

# **City of Farmington, Michigan**

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**Financial Report  
with Supplemental information  
June 30, 2009**

# 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
Fiduciary Funds:	
Statement of Net Assets	23
Statement of Changes in Net Assets	24
Component Units:	
Statement of Net Assets	25
Statement of Activities	26
Notes to Financial Statements	27-56
<b>Required Supplemental Information</b>	57
Budgetary Comparison Schedule:	
General Fund	58
Major Streets Fund	59
Local Streets Fund	60
Municipal Street Fund	61
Capital Improvement Fund	62
Retirement System Schedule of Funding Progress	63

# City of Farmington, Michigan

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## Contents (Continued)

<b>Other Supplemental Information</b>	64
Nonmajor Governmental Funds:	
Combining Balance Sheet	65
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	66
Pension and Other Employee Benefit Funds:	
Combining Statement of Net Assets	67
Combining Statement of Changes in Net Assets	68

## 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, 2009, 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'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 as of June 30, 2009 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, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules as identified in the table of contents are not required parts 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'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 combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 1, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees.

*Plante & Moran, PLLC*

October 8, 2009

# City of Farmington, Michigan

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## Management's Discussion and Analysis

### Overview of the Financial Statements

The City's 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 revenues 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 approximately \$922,000 in net assets in its governmental activities for the fiscal year ended June 30, 2009. This decrease can mainly be attributed to both reductions in revenue and significant one-time expenditures. Revenue decreased in the current year primarily due to investment earnings. Investment earnings decreased by \$230,000 in response to lower available investment rates on the City's certificates of deposit and pooled accounts. Property tax revenue decreased and charges for service increased as a result of a change in how the City funds its garbage collection. Prior to the year ended June 30, 2009, the City used part of its property tax levy to pay for garbage collection. During the year ended June 30, 2009, the City switched to a user fee. As a result, the City lowered the number of mills it levied, but increased its charges for service. The City's significant one-time expenditures included the payment of approximately \$527,000 made to convert the City's DPW, Dispatch, and nonunion employees with less than 20 years of service as of July 1, 2009, from a defined benefit retiree healthcare program to a defined contribution retiree healthcare program; and the transfer of approximately \$185,000 from the City's general government to its business-type activities related to theatre loan forgiveness and debt service.

The City had a decrease of approximately \$126,000 in net assets in its business-type activities for the fiscal year ended June 30, 2009, primarily due to a decrease in net assets of its Water and Sewer Fund. The decrease in the Water and Sewer Fund's net assets related to a decrease in operating revenue. For the year ended June 30, 2009, purchase of water and sewer services was 11.9 percent lower than its previous five-year average.

In a condensed format, the tables below show the net assets and changes in net assets (in thousands of dollars) as of June 30, 2009 and 2008.

TABLE I	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current assets	\$ 9,529	\$ 9,697	\$ 2,514	\$ 3,010	\$ 12,043	\$ 12,707
Noncurrent assets	16,386	15,952	17,151	17,545	33,537	33,497
Total assets	25,915	25,649	19,665	20,555	45,580	46,204
<b>Liabilities</b>						
Current liabilities	1,218	1,065	1,471	1,380	2,689	2,445
Long-term liabilities	5,411	4,376	1,905	2,760	7,316	7,136
Total liabilities	6,629	5,441	3,376	4,140	10,005	9,581
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	11,776	11,754	14,316	13,885	26,092	25,639
Restricted	1,852	2,040	75	75	1,927	2,115
Unrestricted	5,658	6,414	1,898	2,455	7,556	8,869
Total net assets	<u>\$ 19,286</u>	<u>\$ 20,208</u>	<u>\$ 16,289</u>	<u>\$ 16,415</u>	<u>\$ 35,575</u>	<u>\$ 36,623</u>

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,729	\$ 1,571	\$ 3,304	\$ 3,643	\$ 5,033	\$ 5,214
Operating grants and contributions	628	650	-	-	628	650
Capital grants and contributions	17	69	4	3	21	72
General revenue:						
Property taxes	5,129	5,351	738	800	5,867	6,151
State-shared revenues	899	938	-	-	899	938
Unrestricted investment earnings	191	420	28	95	219	515
Cable franchise fees	96	76	-	-	96	76
Cell tower fees	31	30	-	-	31	30
Miscellaneous	-	-	-	-	-	-
Transfers	(253)	(71)	253	71	-	-
Gain on sale of capital assets	8	5	-	-	8	5
<b>Total revenue</b>	<b>8,475</b>	<b>9,039</b>	<b>4,327</b>	<b>4,612</b>	<b>12,802</b>	<b>13,651</b>
<b>Program Expenses</b>						
General government	2,264	1,966	-	-	2,264	1,966
Public safety	4,092	3,685	-	-	4,092	3,685
Public works	2,320	2,133	-	-	2,320	2,133
Health and welfare	18	15	-	-	18	15
Community and economic development	37	77	-	-	37	77
Recreation and culture	493	495	-	-	493	495
Interest on long-term debt	173	161	-	-	173	161
Water and sewer	-	-	4,070	3,787	4,070	3,787
Community theatre	-	-	383	380	383	380
<b>Total program expenses</b>	<b>9,397</b>	<b>8,532</b>	<b>4,453</b>	<b>4,167</b>	<b>13,850</b>	<b>12,699</b>
<b>Change in Net Assets</b>	<b>\$ (922)</b>	<b>\$ 507</b>	<b>\$ (126)</b>	<b>\$ 445</b>	<b>\$ (1,048)</b>	<b>\$ 952</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 in the current year.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

