage rate to 15 mills with the 2010 levy.

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

### **Contacting the City's Financial Management**

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, Michigan 48335.

# City of Farmington, Michigan

## Statement of Net Assets June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 6,765,731	\$ 1,047,404	\$ 7,813,135	\$ 306,364
Receivables (Note 4)	849,914	1,102,244	1,952,158	-
Due from primary government	-	-	-	443
Internal balances	69,395	(69,395)	-	-
Prepaid expenses and other assets	116,840	156,556	273,396	-
Restricted assets	-	1,873,121	1,873,121	-
Investment in joint ventures	8,794	-	8,794	-
Capital assets (Note 5):				
Assets not subject to depreciation	1,696,867	364,076	2,060,943	76,500
Assets subject to depreciation	15,751,592	16,121,108	31,872,700	148,610
Total assets	25,259,133	20,595,114	45,854,247	531,917
<b>Liabilities</b>				
Accounts payable	353,869	513,393	867,262	23,788
Due to other governmental units	952	-	952	5,401
Due to component units	443	-	443	-
Accrued liabilities and other	296,065	60,346	356,411	32,435
Deferred revenue (Note 4)	131,700	-	131,700	-
Payable from restricted assets	-	218,590	218,590	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences - < 1 yr	220,485	14,258	234,743	-
Current portion of long-term debt	321,584	150,000	471,584	-
Due in more than one year:				
Compensated absences - > 1 yr	104,073	11,730	115,803	-
Net OPEB obligation (Note 10)	921,491	51,508	972,999	-
Long-term debt (Note 7)	4,142,541	3,095,000	7,237,541	-
Total liabilities	6,493,203	4,114,825	10,608,028	61,624
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	12,984,334	14,819,715	27,804,049	225,110
Restricted for:				
Roads	1,284,776	-	1,284,776	-
Debt service	316,292	-	316,292	-
Cable fees - Peg	48,947	-	48,947	-
Sidewalks	151,045	-	151,045	-
Bond covenants	-	75,000	75,000	-
Unrestricted	3,980,536	1,585,574	5,566,110	245,183
Total net assets	<u>\$ 18,765,930</u>	<u>\$ 16,480,289</u>	<u>\$ 35,246,219</u>	<u>\$ 470,293</u>

# 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	\$ 1,802,342	\$ 557,521	\$ -	\$ -
Public safety	3,690,024	350,493	83,254	276,572
Public works	2,178,108	681,880	603,808	93,731
Health and welfare	11,348	-	-	-
Community and economic development	33,570	5,730	-	-
Recreation and culture	491,267	8,746	29,256	2,700
Interest on long-term debt	201,009	-	-	-
Total governmental activities	8,407,668	1,604,370	716,318	373,003
Business-type activities:				
Water and Sewer	3,907,816	3,262,974	-	-
Farmington Community Theater	407,187	348,374	-	-
Total business-type activities	4,315,003	3,611,348	-	-
Total primary government	<u>\$ 12,722,671</u>	<u>\$ 5,215,718</u>	<u>\$ 716,318</u>	<u>\$ 373,003</u>
Component units:				
Downtown Development Authority	\$ 860,885	\$ 370,078	\$ 216,000	\$ -
Brownfield Redevelopment Authority	-	-	-	-
Total component units	<u>\$ 860,885</u>	<u>\$ 370,078</u>	<u>\$ 216,000</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Cell tower fees				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,244,821)	\$ -	\$ (1,244,821)	\$ -
(2,979,705)	-	(2,979,705)	-
(798,689)	-	(798,689)	-
(11,348)	-	(11,348)	-
(27,840)	-	(27,840)	-
(450,565)	-	(450,565)	-
(201,009)	-	(201,009)	-
(5,713,977)	-	(5,713,977)	-
-	(644,842)	(644,842)	-
-	(58,813)	(58,813)	-
-	(703,655)	(703,655)	-
(5,713,977)	(703,655)	(6,417,632)	-
-	-	-	(274,807)
-	-	-	-
-	-	-	(274,807)
4,466,707	723,518	5,190,225	361,902
799,607	-	799,607	-
46,906	3,448	50,354	207
159,601	-	159,601	-
47,238	-	47,238	-
15,455	217	15,672	-
5,535,514	727,183	6,262,697	362,109
(65,423)	65,423	-	-
(243,886)	88,951	(154,935)	87,302
19,009,816	16,391,338	35,401,154	382,991
<b>\$ 18,765,930</b>	<b>\$ 16,480,289</b>	<b>\$ 35,246,219</b>	<b>\$ 470,293</b>

# City of Farmington, Michigan

	Major Special Revenue Funds			
	General Fund	Major Streets	Local Streets	Municipal Street Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 2,464,157	\$ 278,517	\$ 40,993	\$ 1,046,319
Receivables	341,883	74,256	150,963	39
Due from other funds	55,944	2,000	162,372	-
Inventory	59,647	-	-	-
<b>Total assets</b>	<b>\$ 2,921,631</b>	<b>\$ 354,773</b>	<b>\$ 354,328</b>	<b>\$ 1,046,358</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 225,417	\$ 8,418	\$ 120,034	\$ -
Due to other governmental units	952	-	-	-
Due to component units	443	-	-	-
Due to other funds	162,153	45,884	8,294	152,637
Accrued liabilities and other	218,886	-	-	9,416
Deferred revenue	5,700	-	126,000	-
<b>Total liabilities</b>	<b>613,551</b>	<b>54,302</b>	<b>254,328</b>	<b>162,053</b>
<b>Fund Balances</b>				
Nonspendable - Inventory	59,647	-	-	-
Restricted:				
Roads	-	300,471	100,000	884,305
Debt service	-	-	-	-
Cable fees - Peg	48,947	-	-	-
Sidewalks	-	-	-	-
Assigned:				
Theater operations	55,306	-	-	-
Debt service	-	-	-	-
Cemetery	46,259	-	-	-
Capital projects	-	-	-	-
Unassigned	2,097,921	-	-	-
<b>Total fund balances</b>	<b>2,308,080</b>	<b>300,471</b>	<b>100,000</b>	<b>884,305</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,921,631</b>	<b>\$ 354,773</b>	<b>\$ 354,328</b>	<b>\$ 1,046,358</b>

**Governmental Funds  
Balance Sheet  
June 30, 2011**

Major Capital Projects Fund	Capital Improvement Fund	Special Assessment Debt Service	Nonmajor Funds	Total
	\$ 2,352,268	\$ 3,005	\$ 35,243	\$ 6,220,502
	1,099	280,615	-	848,855
	151,326	-	-	371,642
	-	-	-	59,647
	<b>\$ 2,504,693</b>	<b>\$ 283,620</b>	<b>\$ 35,243</b>	<b>\$ 7,500,646</b>
	-	-	-	353,869
	-	-	-	952
	-	-	-	443
	-	5	14	368,987
	-	711	1,841	230,854
	-	280,615	-	412,315
	-	281,331	1,855	1,367,420
	-	-	-	59,647
	-	-	-	1,284,776
	-	2,289	-	2,289
	-	-	-	48,947
	151,045	-	-	151,045
	-	-	-	55,306
	-	-	33,388	33,388
	-	-	-	46,259
	2,353,648	-	-	2,353,648
	-	-	-	2,097,921
	2,504,693	2,289	33,388	6,133,226
	<b>\$ 2,504,693</b>	<b>\$ 283,620</b>	<b>\$ 35,243</b>	<b>\$ 7,500,646</b>