The City has historically experienced modest but steady growth in tax revenues, which have been capped by state statute since 1996 at 5 percent, or the rate of inflation. During the year ended June 30, 2009, however, property tax values decreased by .91 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
2005	\$ 380,255,892	4.1%	\$ 14,890,152	\$ 380,256
2006	393,394,650	3.5%	13,150,588	393,406
2007	409,220,090	4.0%	15,813,610	409,220
2008	423,676,390	3.5%	14,456,300	423,676
2009	419,820,960	-0.9%	(3,855,430)	419,821

State-shared revenue, statutorily designated to support local community services and historically about 20 percent of the City's general operating revenues, 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 revenues 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
2005	\$ 276,540	-9.6%	\$ 702,303	2.2%	\$ 978,843	-1.5%
2006	253,471	-8.3%	716,777	2.1%	970,248	-0.9%
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%

Expenses, which had remained relatively stable over a number of years and within the general rate of inflation, continue to see increases greater than inflation, particularly in insurance premiums, including healthcare premiums, and in the employer contribution for employee pension and retiree healthcare benefits.

In response to the above economic pressures, the City has restructured its operations and eliminated 5.65 full-time equivalent positions, reducing staffing by 8.8 percent since fiscal year 2004-2005.

# 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 revenues or increases in ordinary, unanticipated current year expenditures. In the General Fund, the City's policy has been to maintain an unreserved fund balance of 25 percent of current year expenditures. Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2009, 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, 2008 by .94 percent for water and 5.41 percent for sewer. Water loss for the year was approximately 11.7 percent of water purchased, and increased from the prior year's 7.89 percent of water purchased.

The City operates a theatre, which ended the year with an increase in net assets of \$127,586. The increase related to a loan forgiveness from the Capital Improvement Fund, as well as a transfer to pay for the following year's debt service. The theatre's operations had a net loss for the year of \$101,738, 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 a decrease in fund balance of \$256,771. Revenue increased approximately \$37,000 in the current year. Revenue increased primarily as a result of a \$217,000 transfer from the Capital Improvement Fund to pay for capital acquisitions. Revenue decreased due to a reduction in state-shared revenue of \$60,000, and a decrease in investment earnings of \$135,000, as a result of low investment rates. In addition, during the current year, the City changed how it funds its garbage collection. Prior to the current year, garbage collection was paid for through part of the City's general property tax levy. During the current year, garbage collection was paid through a user fee. This change in methodology caused a decrease in property tax revenue, and a corresponding increase in charges for service.

Expenditures in the General Fund increased approximately \$481,000 in the current year. The primary reason for the increase related to a one-time contribution of \$527,000 made to convert the City's DPW, dispatch, and nonunion employees with less than 20 years of service as of July 1, 2009, from a defined benefit retiree healthcare program to a defined contribution retiree healthcare program.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

The Major, Local, and Municipal Streets Funds have targeted fund balances of \$200,000, \$100,000, and \$250,000, respectively. The Major and Municipal Streets Funds exceed these fund balances. The Local Streets Fund fund balance is below its target in the current fiscal year due to a significantly above average snowfall and the related increase in maintenance of the local roads. 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 the statutory portion of state-shared revenue as revenue in the current year. Transfers were made to other funds for capital purchases and debt service.

The Downtown Capital Projects Fund recorded the fourth installment of a donation for Riley Park in the current year. Excess funds were transferred to the Capital Improvement Fund to reimburse that fund for money transferred to the Downtown Development Projects Fund in prior years and to the Grand River Capital Projects Fund to fund additional projects in the downtown.

The Grand River Streetscape Capital Projects Fund recorded proceeds from bonds issued to fund streetscape improvement along Grand River in the downtown.

The Special Assessments Debt Service Fund recorded the repayment of the 2005 Capital Improvement Bonds. The bonds were repaid through a property tax millage and through special assessments.

### **General Operating Fund Budget Highlights**

**General Fund** - Actual revenues were under budget by \$62,335. Actual revenues were under budget primarily as a result of a public safety grant that was not received within 60 days of year end, in accordance with the City's revenue recognition policy. The original budget was amended to include a reduction in revenue of \$85,579. Significant amendments to budgeted revenue included a reduction in transfers in from the Capital Improvement Fund of \$182,634, primarily related to the planned purchases of a dump truck and city entryway signs, which were postponed, and an increase in fines and forfeitures of \$75,000. Actual expenditures were under budget by \$277,780. Actual expenditures were under budget as a result of numerous small favorable budget variances throughout each City department. The original budget was amended to include an increase in budgeted expenditures of \$386,637. The budget was amended to include a one-time contribution of \$527,000 made to convert certain City employees, from a defined benefit retiree healthcare program to a defined contribution retiree healthcare program, and reduced by \$175,000 to eliminate the purchases of a dump truck and city entryway signs, which were postponed.

# City of Farmington, Michigan

## Management's Discussion and Analysis (Continued)

**Major, Local, and Municipal Streets Fund** - There were no significant revenue variances from the budget. There were no significant amendments to budgeted revenue except transfers related to road construction. Transfers to the road funds are made to provide funding for construction projects. Transfers are only made when expenditures are incurred. The expenditures recorded in these street funds are divided into two categories: construction and operation and maintenance. Variances and amendments to the budget related to construction 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. There were no significant variances or amendments related to operations and maintenance expenditures.

**Capital Improvement Fund** - There were no significant revenue variance or significant amendments to budgeted revenue. There were no significant expenditure variances from the budget. There were two significant amendments to budgeted expenditures. The budget was amended to include a transfer of \$500,000 to the Grand River Streetscape Fund. The budget was also amended to increase the transfer to the Theatre Fund by \$184,681. The transfer was increased as the result of the forgiveness of a loan between the Capital Improvement Fund and the Theatre Fund and to provide funds for the Theatre's future year debt service.

### 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 \$1,187,000 for major and local street improvements including the reconstruction of Power Road
2. Engineering, design work, and construction in the amount of \$555,000 related to the Grand River Street Streetscape project
3. Equipment and vehicles in the amount of \$118,000

Major capital asset and infrastructure additions in the business-type funds consisted primarily of work performed by the City related to the replacement of water mains associated with the reconstruction of Power Road.

During the current year, the City issued \$1,000,000 in bonds to be used for the purpose of paying part of the cost of acquiring and constructing certain street and streetscape improvements in the downtown area along Grand River. The Farmington Downtown Development Authority has committed to pay the debt service related to these bonds.

# **City of Farmington, Michigan**

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

### **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 and a road program millage approved by the voters in 1995 to ensure streets in the City are in excellent repair. With these two additions totaling approximately 2.8 mills, the millage went from about 11 mills in 1990 to just over 13.8163 mills in 2008.

During the current year, property taxes comprised 57.9 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 revenues accounted for about 8.7 percent of General Fund revenues this year, down from 9.0 percent last fiscal year, and current funding levels remain at risk as a result of the financial condition and priorities of the State.

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 98.5 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 and has taken steps in labor contract negotiations and other employment agreements to limit wage increases and contain the cost of providing health care and retiree healthcare benefits.

Adequate cash reserves and authorized unlevied millage ensures 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, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 8,473,636	\$ 1,440,123	\$ 9,913,759	\$ 670,677
Receivables (Note 4)	807,144	1,010,729	1,817,873	26,967
Internal balances	(1,274)	1,274	-	-
Prepaid costs and other assets	249,750	61,546	311,296	-
Restricted assets	-	75,000	75,000	-
Capital assets (Note 5):				
Depreciable	14,026,570	16,864,951	30,891,521	166,017
Nondepreciable	<u>2,359,500</u>	<u>210,769</u>	<u>2,570,269</u>	<u>76,500</u>
<b>Total assets</b>	<b>25,915,326</b>	<b>19,664,392</b>	<b>45,579,718</b>	<b>940,161</b>
<b>Liabilities</b>				
Accounts payable	536,887	479,220	1,016,107	34,733
Accrued and other liabilities	150,004	32,679	182,683	17,984
Deferred revenue	5,373	-	5,373	8,600
Due to other governmental units	1,379	-	1,379	924
Noncurrent liabilities:				
Bonds payable, due within one year (Note 7)	258,166	855,000	1,113,166	-
Bonds payable, due in more than one year (Note 7)	4,736,500	1,905,000	6,641,500	-
Employee compensated absences, due within one year	266,261	103,675	369,936	-
Employee compensated absences, due in more than one year	400,148	-	400,148	-
Net OPEB obligation	<u>274,447</u>	<u>-</u>	<u>274,447</u>	<u>-</u>
<b>Total liabilities</b>	<b>6,629,165</b>	<b>3,375,574</b>	<b>10,004,739</b>	<b>62,241</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	11,776,238	14,315,720	26,091,958	242,517
Restricted:				
Streets and highways	1,667,256	-	1,667,256	-
Sidewalks	151,042	-	151,042	-
Debt service	33,816	-	33,816	-
Bond covenants	-	75,000	75,000	-
Brownfield	-	-	-	9,885
Unrestricted	<u>5,657,809</u>	<u>1,898,098</u>	<u>7,555,907</u>	<u>625,518</u>
<b>Total net assets</b>	<b><u>\$ 19,286,161</u></b>	<b><u>\$ 16,288,818</u></b>	<b><u>\$ 35,574,979</u></b>	<b><u>\$ 877,920</u></b>

# City of Farmington, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,263,789	\$ 624,343	\$ -	\$ -
Public safety	4,092,090	386,992	19,351	-
Public works	2,319,544	697,848	608,654	14,630
Health and welfare	17,938	-	-	-
Community and economic development	37,033	8,242	-	-
Recreation and culture	493,179	11,503	-	1,963
Interest on long-term debt	172,777	-	-	-
Total governmental activities	9,396,350	1,728,928	628,005	16,593
Business-type activities:				
Water and sewer	4,069,803	3,046,080	-	3,952
Farmington Community Theatre	383,344	257,515	-	-
Total business-type activities	4,453,147	3,303,595	-	3,952
Total primary government	<u>\$ 13,849,497</u>	<u>\$ 5,032,523</u>	<u>\$ 628,005</u>	<u>\$ 20,545</u>
Component units:				
Downtown Development Authority	\$ 561,765	\$ 143,590	\$ 216,000	\$ -
Brownfield Redevelopment Authority	11,000	-	-	-
Total component units	<u>\$ 572,765</u>	<u>\$ 143,590</u>	<u>\$ 216,000</u>	<u>\$ -</u>