# City of Farmington, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2011

<b>Fund Balance Reported in Governmental Funds</b>	\$ 6,133,226
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	17,448,459
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(921,491)
Investments in joint ventures are not financial resources and are not reported in the funds	8,794
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	280,615
Bonds payable, capital lease obligations, and compensated absences are not due and payable in the current period and are not reported in the funds	(4,464,125)
Accrued interest is not due and payable in the current period and is not reported in the funds	(44,611)
Internal Service Funds are included as part of governmental activities	<u>325,063</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 18,765,930</u></b>

# City of Farmington, Michigan

	Major Special Revenue Funds			
	General Fund	Major Streets	Local Streets	Municipal Streets
<b>Revenue</b>				
Property taxes	\$ 4,218,859	\$ -	\$ -	\$ 246,584
Licenses and permits	76,793	-	-	-
Federal grants	355,422	-	-	-
State-shared revenue and grants	833,267	449,090	154,718	-
Charges for services	1,778,942	-	-	-
Fines and forfeitures	470,763	-	-	-
Other revenue	168,995	7,139	42	4,442
Total revenue	7,903,041	456,229	154,760	251,026
<b>Expenditures</b>				
Current:				
General government	1,760,167	-	-	-
District court	413,973	-	-	-
Public safety	3,762,533	-	-	-
Public works	1,154,917	300,701	317,132	-
Health and welfare	11,348	-	-	-
Community and economic development	33,570	-	-	-
Recreation and culture	421,158	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	7,557,666	300,701	317,132	-
<b>Excess of Revenue Over (Under) Expenditures</b>	345,375	155,528	(162,372)	251,026
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,000	162,372	-
Transfers out	-	(153,601)	-	(152,576)
Total other financing sources (uses)	-	(151,601)	162,372	(152,576)
<b>Net Change in Fund Balances</b>	345,375	3,927	-	98,450
<b>Fund Balances - Beginning of year</b>	1,962,705	296,544	100,000	785,855
<b>Fund Balances - End of year</b>	<b>\$ 2,308,080</b>	<b>\$ 300,471</b>	<b>\$ 100,000</b>	<b>\$ 884,305</b>

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

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2011**

<u>Major Capital Projects Fund</u>			
Capital Improvement Fund	Special Assessment Debt Service Fund	Nonmajor Funds	Total
\$ 29	\$ 382	\$ 853	\$ 4,466,707
-	-	-	76,793
-	-	-	355,422
-	-	-	1,437,075
-	-	-	1,778,942
-	-	-	470,763
<u>20,142</u>	<u>43,388</u>	<u>81,573</u>	<u>325,721</u>
20,171	43,770	82,426	8,911,423
-	-	-	1,760,167
-	-	-	413,973
-	-	-	3,762,533
-	-	29,583	1,802,333
-	-	-	11,348
-	-	-	33,570
-	-	-	421,158
-	60,000	217,525	277,525
-	45,739	153,119	198,858
<u>-</u>	<u>105,739</u>	<u>400,227</u>	<u>8,681,465</u>
20,171	(61,969)	(317,801)	229,958
10,071	62,367	289,189	525,999
<u>(275,174)</u>	<u>-</u>	<u>(10,071)</u>	<u>(591,422)</u>
<u>(265,103)</u>	<u>62,367</u>	<u>279,118</u>	<u>(65,423)</u>
(244,932)	398	(38,683)	164,535
<u>2,749,625</u>	<u>1,891</u>	<u>72,071</u>	<u>5,968,691</u>
<u>\$ 2,504,693</u>	<u>\$ 2,289</u>	<u>\$ 33,388</u>	<u>\$ 6,133,226</u>

# City of Farmington, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 164,535</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	666,540
Depreciation expense	(1,038,716)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(31,181)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	272,375
Change in accrued interest payable and other	2,998
Increase in net OPEB obligation expenses reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment	(328,698)
Internal service funds are included as part of governmental activities	48,261
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (243,886)</u></b>

# City of Farmington, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2011

	Enterprise Funds			Governmental Activities
	Farmington			Internal Service Fund
	Water and Sewer	Community Theater	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 996,229	\$ 51,175	\$ 1,047,404	\$ 545,229
Receivables	1,102,244	-	1,102,244	1,059
Due from other funds	793	174	967	66,740
Other assets	148,748	7,808	156,556	57,193
Total current assets	2,248,014	59,157	2,307,171	670,221
Noncurrent assets:				
Restricted assets	1,873,121	-	1,873,121	-
Capital assets	15,556,841	928,343	16,485,184	-
Total noncurrent assets	17,429,962	928,343	18,358,305	-
Total assets	19,677,976	987,500	20,665,476	670,221
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	483,417	29,976	513,393	-
Due to other funds	60,511	9,851	70,362	-
Accrued liabilities and other	51,134	9,212	60,346	20,600
Current portion of compensated absences	14,258	-	14,258	220,485
Current portion of long-term debt	100,000	50,000	150,000	-
Total current liabilities	709,320	99,039	808,359	241,085
Noncurrent liabilities:				
Payable from restricted assets	218,590	-	218,590	-
Compensated absences - Net of current portion	11,730	-	11,730	104,073
Net OPEB obligation	51,508	-	51,508	-
Long-term debt - Net of current portion	2,855,000	240,000	3,095,000	-
Total noncurrent liabilities	3,136,828	240,000	3,376,828	104,073
Total liabilities	3,846,148	339,039	4,185,187	345,158
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	14,181,372	638,343	14,819,715	-
Restricted - Bond covenants	75,000	-	75,000	-
Unrestricted	1,575,456	10,118	1,585,574	325,063
Total net assets	<b>\$ 15,831,828</b>	<b>\$ 648,461</b>	<b>\$ 16,480,289</b>	<b>\$ 325,063</b>

# City of Farmington, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Farmington Community		Total	Internal Service Fund
	Water and Sewer	Theater		
<b>Operating Revenue</b>				
Sale of water	\$ 1,288,311	\$ -	\$ 1,288,311	\$ -
Sewage disposal charges	1,768,120	-	1,768,120	-
Fees	-	347,574	347,574	-
Other income	79,006	800	79,806	-
Service charges	125,441	-	125,441	191,899
Total operating revenue	3,260,878	348,374	3,609,252	191,899
<b>Operating Expenses</b>				
Source of supply	1,851,040	-	1,851,040	-
Administrative and general	904,758	354,106	1,258,864	-
Transmission, distribution, and maintenance	544,383	-	544,383	-
Insurance expense	-	-	-	144,969
Accrued benefit expense	-	-	-	5,478
Depreciation	566,219	35,212	601,431	-
Total operating expenses	3,866,400	389,318	4,255,718	150,447
<b>Operating (Loss) Income</b>	(605,522)	(40,944)	(646,466)	41,452
<b>Nonoperating Revenue (Expenses)</b>				
Property tax revenue	723,518	-	723,518	-
Investment income	3,424	24	3,448	6,809
Interest expense	(41,416)	(17,869)	(59,285)	-
Gain (loss) on sale of assets	1,017	(800)	217	-
Connection fees	2,096	-	2,096	-
Total nonoperating revenue (expenses)	688,639	(18,645)	669,994	6,809
<b>Income (Loss) - Before contributions</b>	83,117	(59,589)	23,528	48,261
<b>Transfers in</b>	-	65,423	65,423	-
<b>Change in Net Assets</b>	83,117	5,834	88,951	48,261
<b>Net Assets - Beginning of year</b>	15,748,711	642,627	16,391,338	276,802
<b>Net Assets - End of year</b>	<u>\$ 15,831,828</u>	<u>\$ 648,461</u>	<u>\$ 16,480,289</u>	<u>\$ 325,063</u>