General revenues:  
 Property taxes  
 State-shared revenues  
 Unrestricted investment earnings  
 Cable franchise fees  
 Cell tower fees  
 Transfers  
 Gain on sale of capital assets

Total general revenues

## Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Statement of Activities**  
**Year Ended June 30, 2009**

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Unit	
\$ (1,639,446)	\$ -	\$ (1,639,446)	\$ -	-
(3,685,747)	-	(3,685,747)	-	-
(998,412)	-	(998,412)	-	-
(17,938)	-	(17,938)	-	-
(28,791)	-	(28,791)	-	-
(479,713)	-	(479,713)	-	-
(172,777)	-	(172,777)	-	-
(7,022,824)	-	(7,022,824)	-	-
-	(1,019,771)	(1,019,771)	-	-
-	(125,829)	(125,829)	-	-
-	(1,145,600)	(1,145,600)	-	-
(7,022,824)	(1,145,600)	(8,168,424)	-	-
-	-	-	(202,175)	-
-	-	-	(11,000)	-
-	-	-	(213,175)	-
5,128,687	737,826	5,866,513	231,549	-
899,041	-	899,041	-	-
191,380	28,427	219,807	17,029	-
96,044	-	96,044	-	-
30,659	-	30,659	-	-
(252,875)	252,875	-	-	-
7,718	-	7,718	-	-
6,100,654	1,019,128	7,119,782	248,578	-
(922,170)	(126,472)	(1,048,642)	35,403	-
20,208,331	16,415,290	36,623,621	842,517	-
<b>\$ 19,286,161</b>	<b>\$ 16,288,818</b>	<b>\$ 35,574,979</b>	<b>\$ 877,920</b>	-

# City of Farmington, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets Fund	Local Streets Fund	Municipal Street Fund	Capital Improvement Fund
<b>Assets</b>					
Cash and investments	\$ 3,789,001	\$ 216,619	\$ 73,102	\$ 1,347,036	\$ 1,455,527
Receivables - Net	322,167	68,232	25,138	-	48,075
Prepaid costs and other assets	77,487	-	-	-	-
Due from other funds	48,352	52,567	10,451	-	-
<b>Total assets</b>	<b><u>\$ 4,237,007</u></b>	<b><u>\$ 337,418</u></b>	<b><u>\$ 108,691</u></b>	<b><u>\$ 1,347,036</u></b>	<b><u>\$ 1,503,602</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 228,368	\$ 10,407	\$ 10,060	\$ -	\$ -
Accrued and other liabilities	105,170	-	-	-	-
Deferred revenue	5,373	-	-	-	-
Due to other funds	1,797	37,264	6,361	61,797	-
Due to other governmental units	1,379	-	-	-	-
<b>Total liabilities</b>	<b>342,087</b>	<b>47,671</b>	<b>16,421</b>	<b>61,797</b>	<b>-</b>
<b>Fund Balances</b>					
Reserved for:					
Sidewalks	-	-	-	-	151,042
Debt service	-	-	-	-	-
Unspent bond proceeds	-	-	-	-	-
Inventory and prepaid expenses	77,487	-	-	-	-
Unreserved - Reported in:					
General Fund	2,402,562	-	-	-	-
Special Revenue Funds	-	282,857	92,270	117,411	1,352,560
Capital Projects Fund	-	-	-	-	-
Designated (Note 11)	1,414,871	6,890	-	1,167,828	-
<b>Total fund balances</b>	<b><u>3,894,920</u></b>	<b><u>289,747</u></b>	<b><u>92,270</u></b>	<b><u>1,285,239</u></b>	<b><u>1,503,602</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,237,007</u></b>	<b><u>\$ 337,418</u></b>	<b><u>\$ 108,691</u></b>	<b><u>\$ 1,347,036</u></b>	<b><u>\$ 1,503,602</u></b>

**Governmental Funds  
Balance Sheet  
June 30, 2009**

Major Capital Project Funds		Major Debt Service	Other	Total
Downtown Capital Projects Fund	Grand River Streetscape Capital Projects Fund	Special Assessment Debt Service Fund	Nonmajor Governmental Funds	Governmental Funds
\$ 84,253	\$ 1,199,532	\$ 3,341	\$ 30,475	\$ 8,198,886
-	-	342,974	-	806,586
-	-	-	-	77,487
-	84,253	-	-	195,623
<b>\$ 84,253</b>	<b>\$ 1,283,785</b>	<b>\$ 346,315</b>	<b>\$ 30,475</b>	<b>\$ 9,278,582</b>
\$ -	\$ 288,052	\$ -	\$ -	\$ 536,887
-	-	-	-	105,170
-	-	342,974	-	348,347
84,253	5,425	-	-	196,897
-	-	-	-	1,379
84,253	293,477	342,974	-	1,188,680
-	-	-	-	151,042
-	-	3,341	30,475	33,816
-	384,834	-	-	384,834
-	-	-	-	77,487
-	-	-	-	2,402,562
-	-	-	-	1,845,098
-	605,474	-	-	605,474
-	-	-	-	2,589,589
-	990,308	3,341	30,475	8,089,902
<b>\$ 84,253</b>	<b>\$ 1,283,785</b>	<b>\$ 346,315</b>	<b>\$ 30,475</b>	<b>\$ 9,278,582</b>