# City of Farmington, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Water and Sewer	Farmington Community Theater	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 3,217,188	\$ 348,374	\$ 3,565,562	\$ 707,523
Receipts from interfund services and reimbursements	56,783	-	56,783	-
Payments to suppliers	(2,461,165)	(217,486)	(2,678,651)	(185,393)
Payments to employees	(607,973)	(113,804)	(721,777)	(263,284)
Internal activity - Payments to other funds	-	(2,825)	(2,825)	-
Other receipts	1,878	-	1,878	-
Net cash provided by operating activities	206,711	14,259	220,970	258,846
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers from other funds	-	65,423	65,423	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Connection fees	2,096	-	2,096	-
Proceeds from sales of capital assets	1,017	-	1,017	-
Property taxes	727,475	-	727,475	-
Purchase of capital assets	(182,602)	(11,760)	(194,362)	-
Principal and interest paid on capital debt	(863,971)	(68,271)	(932,242)	-
Issuance of bonds	2,192,850	-	2,192,850	-
Cost of bond issuance	(37,511)	-	(37,511)	-
Net cash provided by (used in) capital and related financing activities	1,839,354	(80,031)	1,759,323	-
<b>Cash Flows from Investing Activities</b> - Interest received on investments	3,424	24	3,448	5,760
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,049,489	(325)	2,049,164	264,606
<b>Cash and Cash Equivalents</b> - Beginning of year	819,861	51,500	871,361	280,623
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 2,869,350</u>	<u>\$ 51,175</u>	<u>\$ 2,920,525</u>	<u>\$ 545,229</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 996,229	\$ 51,175	\$ 1,047,404	\$ 545,229
Restricted cash	1,873,121	-	1,873,121	-
Total cash and cash equivalents	<u>\$ 2,869,350</u>	<u>\$ 51,175</u>	<u>\$ 2,920,525</u>	<u>\$ 545,229</u>

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

# City of Farmington, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2011

	Enterprise Funds			Internal Service Fund
	Water and Sewer	Farmington Community Theater	Total	
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (605,522)	\$ (40,944)	\$ (646,466)	\$ 41,452
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	566,219	35,212	601,431	-
Changes in assets and liabilities:				
Receivables	(41,812)	-	(41,812)	-
Due from others	(612)	(174)	(786)	515,624
Prepaid and other assets	(38,198)	4,699	(33,499)	113,746
Accounts payable	71,942	16,396	88,338	-
Due to others	57,395	(2,651)	54,744	-
Accrued and other liabilities	197,299	1,721	199,020	(411,976)
Net cash provided by operating activities	<u>\$ 206,711</u>	<u>\$ 14,259</u>	<u>\$ 220,970</u>	<u>\$ 258,846</u>

# City of Farmington, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2011

	Pension and Other Employee Benefits	Private Purpose Trust Fund - Cemetery Perpetual Care Trust	Agency Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 308,721	\$ 21,507	\$ 185,231
Investment pools	2,191,693	-	-
Receivables	246	-	2,400
Total assets	2,500,660	21,507	<b>\$ 187,631</b>
<b>Liabilities</b>			
Due to other governmental units	-	-	\$ 58,803
Accrued and other liabilities	-	21,507	128,828
Total liabilities	-	21,507	<b>\$ 187,631</b>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 2,500,660</b>	<b>\$ -</b>	

# City of Farmington, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2011

### Additions

Investment income:	
Interest and dividends	\$ 19,690
Net realized and unrealized gain on investments	910,332
Less investment expenses	<u>(7,539)</u>
Net investment income	922,483
Other	12,392
Contributions:	
Employer	570,060
Employee	<u>29,276</u>
Total contributions	<u>599,336</u>
Total additions	1,534,211

### Deductions

Transfer of plan assets to MERS	15,663,094
Insurance costs	<u>569,980</u>
Total deductions	<u>16,233,074</u>

**Net Decrease in Plan Assets** (14,698,863)

### Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>17,199,523</u>
End of year	<u><b>\$ 2,500,660</b></u>

# City of Farmington, Michigan

## Component Units Statement of Net Assets June 30, 2011

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 282,081	\$ 24,283	\$ 306,364
Due from primary government	443	-	443
Capital assets (Note 5):			
Nondepreciable	76,500	-	76,500
Depreciable	148,610	-	148,610
Total assets	507,634	24,283	531,917
<b>Liabilities</b>			
Accounts payable	23,788	-	23,788
Due to other governmental units	456	4,945	5,401
Accrued liabilities and other	32,435	-	32,435
Total liabilities	56,679	4,945	61,624
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	225,110	-	225,110
Unrestricted	225,845	19,338	245,183
Total net assets	<b>\$ 450,955</b>	<b>\$ 19,338</b>	<b>\$ 470,293</b>

# City of Farmington, Michigan

## Component Units Statement of Activities Year Ended June 30, 2011

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown	Brownfield	Total
				Development Authority	Redevelopment Authority	
Downtown Development Authority	\$ 860,885	\$ 370,078	\$ 216,000	\$ (274,807)	\$ -	\$ (274,807)
Brownfield Redevelopment Authority	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 860,885</b>	<b>\$ 370,078</b>	<b>\$ 216,000</b>	(274,807)	-	(274,807)
General revenue:						
Property taxes				350,109	11,793	361,902
Investment income				195	12	207
<b>Total general revenue</b>				<b>350,304</b>	<b>11,805</b>	<b>362,109</b>
<b>Change in Net Assets</b>				75,497	11,805	87,302
<b>Net Assets - Beginning of year</b>				375,458	7,533	382,991
<b>Net Assets - End of year</b>				<b>\$ 450,955</b>	<b>\$ 19,338</b>	<b>\$ 470,293</b>

# City of Farmington, Michigan

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## Notes to Financial Statements June 30, 2011

### **Note I - Nature of Business and Significant Accounting Policies**

The accounting policies of the City of Farmington, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Farmington, Michigan:

#### **Reporting Entity**

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. Although the City's component units are legally separate entities, in substance, they are part of the City's operations (see discussion below for description and treatment of each component unit).

#### **Blended Component Units**

The City of Farmington Employees' Retirement System has been blended into the City's financial statements. The system is governed by a five-member pension board that includes two individuals chosen by the City Council, two individuals chosen by the employees, and one individual, the city manager, who serves by virtue of his position. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system. During the year, the retirement system's assets were transferred to the Municipal Employees' Retirement System (MERS). As a result, the net assets at the end of the year are zero.

#### **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 to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is selected by the mayor with City Council approval. In addition, the Authority's budget is subject to approval by the City.

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

# City of Farmington, Michigan

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## Notes to Financial Statements June 30, 2011

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

#### **Jointly Governed Organization**

The City participates in the Michigan 47th District Court Administration Fund and the Farmington Community Library (the "Library") with the City of Farmington Hills. The City provides 13.64 percent of the funding for the Michigan 47th District Court Administration Fund, and has recorded an equity interest in the amount of \$8,794 for the year ended June 30, 2011. The Library receives funding from a voter-approved operating millage expiring in 2024. With the approval of the operating millage, the City discontinued its funding of the Library's operations.

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

The City participates in the Southwest Oakland Cable Commission (the "Cable Commission") as a joint venture with the cities of Farmington Hills and Novi. The Cable Commission receives 2 percent of the total cable television charges from the cable television company as franchise fees and currently does not receive a subsidy from the City. Financial information for the joint venture can be obtained from the Cable Commission's administrative offices at 33300 Nine Mile Road, Farmington, Michigan.