# City of Farmington, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2009

**Fund Balance - Total Governmental Funds** \$ 8,089,902

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	16,386,070
Long-term liabilities are due and payable in the current period and are not reported in the funds, including:	
Compensated absences	(666,409)
Interest payable	(41,834)
Bonds payable	(4,994,666)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(274,447)
Special assessments and other receivables are expected to be collected over several years and are not available to pay for current year expenditures	342,974
The City's Internal Service Fund is included as part of governmental activities	<u>444,571</u>

**Net Assets - Governmental Activities** \$ 19,286,161

# City of Farmington, Michigan

	Major Special Revenue Funds				
	General Fund	Major Streets Fund	Local Streets Fund	Municipal Street Fund	Capital Improvement Fund
<b>Revenues</b>					
Property taxes	\$ 4,526,381	\$ -	\$ -	\$ 408,765	\$ -
Licenses and permits	83,718	-	-	-	-
Federal grants	26,568	-	-	-	-
State-shared revenues and grants	702,351	452,990	155,664	-	216,041
Charges for services	1,730,831	-	-	-	-
Fines and forfeitures	485,653	-	-	-	-
Other revenue	<u>266,346</u>	<u>3,279</u>	<u>336</u>	<u>15,153</u>	<u>35,664</u>
Total revenues	7,821,848	456,269	156,000	423,918	251,705
<b>Expenditures</b>					
Current:					
General government	1,668,286	-	-	-	-
Court	440,158	-	-	-	-
Public safety	3,030,608	-	-	-	-
Public services	1,075,847	870,590	216,765	-	-
Health and welfare	17,938	-	-	-	-
Community and economic development	37,033	-	-	-	-
Recreation and culture	423,331	-	-	-	-
Retirement and retiree health care	1,602,784	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>8,295,985</u>	<u>870,590</u>	<u>216,765</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(474,137)	(414,321)	(60,765)	423,918	251,705
<b>Other Financing Sources (Uses)</b>					
Transfers in	217,366	522,408	121,262	-	50,000
Transfers out	-	(184,038)	(43,820)	(555,727)	(970,241)
Bond proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>217,366</u>	<u>338,370</u>	<u>77,442</u>	<u>(555,727)</u>	<u>(920,241)</u>
<b>Net Change in Fund Balances</b>	(256,771)	(75,951)	16,677	(131,809)	(668,536)
<b>Fund Balances - Beginning of year</b>	<u>4,151,691</u>	<u>365,698</u>	<u>75,593</u>	<u>1,417,048</u>	<u>2,172,138</u>
<b>Fund Balances - End of year</b>	<b><u>\$ 3,894,920</u></b>	<b><u>\$ 289,747</u></b>	<b><u>\$ 92,270</u></b>	<b><u>\$ 1,285,239</u></b>	<b><u>\$ 1,503,602</u></b>

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2009**

Major Capital Projects Fund		Major Debt Service Fund			
Downtown Capital Projects Fund	Grand River Streetscape Capital Projects fund	Special Assessment Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds	
\$ -	\$ -	\$ 58,898	\$ 134,667	\$ 5,128,711	
-	-	-	-	83,718	
-	-	-	-	26,568	
-	-	-	-	1,527,046	
-	-	-	-	1,730,831	
-	-	-	-	485,653	
<u>100,979</u>	<u>21,221</u>	<u>46,213</u>	<u>750</u>	<u>489,941</u>	
100,979	21,221	105,111	135,417	9,472,468	
-	-	-	-	1,668,286	
-	-	-	-	440,158	
-	-	-	-	3,030,608	
26,911	615,166	-	-	2,805,279	
-	-	-	-	17,938	
-	-	-	-	37,033	
-	-	-	-	423,331	
-	-	-	-	1,602,784	
-	-	55,000	156,436	211,436	
-	-	<u>49,676</u>	<u>118,219</u>	<u>167,895</u>	
<u>26,911</u>	<u>615,166</u>	<u>104,676</u>	<u>274,655</u>	<u>10,404,748</u>	
74,068	(593,945)	435	(139,238)	(932,280)	
-	584,253	-	139,915	1,635,204	
(134,253)	-	-	-	(1,888,079)	
-	<u>1,000,000</u>	-	-	<u>1,000,000</u>	
<u>(134,253)</u>	<u>1,584,253</u>	-	<u>139,915</u>	<u>747,125</u>	
(60,185)	990,308	435	677	(185,155)	
<u>60,185</u>	-	<u>2,906</u>	<u>29,798</u>	<u>8,275,057</u>	
<u>\$ -</u>	<u>\$ 990,308</u>	<u>\$ 3,341</u>	<u>\$ 30,475</u>	<u>\$ 8,089,902</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, 2009

**Net Change in Fund Balances - Total Governmental Funds** \$ (185,155)

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay expenditures	1,321,658
Depreciation expense	(888,170)

Proceeds from the issuance of debt are recorded as revenues on the governmental funds, but not in the statement of activities (where these transactions are recorded as a reduction of a liability) (1,000,000)

Revenue related to special assessments and contributions is recorded when earned in the statement of activities, and recorded only when available in the governmental funds (131,180)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 204,165

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 (274,447)

Accrued interest, recorded in the statement of activities, decreased in the current year 2,389

Accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities and these amounts decreased in the current year 18,896