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC). The RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom and the Charter Township of South Lyon. The RRRASOC receives its operating revenue from member contributions and miscellaneous income. The City contributed \$13,029 for the year ended June 30, 2011. Financial information for the RRRASOC can be obtained from the RRRASOC's administrative offices at 20000 West Eight Mile Road, Southfield, Michigan.

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.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Township reports the following major governmental funds:

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

**Major Streets Fund** - The Major Streets Fund accounts for the resources obtained through state gas and weight tax revenue that is restricted for use on major streets.

**Local Streets Fund** - The Local Streets Fund accounts for the resources obtained through state gas and weight tax revenue that is restricted for use on local streets.

**Municipal Streets Fund** - The Municipal Streets Fund accounts for the resources obtained through property taxes that are used for both major and local streets projects.

**Capital Improvement Fund** - The Capital Improvement Fund accounts for the resources used for the purpose of constructing all major capital improvement projects of the City other than special assessment, road, downtown development, and enterprise projects, and for the acquisition of major capital assets.

**Special Assessment Debt Service Fund** - The Special Assessment Debt Service Fund accounts for the collection of special assessments and repayment of debt service on the 2005 Capital Improvement Bonds. The special assessment was established for the purpose of funding improvements in access, parking layout, and infrastructure in the area of the Farmington Central Business District, lying south of Grand River Avenue and east of Farmington Road. The bonds were issued in part to finance the project.

The City reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the water distribution system and sewage collection system.

**Farmington Community Theater Fund** - The Farmington Community Theater Fund accounts for the operations of the Civic Theater.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

**Internal Service Funds** - The internal service funds account for the portion of the City's insurance liability not covered by commercially provided insurance and record the City's liability for accrued sick and vacation time.

**Pension and Other Employee Benefits Funds** - The pension and other employee benefits funds account for the resources set aside by the City to provide retirement, health, and insurance benefits for its employees in accordance with resolutions, ordinances, employee agreements, and union contracts.

**Private Purpose Trust Fund** - The Private Purpose Trust Fund accounts for resources restricted for the upkeep and maintenance of the City's cemetery.

**Agency Fund** - The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's practice to spend funds in order of committed, assigned, then unassigned.

#### **Property Tax Revenue**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties are assessed.

The 2010 taxable valuation of the City totaled \$350 million, on which ad valorem taxes levied consisted of 12.1524 mills for the City's operating purposes, 2.0976 mills for drain and sewer improvements, and .7500 mills for street improvements and maintenance. The ad valorem taxes levied, net of related captures, raised \$4,055,000 for operations, \$735,000 for drain and sewer improvements, and \$250,000 for street improvements and maintenance. These amounts are recognized in the respective General Fund and special revenue, debt service, and enterprise funds as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

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

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

**Prepaid Costs and Other Assets** - 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. Other assets consist primarily of inventories, which are valued at cost, on a first-in, first-out basis.

**Restricted Assets** - Restricted assets consist of cash and cash equivalents in the amount of \$1,873,121 in the Water and Sewer Fund. These assets are restricted for a replacement reserve as required by the 1991 Water Supply and Sewer Disposal System Bond ordinance in the amount of \$75,000 and unspent bond proceeds in the amount of \$1,798,121 from the 2011 Capital Improvement Bonds.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note I - Nature of Business and Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City's capital assets are depreciated using the straight-line method over the following useful lives:

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

**Compensated Absences (Vacation Leave)** - It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. In the government-wide and proprietary fund financial statements, a portion of the vacation pay 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 when incurred and charges the governmental funds in order to provide resources to pay employees upon termination.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Fund Equity** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City implemented GASB No. 54 during the year. The impact of this implementation was the reclassification of fund balance into these five new categories.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

- **Nonspendable:** Amounts that are not in a spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body or city manager, who is authorized by resolution approved by the governing body to make assignments

**Cash Equivalents** - For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

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

Shortfall at July 1, 2010		\$	(446,155)
Current year permit revenue			41,631
Related expenses:			
Direct costs	\$	140,838	
Estimated indirect costs		14,084	154,922
Current year shortfall			<u>(113,291)</u>
Cumulative shortfall at June 30, 2011		\$	<u>(559,446)</u>

**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 the third Monday in April, and the City Council to adopt, by resolution, a budget for the next fiscal year on or after May 1 and not later than the first Monday in June. The City Council may pass amendments to the budget during the fiscal year by resolution.

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2011 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 and expenditures, including budget variances, for the General Fund and major special revenue funds is presented as required supplemental information. A comparison of the budget with the statement of revenue and expenditures, 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 items. The legal level of budgetary control adopted by the governing body is the activity level. The City had no significant unfavorable expenditure budget variances.

### **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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, 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 designated three banks for the deposit of its funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all of the above investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended). The City's deposits and investment policies are in accordance with statutory authority.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### 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 \$1,020,118 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units were fully insured and collateralized. 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.

#### 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 average maturities of investments are as follows:

<u>Public Employee Health Fund</u>	<u>0-5 Years</u>	<u>5-10 Years</u>	<u>&gt; 10 Years</u>
Pooled investments	<u>\$ 2,191,693</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
<b>General Government</b>			
Chase - Pooled investments	\$ 4,728,295	Aaa	Moody's
Comerica - Pooled investments	250,929	Not rated	N/A
MBIA - Investments	251,161	AAA	Standard & Poor's
Oakland County Local Government Investment Pool	2,423,229	Not rated	N/A
Munder Balanced Fund	<u>2,191,693</u>	Not rated	N/A
Total	<u>\$ 9,845,307</u>		
<b>Public Employee Health Fund -</b>			
Pooled investments	<u>\$ 2,191,693</u>	Not rated	N/A

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 4 - Receivables and Deferred Revenue

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

	General	Major Streets	Local Streets	Municipal Street	Capital Improvement	Special Assessment Debt Service	Total
Receivables:							
Taxes	\$ 11,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,585
Special assessments	-	-	126,000	-	-	280,615	406,615
Accrued interest receivable	2,090	-	-	39	1,099	-	3,228
Due from other governmental units	272,700	74,256	24,963	-	-	-	371,919
Interest and other	55,508	-	-	-	-	-	55,508
Net receivables	<u>\$ 341,883</u>	<u>\$ 74,256</u>	<u>\$ 150,963</u>	<u>\$ 39</u>	<u>\$ 1,099</u>	<u>\$ 280,615</u>	<u>\$ 848,855</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. All funds, governmental and business-type, also defer revenue recognition in connection with resources that have been received or recorded as accounts receivable but not earned. At the end of the fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds	
	Unavailable	Unearned
General government - Special assessments	<u>\$ 280,617</u>	<u>\$ 131,700</u>

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

	Water and Sewer Fund
Receivables:	
Taxes	\$ 133,281
Customer receivables	960,158
Intergovernmental	8,805
Total receivables	<u>\$ 1,102,244</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Capital Assets

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

	Balance July 1, 2010	Reclassifications	Additions	Disposals	Balance June 30, 2011
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,347,334	\$ -	\$ -	\$ -	\$ 1,347,334
Construction in progress - Street projects	2,413,101	(2,245,783)	182,215	-	349,533
Subtotal	3,760,435	(2,245,783)	182,215	-	1,696,867
Capital assets being depreciated:					
Flowage rights	946,170	-	-	-	946,170
County roads	391,690	-	-	-	391,690
Infrastructure	15,572,999	2,245,783	29,355	-	17,848,137
Building and improvements	3,225,533	-	-	-	3,225,533
Court buildings	2,310,486	-	-	-	2,310,486
Equipment and other	828,316	-	139,613	(20,927)	947,002
Vehicles	1,355,584	-	316,720	(135,434)	1,536,870
Subtotal	24,630,778	2,245,783	485,688	(156,361)	27,205,888
Accumulated depreciation:					
Flowage rights	776,463	-	37,847	-	814,310
County roads	91,393	-	13,056	-	104,449
Infrastructure	6,117,982	-	683,963	-	6,801,945
Buildings and improvements	1,710,914	-	92,450	-	1,803,364
Court building	421,190	-	58,286	-	479,476
Equipment and other	532,895	-	54,091	(20,927)	566,059
Vehicles	921,104	-	99,023	(135,434)	884,693
Subtotal	10,571,941	-	1,038,716	(156,361)	11,454,296
Net capital assets being depreciated	14,058,837	2,245,783	(553,028)	-	15,751,592
Net capital assets	\$ 17,819,272	\$ -	\$ (370,813)	\$ -	\$ 17,448,459

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 174,009	\$ -	\$ -	\$ 174,009
Construction in progress	8,987	181,080	-	190,067
Subtotal	182,996	181,080	-	364,076
Capital assets being depreciated:				
Building	1,869,018	-	-	1,869,018
Water and sewer mains	26,341,737	-	-	26,341,737
Water storage tank	53,791	-	-	53,791
Water meters	152,611	149	-	152,760
Truck and tractors	363,750	-	-	363,750
Office equipment	549,138	13,131	(2,000)	560,269
Subtotal	29,330,045	13,280	(2,000)	29,341,325
Accumulated depreciation:				
Building	864,585	50,360	-	914,945
Water and sewer mains	10,801,030	518,780	-	11,319,810
Water storage tank	53,791	-	-	53,791
Water meters	140,170	1,354	-	141,524
Truck and tractors	308,824	9,677	-	318,501
Office equipment	451,588	21,260	(1,200)	471,648
Subtotal	12,619,988	601,431	(1,200)	13,220,219
Net capital assets being depreciated	16,710,057	(588,151)	(800)	16,121,106
Net capital assets	\$ 16,893,053	\$ (407,071)	\$ (800)	\$ 16,485,182
<b>Component Units</b>				
Capital assets not being depreciated -				
Land	\$ 76,500	\$ -	\$ -	\$ 76,500
Capital assets being depreciated:				
Green areas	29,914	600	-	30,514
Office equipment	38,844	2,173	-	41,017
Land improvements	159,005	-	-	159,005
Subtotal	227,763	2,773	-	230,536
Accumulated depreciation:				
Green areas	29,914	-	-	29,914
Office equipment	8,154	4,078	-	12,232
Land improvements	33,768	6,012	-	39,780
Subtotal	71,836	10,090	-	81,926
Net capital assets being depreciated	155,927	(7,317)	-	148,610
Net capital assets	\$ 232,427	\$ (7,317)	\$ -	\$ 225,110

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$	100,391
Public safety		134,631
Public works		733,585
Recreation and culture		70,109
		<u>70,109</u>
Total governmental activities	\$	<u>1,038,716</u>

Business-type activities:

Water and sewer	\$	566,219
Theater		35,212
		<u>35,212</u>
Total business-type activities	\$	<u>601,431</u>

Component unit activities:

Office equipment	\$	4,078
Land improvements		6,012
		<u>6,012</u>
Total component unit activities	\$	<u>10,090</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Major Streets Fund	\$ 34,088
	Local Streets Fund	8,294
	Municipal Street Fund	61
	S/A Debt Service Fund	5
	Water and Sewer Fund	3,631
	Farmington Community Theater Fund	9,851
	Nonmajor funds	14
	Total General Fund	55,944
Major Streets Fund	Municipal Streets Fund	2,000
Local Streets Fund	Major Streets Fund	11,796
	Municipal Street Fund	150,576
	Total Local Streets Fund	162,372
Capital Improvement Fund	General Fund	151,326
Employee Accrued Benefits Fund	General Fund	9,860
	Water and Sewer Fund	56,880
	Total Employee Accrued Benefits Fund	66,740
	Total	<u>\$ 438,382</u>

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Water and Sewer Fund	General Fund	\$ 793
Farmington Community Theater Fund	General Fund	174

Interfund balances arise from budgeted transfers occurring subsequent to year end.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

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

The composition of interfund balances is as follows:

#### Interfund Transfers

Transfers In	Major Streets	Municipal Streets	Capital Improvement	Nonmajor Governmental Funds	Total
Major Streets Fund	\$ -	\$ 2,000	\$ -	\$ -	\$ 2,000
Local Streets Fund	11,796	150,576	-	-	162,372
Capital Improvement Fund	-	-	-	10,071	10,071
Special Assessment Debt Service Fund	-	-	62,367	-	62,367
Nonmajor governmental funds	141,805	-	147,384	-	289,189
Total	<u>\$ 153,601</u>	<u>\$ 152,576</u>	<u>\$ 209,751</u>	<u>\$ 10,071</u>	<u>\$ 525,999</u>
Theater Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,423</u>	<u>\$ -</u>	<u>\$ 65,423</u>

The transfer from the Major Streets Fund to the Local Streets Fund was made to pay for a portion of the local streets system expenditures.

The transfer from the Major Streets Fund to the nonmajor funds (2007 Act 175 Debt Fund) was made to repay a portion of the debt used to finance the City's road programs.

The transfer from the Municipal Streets Fund to the Major Streets Fund was made to finance a portion of the cost of the City's road programs.

The transfer from the Municipal Streets Fund to the Local Streets Fund was made to finance a portion of the cost of the City's road programs.

The transfer from the Capital Improvement Fund to the Special Assessment Debt Service Fund (2005 Capital Improvement Bond) was made to provide for current year debt service payments.

The transfer from the Capital Improvement Fund to the nonmajor governmental funds (1994 County Drain Contract and 47th District Court Building Authority Bonds) was made to provide for current year debt service payments.

The transfer from the Capital Improvement Fund to the Theater Fund was made to provide for the upcoming fiscal year debt service payment.

The transfer from the nonmajor governmental funds (Grand River Streetscape Capital Projects Fund) to the Capital Improvement Fund was made to close out the Grand River Streetscape Capital Improvement Fund as the project was completed during the current fiscal year.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the City. The county drain contracts and Michigan Transportation Fund Bonds are also general obligations of the government. The Building Authority Bonds are general obligations of the Farmington Hills Building Authority. Both the City of Farmington and the City of Farmington Hills have signed lease agreements with the Farmington Hills Building Authority, which provide for lease payments in the exact amount of the debt service on the Building Authority Bonds. The City of Farmington records its portion of these lease payments. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Bond and contract obligations:							
Transportation Fund Bond -							
2007 Michigan Transportation Fund Bonds:							
Amount of issue - \$1,450,000		\$90,000 -					
Maturing through 2021	3.9%	\$145,000	\$ 1,365,000	\$ -	\$ (90,000)	\$ 1,275,000	\$ 90,000
County drain contract -							
2003 Caddell Drain Refunding Issue:							
Amount of issue - \$286,280		\$22,934 -					
Maturing through 2014	2.7%-4.0%	\$26,097	123,369	-	(23,725)	99,644	22,934
Building Authority Bonds:							
2001 Building Authority Bonds -							
47th District Court:							
Amount of issue - \$1,400,300		\$63,650-					
Maturing through 2021	4.2%-5.5%	\$126,664	1,038,131	-	(63,650)	974,481	63,650
2009 Capital Improvement Bond:							
Amount of issue - \$1,000,000		\$35,000-					
Maturing through 2029	4.750%- 4.875%	\$75,000	970,000	-	(35,000)	935,000	35,000
2005 Capital Improvement Bond:							
Amount of issue - \$1,500,000		\$60,000-					
Maturing through 2019	3.50%-4.0%	\$155,000	1,240,000	-	(60,000)	1,180,000	110,000
Total governmental activities			4,736,500	-	(272,375)	4,464,125	321,584
Accumulated compensated absences			582,364	-	(257,806)	324,558	220,485
OPEB			592,793	328,698	-	921,491	-
Total governmental activities			\$ 5,911,657	\$ 328,698	\$ (530,181)	\$ 5,710,174	\$ 542,069