The City's Internal Service Fund is included as governmental activities 9,674

**Change in Net Assets of Governmental Activities** **\$ (922,170)**

# City of Farmington, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2009

	Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Farmington Community Theatre Fund	Total	
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,374,239	\$ 65,884	\$ 1,440,123	\$ 274,750
Receivables - Net	1,010,729	-	1,010,729	558
Due from other funds	6,001	-	6,001	-
Other assets	46,156	15,390	61,546	172,263
Total current assets	2,437,125	81,274	2,518,399	447,571
Noncurrent assets:				
Restricted assets	75,000	-	75,000	-
Capital assets	16,088,175	987,545	17,075,720	-
Total noncurrent assets	16,163,175	987,545	17,150,720	-
Total assets	18,600,300	1,068,819	19,669,119	447,571
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	469,555	9,665	479,220	-
Accrued and other liabilities	23,678	9,001	32,679	3,000
Due to other funds	4,723	4	4,727	-
Current portion of employee compensated absences	103,675	-	103,675	-
Current portion of long-term debt	810,000	45,000	855,000	-
Total current liabilities	1,411,631	63,670	1,475,301	3,000
Noncurrent liabilities - Long-term debt - Net of current portion				
	1,565,000	340,000	1,905,000	-
Total liabilities	2,976,631	403,670	3,380,301	3,000
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	13,713,175	602,545	14,315,720	-
Restricted	75,000	-	75,000	-
Unrestricted net assets	1,835,494	62,604	1,898,098	444,571
Total net assets	<b>\$ 15,623,669</b>	<b>\$ 665,149</b>	<b>\$ 16,288,818</b>	<b>\$ 444,571</b>

# City of Farmington, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Farmington Community Theatre Fund	Total	
<b>Operating Revenues</b>				
Fees	\$ -	\$ 256,502	\$ 256,502	\$ -
Water sales	1,200,544	-	1,200,544	-
Sewage disposal charges	1,668,164	-	1,668,164	-
Service charges	99,052	-	99,052	172,421
Other income	78,320	1,013	79,333	419
<b>Total operating revenues</b>	<b>3,046,080</b>	<b>257,515</b>	<b>3,303,595</b>	<b>172,840</b>
<b>Operating Expenses</b>				
Source of supply	1,841,036	-	1,841,036	-
Transmission, distribution, and maintenance	1,078,051	-	1,078,051	-
Administrative and general	1,081,160	359,253	1,440,413	-
Insurance costs	-	-	-	174,737
<b>Total operating expenses</b>	<b>4,000,247</b>	<b>359,253</b>	<b>4,359,500</b>	<b>174,737</b>
<b>Operating Loss</b>	<b>(954,167)</b>	<b>(101,738)</b>	<b>(1,055,905)</b>	<b>(1,897)</b>
<b>Nonoperating Revenue (Expense)</b>				
Property taxes	737,826	-	737,826	-
Federal grants	-	-	-	-
Investment income	27,887	540	28,427	11,571
Connection fees	3,952	-	3,952	-
Interest expense	(69,556)	(24,091)	(93,647)	-
<b>Total nonoperating revenue (expense)</b>	<b>700,109</b>	<b>(23,551)</b>	<b>676,558</b>	<b>11,571</b>
<b>Transfers in from Other Funds</b>	<b>-</b>	<b>252,875</b>	<b>252,875</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(254,058)</b>	<b>127,586</b>	<b>(126,472)</b>	<b>9,674</b>
<b>Net Assets - Beginning of year</b>	<b>15,877,727</b>	<b>537,563</b>	<b>16,415,290</b>	<b>434,897</b>
<b>Net Assets - End of year</b>	<b>\$ 15,623,669</b>	<b>\$ 665,149</b>	<b>\$ 16,288,818</b>	<b>\$ 444,571</b>

# City of Farmington, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Enterprise Funds			
	Water and Sewer Fund	Farmington Community Theatre Fund	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 3,028,261	\$ 257,515	\$ 3,285,776	\$ 172,840
Payments to suppliers	(2,570,643)	(217,923)	(2,788,566)	(181,720)
Payments to employees	(789,331)	(106,959)	(896,290)	-
Internal activity - Net payments to other funds	(4,474)	(28)	(4,502)	-
Other receipts	78,320	-	78,320	-
Net cash used in operating activities	(257,867)	(67,395)	(325,262)	(8,880)
<b>Cash Flows from Noncapital Financing Activities</b> - Operating transfer	-	133,983	133,983	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(218,693)	-	(218,693)	-
Connection fees	3,952	-	3,952	-
Principal and interest paid on capital debt	(849,556)	(69,091)	(918,647)	-
Property taxes	737,826	-	737,826	-
Net cash used in capital and related financing activities	(326,471)	(69,091)	(395,562)	-
<b>Cash Flows from Investing Activities</b> - Interest received on investments	27,887	540	28,427	11,571
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(556,451)	(1,963)	(558,414)	2,691
<b>Cash and Cash Equivalents</b> - Beginning of year	2,005,690	67,847	2,073,537	272,059
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 1,449,239</u>	<u>\$ 65,884</u>	<u>\$ 1,515,123</u>	<u>\$ 274,750</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 1,374,239	\$ 65,884	\$ 1,440,123	\$ 274,750
Restricted investments	75,000	-	75,000	-
Total cash and cash equivalents	<u>\$ 1,449,239</u>	<u>\$ 65,884</u>	<u>\$ 1,515,123</u>	<u>\$ 274,750</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (954,167)	\$ (101,738)	\$ (1,055,905)	\$ (1,897)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	576,416	35,743	612,159	-
Loss on disposal of capital assets	1,018	-	1,018	-
Changes in assets and liabilities:				
Receivables	60,501	-	60,501	(558)
Due from other funds	(5,322)	-	(5,322)	-
Other assets	3,679	(2,998)	681	(9,275)
Accounts payable	58,097	(85)	58,012	-
Accrued and other liabilities	1,063	1,711	2,774	2,850
Due to other funds	848	(28)	820	-
Net cash used in operating activities	<u>\$ (257,867)</u>	<u>\$ (67,395)</u>	<u>\$ (325,262)</u>	<u>\$ (8,880)</u>