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
1990 Sewer Improvements:							
Amount of issue - \$12,000,000							
Maturing through 2010	2.0%	\$725,000	\$ 725,000	\$ -	\$ (725,000)	\$ -	\$ -
2003 Capital Improvement Sewer Bonds:							
Amount of issue - \$900,000		\$45,000-					
Maturing through 2023	3.2%-4.8%	\$60,000	675,000	-	(45,000)	630,000	45,000
1991 Water Supply and Sewer Disposal System Bonds:							
Amount of issue - \$934,212							
Maturing through 2013	2.0%	\$55,000	165,000	-	(55,000)	110,000	55,000
1999 Community Theater Bonds:							
Amount of issue - \$690,000		\$50,000-					
Maturing through 2015	5.3%-5.95%	\$65,000	340,000	-	(50,000)	290,000	50,000
2011 General Obligation Capital Improvement Water and Sewer Bonds -							
Maturing through 2031	2.0%-4.25%	\$55,000-\$90,000	-	2,215,000	-	2,215,000	-
Total business-type activities			1,905,000	2,215,000	(875,000)	3,245,000	150,000
Accumulated compensated absences			83,511	-	(57,523)	25,988	14,258
OPEB			27,661	23,847	-	51,508	-
Total business-type activities			\$ 2,016,172	\$ 2,238,847	\$ (932,523)	\$ 3,322,496	\$ 164,258

Total interest expense for the year was \$254,803. 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		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 321,584	\$ 182,504	\$ 504,088	\$ 150,000	\$ 116,370	\$ 266,370
2013	347,477	169,593	517,070	155,000	122,242	277,242
2014	367,507	155,620	523,127	160,000	116,034	276,034
2015	383,143	140,156	523,299	165,000	109,475	274,475
2016	368,474	124,513	492,987	175,000	102,508	277,508
2017-2021	2,015,941	370,508	2,386,449	640,000	439,338	1,079,338
2022-2026	445,000	99,791	544,791	820,000	289,308	1,109,308
2027-2029	214,999	21,206	236,205	980,000	105,519	1,085,519
Total	\$ 4,464,125	\$ 1,263,891	\$ 5,728,016	\$ 3,245,000	\$ 1,400,794	\$ 4,645,794

**Revenue Pledged in Connection with Debt** - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above 1991 Water Supply and Sewer Disposal System revenue bonds. Proceeds from the bonds provided financing for water and sewer capital improvements. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds are \$110,000 and \$2,200, respectively. During the current year, the system experienced a net gain of \$83,117 compared to the annual debt requirements of \$57,750.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 7 - Long-term Debt (Continued)

The DDA has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the principal and interest on the 2009 Streetscape Capital Improvement Bond. The DDA 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.

### 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 also participates in the Michigan Municipal League (MML) risk pool for employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

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

	General Liability	
	2011	2010
Unpaid claims - Beginning of year	\$ -	\$ -
Incurred claims - Including claims incurred but not reported	(131,840)	(21,831)
Claim payments	131,840	21,831
Unpaid claims - End of year	\$ -	\$ -

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - Effective July 1, 2010, the City began participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2010, the date of the most recent actuarial valuation, membership consisted of 49 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 54 current active employees. 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.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by ordinance and by negotiation with the City's collective bargaining units and employee groups and requires a contribution from the employees of 0 to 3 percent depending on employee group.

**Annual Pension Cost** - For the year ended June 30, 2011, the City's annual pension cost of \$450,793 for the plan was equal to the City's required and actual contribution. In the December 31, 2010 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 20 years.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 9 - Defined Benefit Pension Plan (Continued)

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2011	2010	2009
Annual pension cost (APC)	\$ 450,793	\$ 520,562	\$ 507,687
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

  

	Fiscal Year Ended June 30		
	2010	2009	2008
Actuarial value of assets	\$ 19,901,000	\$ 19,337,000	\$ 18,581,000
Actuarial accrued liability (AAL) (entry age)	\$ 20,068,000	\$ 20,141,000	\$ 18,858,000
Unfunded AAL (UAAL)	\$ 167,000	\$ 804,000	\$ 277,000
Funded ratio	99.2 %	96.0 %	98.5 %
Covered payroll	\$ 3,239,000	\$ 3,106,000	\$ 3,186,000
UAAL as a percentage of covered payroll	5.2 %	25.9 %	8.7 %

### Note 10 - Postemployment Benefits

The City provides healthcare benefits to all eligible full-time employees and their eligible beneficiaries upon retirement. The benefits are based on labor contracts and employee agreements. There are two types of healthcare benefits - a defined benefit plan called the City of Farmington Retiree Health Care Plan (the "Farmington RHCP") and a defined contribution plan called the Municipal Employees' Retirement System Health Care Savings Program (MERS HCSP).

#### Farmington RHCP

The Farmington RHCP is available to all full-time public safety employees and all other full-time employees that had over 20 years of service as of June 30, 2009. The amount of the benefit is determined based on labor contracts and employee agreements, in accordance with the City of Farmington's Retiree Health Care Plan (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. The irrevocable Trust Fund (Trust Fund), established in the Plan, funds the City's share of retiree healthcare insurance premiums and is administered by a board of trustees. Currently, 39 retirees are eligible, 33 are participating, and five are receiving payments in lieu of coverage. Payments in lieu of insurance coverage are paid by the City.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 10 - Postemployment Benefits (Continued)

The Plan is a single employer defined benefit plan and does not issue a separate stand-alone financial statement.

**Funding Policy** - The City, by ordinance, is required to fund the Trust Fund on 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 calculation made by the actuary for the Trust Fund to result in a prefunded plan. For the year ended June 30, 2011, the Trust Fund received employer contributions of \$570,000 and paid postemployment healthcare premiums of \$560,680. There were no required employee contributions.

**Funding Progress** - For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 936,620
Interest on the prior year's net OPEB obligation	<u>49,636</u>
Annual OPEB cost	986,256
Amounts contributed to health insurance trust (which pays current premiums)	(570,000)
Adjustment for implicit rate subsidy	<u>(63,711)</u>
Increase in net OPEB obligation	352,545
OPEB obligation - Beginning of year	<u>620,454</u>
OPEB obligation - End of year	<u><u>\$ 972,999</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 879,133	68.8	\$ 274,447
6/30/10	910,935	58.0	620,454
6/30/11	986,265	58.0	972,999

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 10 - Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 2,186,781	\$ 13,126,316	\$ 10,939,535	16.7	\$ 3,200,000	341.9

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

#### City of Farmington's Retiree Health Care Plan

In the June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8 percent investment rate of return, which is the expected long-term investment return on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. The actuarial value of assets was set equal to the reported market value at June 30, 2008. The UAAL is being amortized as a level percentage of projected payroll, if the divisions are open to new hires. The UAAL is being amortized as a level dollar, if the divisions are closed to new hires. The UAAL is being amortized on an open basis, with a remaining amortization period at June 30, 2008 of 30 years.

### **Note 10 - Postemployment Benefits (Continued)**

#### **MERS HCSP**

On June 30, 2009, the council established, by resolution, the MERS HCSP, a defined contribution retiree healthcare plan. The MERS HCSP is a tax-qualified "governmental plan" and trust under Section 401(a) of the Internal Revenue Code of 1986 and all trust assets are therefore exempt from taxation under Code Section 501(a) (IRS Letter of Favorable Determination dated June 15, 2005). The MERS HCSP is administered by the Municipal Employees' Retirement System.

On June 30, 2009, in accordance with labor contracts and employee agreements, all full-time employees with less than 20 years of service as of June 30, 2009, except for public safety, were converted to the defined contribution retiree healthcare plan from the Farmington RHCP. Under the terms of the MERS HCSP, each employee was given a start-up contribution by the City based on years of service rendered to the City. Under terms of the agreement, employees receive \$2,100 per year in contributions from the City to their HCSP account. Employer contributions for the year were approximately \$35,700. Terms of the MERS HCSP may be amended by future labor contracts and by council resolutions.

#### **City of Farmington, Michigan's Retiree Dental Plan**

The City provides dental benefits to certain retirees and their eligible beneficiaries based on the employee's years of service. The amount of the benefit is determined based on labor contracts and employee agreements, and in accordance with the City of Farmington's Retiree Dental Plan (the "Dental Plan"). The Dental Plan was established by resolution and closed to new members during the year ended June 30, 2006. The Dental Plan is administered by the City of Farmington, Michigan.

Currently, 20 retirees are eligible and participating. Dental benefits are paid for by the City's General Fund.

The Dental Plan is a single employer, self-insured, defined benefit plan and does not issue a separate stand-alone financial statement.

**Funding Policy** - The City reimburses retirees for their dental expenditures up to a defined dollar limit. There is no advance funding. For the year ended June 30, 2010, the City paid postemployment dental reimbursements in the amount of \$7,354.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2011

### Note 10 - Postemployment Benefits (Continued)

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

In the June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return, which is the expected long-term investment return on the City's General Fund assets at the valuation date, and an annual dental reimbursement trend rate of 7.5 percent initially, reduced to 0 as the anticipated reimbursement amount reaches the allowable limit. There are no assets associated with the plan at June 30, 2008. The UAAL is being amortized as a level dollar, since the plan is closed to new hires. The UAAL is being amortized on a closed basis, with a remaining period at June 30, 2008 of 30 years.

### Note 11 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General	Major Streets	Local Streets	Municipal Street	Capital Improvement	Special Assessment Debt Service	Nonmajor Funds	Total
<b>Fund Balances</b>								
Nonspendable	\$ 59,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,647
Restricted	48,947	300,471	100,000	884,305	151,045	2,289	-	1,487,057
Assigned	101,565	-	-	-	2,353,648	-	33,388	2,488,601
Unassigned	<u>2,097,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,097,921</u>
Total nonspendable	<u>\$ 2,308,080</u>	<u>\$ 300,471</u>	<u>\$ 100,000</u>	<u>\$ 884,305</u>	<u>\$ 2,504,693</u>	<u>\$ 2,289</u>	<u>\$ 33,388</u>	<u>\$ 6,133,226</u>

### Note 12 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2012-2013 fiscal year.

### **Note 12 - Upcoming Accounting Pronouncements (Continued)**

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

## **Required Supplemental Information**

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# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,239,956	\$ 4,238,709	\$ 4,218,859	\$ (19,850)
Licenses and permits	84,600	82,800	76,793	(6,007)
Federal grants	349,388	353,818	355,422	1,604
State-shared revenue and grants	760,330	833,659	833,267	(392)
Charges for services	1,731,326	1,767,169	1,778,942	11,773
Fines and forfeitures	460,500	420,500	470,763	50,263
Other revenue	128,004	146,077	168,995	22,918
Total revenue	7,754,104	7,842,732	7,903,041	60,309
<b>Expenditures</b>				
General government	1,782,165	1,882,483	1,760,167	122,316
District court	440,903	425,940	413,973	11,967
Public safety	3,830,107	3,925,946	3,762,533	163,413
Public services	1,444,881	1,197,874	1,154,917	42,957
Health and welfare	16,025	16,025	11,348	4,677
Community and economic development	34,500	49,375	33,570	15,805
Recreation and culture	450,143	451,810	421,158	30,652
Contingency	65,380	10,000	-	10,000
Total expenditures	8,064,104	7,959,453	7,557,666	401,787
<b>Excess of Expenditures Over (Under) Revenue</b>	(310,000)	(116,721)	345,375	462,096
<b>Other Financing Sources -</b>				
Transfers in - Capital Improvement Fund	310,000	151,326	-	(151,326)
<b>Net Change in Fund Balance</b>	-	34,605	345,375	310,770
<b>Fund Balance - July 1, 2010</b>	1,962,705	1,962,705	1,962,705	-
<b>Fund Balance - June 30, 2011</b>	<u>\$ 1,962,705</u>	<u>\$ 1,997,310</u>	<u>\$ 2,308,080</u>	<u>\$ 310,770</u>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue	\$ 339,836	\$ 350,347	\$ 363,048	\$ 12,701
Contracts and grants	104,780	90,320	86,042	(4,278)
Other revenue	750	8,630	7,139	(1,491)
Total revenue	445,366	449,297	456,229	6,932
<b>Expenditures</b>				
Construction	-	17,760	21,961	(4,201)
Operations and maintenance	316,565	299,215	278,740	20,475
Total expenditures	316,565	316,975	300,701	16,274
<b>Excess of Revenue Over Expenditures</b>	128,801	132,322	155,528	23,206
<b>Other Financing Sources (Uses)</b>				
Transfer in - Municipal Streets Fund	-	2,000	2,000	-
Transfer out - Local Streets Fund	(24,698)	(27,864)	(11,796)	16,068
Transfer out - Debt Service Fund	(141,805)	(141,805)	(141,805)	-
<b>Net Change in Fund Balance</b>	(37,702)	(35,347)	3,927	39,274
<b>Fund Balance - July 1, 2010</b>	296,544	296,544	296,544	-
<b>Fund Balance - June 30, 2011</b>	<u>\$ 258,842</u>	<u>\$ 261,197</u>	<u>\$ 300,471</u>	<u>\$ 39,274</u>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue	\$ 145,310	\$ 149,804	\$ 154,718	\$ 4,914
Other revenue	500	500	42	(458)
Total revenue	145,810	150,304	154,760	4,456
<b>Expenditures</b>				
Construction	-	402,885	150,576	252,309
Operations and maintenance	170,508	178,168	166,556	11,612
Total expenditures	170,508	581,053	317,132	263,921
<b>Excess of Expenditures Over Revenue</b>	(24,698)	(430,749)	(162,372)	(268,377)
<b>Other Financing Sources</b>				
Transfer in - Major Streets Fund	24,698	27,864	11,796	16,068
Transfer in - Municipal Streets Fund	-	402,885	150,576	252,309
Total other financing sources	24,698	430,749	162,372	268,377
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance - July 1, 2010</b>	100,000	100,000	100,000	-
<b>Fund Balance - June 30, 2011</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ -</b>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Municipal Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 248,916	\$ 249,108	\$ 246,584	\$ (2,524)
Other revenue	3,000	3,000	4,442	1,442
Total revenue	251,916	252,108	251,026	(1,082)
<b>Other Financing Uses</b>				
Transfers out - Major Streets Fund	-	(2,000)	(2,000)	-
Transfers out - Local Streets Fund	-	(402,885)	(150,576)	252,309
<b>Net Change in Fund Balance</b>	251,916	(152,777)	98,450	251,227
<b>Fund Balance - July 1, 2010</b>	785,855	785,855	785,855	-
<b>Fund Balance - June 30, 2011</b>	<b>\$ 1,037,771</b>	<b>\$ 633,078</b>	<b>\$ 884,305</b>	<b>\$ 251,227</b>