**Noncash** - During the year, the Capital Improvement Fund forgave \$118,892 that was previously reported as due from Farmington Community Theatre Fund.

# City of Farmington, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2009

	Pension and Other Employee Benefits	Private Purpose Trust Fund - Cemetery Perpetual Care Trust	Agency Fund
<b>Assets</b>			
Cash and investments:			
Cash and cash equivalents	\$ 152,094	\$ 21,564	\$ 148,010
U.S. governmental securities	2,883,908	-	-
Corporate stock	1,513,838	-	-
Corporate bonds	3,529,846	-	-
Mutual funds	6,303,405	-	-
Foreign stock	40,654	-	-
Investment pools	1,889,615	-	-
Receivables	207,142	-	-
Due from other governmental units	-	-	-
Total assets	16,520,502	<u>\$ 21,564</u>	<u>\$ 148,010</u>
<b>Liabilities</b>			
Accounts payable	10,054	\$ -	\$ -
Accrued and other liabilities	423,260	21,564	97,776
Due to other governmental units	-	-	50,234
Total liabilities	433,314	<u>\$ 21,564</u>	<u>\$ 148,010</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 16,087,188</u>		

# City of Farmington, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2009

	Pension and Other Employee Benefits
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 441,531
Net realized and unrealized loss on investments	(3,786,968)
Less investment expenses	(86,601)
Other	<u>8,504</u>
Net investment loss	(3,423,534)
Contributions:	
Employer	1,070,514
Employee	<u>56,069</u>
Total contributions	<u>1,126,583</u>
Total additions - Net	(2,296,951)
<b>Deductions</b>	
Benefit payments	1,158,562
Insurance costs	<u>482,357</u>
Total deductions	<u>1,640,919</u>
<b>Net Decrease in Plan Net Assets</b>	(3,937,870)
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>20,025,058</u>
End of year	<u><u>\$ 16,087,188</u></u>

# City of Farmington, Michigan

## Component Units Statement of Net Assets June 30, 2009

	Component Units		
	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 660,792	\$ 9,885	\$ 670,677
Receivables	26,967	-	26,967
Capital assets (Note 5):			
Depreciable	166,017	-	166,017
Nondepreciable	76,500	-	76,500
Total assets	930,276	9,885	940,161
<b>Liabilities</b>			
Accounts payable	34,733	-	34,733
Accrued liabilities	17,984	-	17,984
Due to other governmental units	924	-	924
Deferred revenue	8,600	-	8,600
Total liabilities	62,241	-	62,241
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	242,517	-	242,517
Restricted	-	9,885	9,885
Unrestricted	625,518	-	625,518
Total net assets	<u>\$ 868,035</u>	<u>\$ 9,885</u>	<u>\$ 877,920</u>

# City of Farmington, Michigan

## Component Units Statement of Activities Year Ended June 30, 2009

	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Downtown Development Authority -</b> General government	\$ 561,765	\$ 143,590	\$ 216,000	\$ (202,175)	\$ -	\$ (202,175)
<b>Brownfield Redevelopment Authority -</b> Redevelopment	11,000	-	-	-	(11,000)	(11,000)
Total component units	<u>\$ 572,765</u>	<u>\$ 143,590</u>	<u>\$ 216,000</u>	(202,175)	(11,000)	(213,175)
General revenues:						
Property taxes				212,121	19,428	231,549
Unrestricted investment earnings				16,934	95	17,029
Total general revenues				<u>229,055</u>	<u>19,523</u>	<u>248,578</u>
<b>Change in Net Assets</b>				26,880	8,523	35,403
<b>Net Assets - Beginning of year</b>				<u>841,155</u>	<u>1,362</u>	<u>842,517</u>
<b>Net Assets - End of year</b>				<u>\$ 868,035</u>	<u>\$ 9,885</u>	<u>\$ 877,920</u>

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Farmington (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:

### **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 Unit**

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.

### **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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Jointly Governed Organizations**

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 12.98 percent of the funding for the Michigan 47th District Court Administration Fund, and has recorded an equity interest in the amount of \$7,170 for the year ended June 30, 2009. 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 3 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 \$12,768 for the year ended June 30, 2009. 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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **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 revenues, 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 the legally separate component units for which the primary government is financially accountable.

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

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 revenues to be available if they are 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.

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

The City 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 revenues that are restricted for use on major streets.
- **Local Streets Fund** - The Local Streets Fund accounts for the resources obtained through state gas and weight tax revenues that are 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 street projects.