## **Other Supplemental Information**

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# City of Farmington, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Debt Service Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Nonvoted Debt Service Fund	2007 MTA 175 Debt Service	Streetscape Debt Service Fund	Grand River Street Scape Capital Project Fund	
<b>Assets</b>					
Cash and investments	\$ 35,243	\$ -	\$ -	\$ -	\$ 35,243
Receivables	-	-	-	-	-
Total assets	<u>\$ 35,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,243</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ 14	\$ -	\$ -	\$ -	\$ 14
Accrued liabilities and other	1,841	-	-	-	1,841
Total liabilities	1,855	-	-	-	1,855
<b>Fund Balances - Assigned -</b>					
Debt service	33,388	-	-	-	33,388
Total liabilities and fund balances	<u>\$ 35,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,243</u>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2011

	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Nonvoted Debt Service Fund	2007 MTA 175 Debt Service	Streetscape Debt Service Fund	Grand River Street Scape Capital Project Fund	
<b>Revenue</b>					
Property taxes	\$ 853	\$ -	\$ -	\$ -	\$ 853
Other revenue	9	-	81,539	25	81,573
Total revenue	862	-	81,539	25	82,426
<b>Expenditures</b>					
Current - Public works	-	-	-	29,583	29,583
Debt service:					
Principal	92,525	90,000	35,000	-	217,525
Interest on long-term debt	54,775	51,805	46,539	-	153,119
Total expenditures	147,300	141,805	81,539	29,583	400,227
<b>Excess of Expenditures Over Revenue</b>	(146,438)	(141,805)	-	(29,558)	(317,801)
<b>Other Financing Sources (Uses)</b>					
Transfers in	147,384	141,805	-	-	289,189
Transfers out - Capital Improvement Fund	-	-	-	(10,071)	(10,071)
Total other financing sources (uses)	147,384	141,805	-	(10,071)	279,118
<b>Net Change in Fund Balances</b>	946	-	-	(39,629)	(38,683)
<b>Fund Balances - Beginning of year</b>	32,442	-	-	39,629	72,071
<b>Fund Balances - End of year</b>	\$ 33,388	\$ -	\$ -	\$ -	\$ 33,388

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2011

	Self Insurance	Employee Accrued Benefits Fund	Total
<b>Assets - Current assets</b>			
Cash and cash equivalents	\$ 282,958	\$ 262,271	\$ 545,229
Receivables	-	1,059	1,059
Due from other funds	-	66,740	66,740
Prepaid expenses and other assets	57,193	-	57,193
Total assets	340,151	330,070	670,221
<b>Liabilities</b>			
Current liabilities:			
Accrued liabilities and other	20,600	-	20,600
Compensated absences - Less than one year	-	220,485	220,485
Total current liabilities	20,600	220,485	241,085
Noncurrent liabilities - Compensated absences - Greater than one year			
	-	104,073	104,073
Total liabilities	20,600	324,558	345,158
<b>Net Assets - Unrestricted</b>	<b>\$ 319,551</b>	<b>\$ 5,512</b>	<b>\$ 325,063</b>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2011

	Self-insurance	Employee Accrued Benefits Fund	Total
<b>Operating Revenue</b> - Service charges	\$ 182,039	\$ 9,860	\$ 191,899
<b>Operating Expenses</b>			
Insurance costs	144,969	-	144,969
Accrued benefit expense	-	5,478	5,478
Total operating expenses	<u>144,969</u>	<u>5,478</u>	<u>150,447</u>
<b>Operating Income</b>	37,070	4,382	41,452
<b>Nonoperating Revenue</b> - Investment income	<u>5,679</u>	<u>1,130</u>	<u>6,809</u>
<b>Change in Net Assets</b>	42,749	5,512	48,261
<b>Net Assets</b> - Beginning of year	<u>276,802</u>	<u>-</u>	<u>276,802</u>
<b>Net Assets</b> - End of year	<u>\$ 319,551</u>	<u>\$ 5,512</u>	<u>\$ 325,063</u>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2011

	Self-insurance	Employee Accrued Benefits Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 182,039	\$ 525,484	\$ 707,523
Payments to suppliers	(185,393)	-	(185,393)
Payments to employees	-	(263,284)	(263,284)
Net cash (used in) provided by operating activities	(3,354)	262,200	258,846
<b>Cash Flows from Investing Activities - Interest received on investments</b>			
	5,689	71	5,760
<b>Net Increase in Cash and Cash Equivalents</b>			
	2,335	262,271	264,606
<b>Cash and Cash Equivalents - Beginning of year</b>			
	280,623	-	280,623
<b>Cash and Cash Equivalents - End of year</b>			
	<b>\$ 282,958</b>	<b>\$ 262,271</b>	<b>\$ 545,229</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 37,070	\$ 4,382	\$ 41,452
Changes in assets and liabilities:			
Due from others	-	515,624	515,624
Prepaid and other assets	113,746	-	113,746
Accrued and other liabilities	(154,170)	(257,806)	(411,976)
Net cash (used in) provided by operating activities	<b>\$ (3,354)</b>	<b>\$ 262,200</b>	<b>\$ 258,846</b>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2011

	Pension Trust Funds			
	Employees' Retirement System	Public Employees' Health Insurance	Disability Health Insurance	Total Pension Trust Funds
	<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 241,216	\$ 67,505	\$ 308,721
Investment pools	-	2,191,693	-	2,191,693
Receivables	-	246	-	246
Total assets	-	2,433,155	67,505	2,500,660
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	\$ -	\$ 2,433,155	\$ 67,505	\$ 2,500,660

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2011

	Employees' Retirement System	Public Employees' Health Insurance	Disability Health Insurance	Total
<b>Additions</b>				
Investment income:				
Interest and dividends	\$ 18,078	\$ 1,573	\$ 39	\$ 19,690
Net realized and unrealized gain on investments	510,219	400,113	-	910,332
Less investment expenses	(7,539)	-	-	(7,539)
Net investment income	520,758	401,686	39	922,483
Other	-	12,392	-	12,392
Contributions:				
Employer	-	570,000	60	570,060
Employee	29,216	-	60	29,276
Total contributions	29,216	570,000	120	599,336
Total additions	549,974	984,078	159	1,534,211
<b>Deductions</b>				
Transfer of plan assets to MERS	15,663,094	-	-	15,663,094
Insurance costs	-	560,680	9,300	569,980
Total deductions	15,663,094	560,680	9,300	16,233,074
<b>Net (Decrease) Increase in Plan Assets</b>	(15,113,120)	423,398	(9,141)	(14,698,863)
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	15,113,120	2,009,757	76,646	17,199,523
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u>\$ -</u>	<u>\$ 2,433,155</u>	<u>\$ 67,505</u>	<u>\$ 2,500,660</u>