## **Note I - Summary of Significant Accounting Policies (Continued)**

- **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.
- **Downtown Capital Projects Fund** - The Downtown Capital Projects Fund accounts for the resources obtained through debt issuance, city resources, and private donations, which are used for the purpose of constructing a pavilion, park, and two streets in the downtown area.
- **Grand River Streetscape Capital Projects Fund** - The Grand River Streetscape Capital Projects Fund accounts for City resources, which are used for engineering related to the reconstruction of the streetscape along Grand River Avenue.
- **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 Theatre.

Additionally, the City reports the following fund types:

**Internal Service Fund** - The Self-insurance Fund accounts for the portion of the City's insurance liability not covered by commercially provided insurance.

**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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**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 revenues 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.

### **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.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**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.”

**Property Taxes** - 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 2008 taxable valuation of the City totaled \$420 million, on which ad valorem taxes levied consisted of 10.5421 mills for the City’s operating purposes, 1.8752 mills for drain and sewer improvements, .1438 for capital improvements, 1.0000 mills for street improvements and maintenance, and .2552 mills for debt service related to the new 47<sup>th</sup> District Court facility. The ad valorem taxes levied, net of related captures, raised \$4,311,000 for operations, \$769,000 for drain and sewer improvements, \$59,000 for capital improvements, \$409,000 for street improvements and maintenance, and \$105,000 for debt service related to the 47<sup>th</sup> District Court facility. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Funds as tax revenue.

**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 \$75,000 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.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, 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.

### Note 1 - Summary of Significant Accounting Policies (Continued)

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 and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. In the government-wide and proprietary fund financial statements, a portion of the vacation and sick 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, a liability for these amounts is reported only for employee terminations as of year end.

**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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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.

**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.

**New Accounting Standard** - In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the governmental activities of \$274,447 in excess of what would have been reported in prior years.

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

Shortfall at July 1, 2008		\$	(266,432)
Current year building permit revenue			50,588
Related expenses:			
Direct costs	\$	122,427	
Estimated indirect costs		<u>12,243</u>	
Total construction code expenses			<u>134,670</u>
Net shortfall for the year ended June 30, 2009			<u>(84,082)</u>
Cumulative shortfall at June 30, 2009		\$	<u>(350,514)</u>

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

**Budgetary Information** - The City Charter requires the city manager to submit a budget for the next fiscal year to the City Council on or before 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.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2009 has not been calculated.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General and major Special Revenue Funds is presented as required supplemental information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor funds can be obtained from the City offices at 23600 Liberty Street, Farmington, MI 48335.

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

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exception:

- Transfers from other funds and proceeds from sale of assets have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”

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 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 Healthcare 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, 2009

### 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 \$1,670,279 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$637,727 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### 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:

#### Public Employee Health Fund

Investments	0-5 years	5-10 years	> 10 years
Pooled investments	\$ 1,615,716	\$ -	\$ -

#### Retirement System

Investments	0-5 years	5-10 years	> 10 years
Collateralized mortgage obligations	\$ 60,815	\$ -	\$ -
Corporate bonds	1,576,166	1,208,966	517,767
U.S. federal agencies	-	-	77,145
U.S. federal asset backed	-	-	-
U.S. federal mortgage backed	90,014	5,426	2,711,323
Foreign corporate bonds	-	166,132	-
Total	<u>\$ 1,726,995</u>	<u>\$ 1,380,524</u>	<u>\$ 3,306,235</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

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

#### Credit Risk

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

#### General Government

Investments	Fair Value	Rating	Rating Organization
Chase - Pooled investments	\$ 5,609,245	Aaa	Moody's
Comerica - Pooled investments	500,300	Not Rated	N/A
MBIA - Investments	500,520	AAA	Standard and Poor's

#### Retirement System

Investments	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 251,403	AA	Standard and Poor's
Corporate bonds	1,868,059	A	Standard and Poor's
Corporate bonds	1,183,437	BBB	Standard and Poor's
Foreign bonds	166,132	BBB	Standard and Poor's
Collateralized mortgage obligations	60,815	Not Rated	N/A
U.S. federal agencies	77,145	Not Rated	N/A
Asset backed	2,806,763	Not Rated	N/A

#### Public Employee Health Fund

Investments	Fair Value	Rating	Rating Organization
Pooled investments	\$ 1,615,716	Not Rated	N/A

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

### Note 4 - Receivables

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

	General Fund	Major Streets Fund	Local Streets Fund	Capital Improvement Fund	Self Insurance Fund	Special Assessment Debt Service	Total
Receivables:							
Taxes	\$ 41,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,269
Special assessments	-	-	-	-	-	342,974	342,974
Donations	-	-	-	-	-	-	-
Intergovernmental	225,972	68,232	25,138	34,784	-	-	354,126
Interest and other	54,926	-	-	13,291	558	-	68,775
Total receivables	<u>\$ 322,167</u>	<u>\$ 68,232</u>	<u>\$ 25,138</u>	<u>\$ 48,075</u>	<u>\$ 558</u>	<u>\$ 342,974</u>	<u>\$ 807,144</u>

Receivables as of year end for the City's Enterprise Fund are as follows:

	Water and Sewer Fund
Receivables:	
Taxes	\$ 113,289
Customer receivables	886,010
Intergovernmental	5,734
Other	5,696
Total receivables	<u>\$ 1,010,729</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:

	Unavailable	Unearned
General government - Special assessments	<u>\$ 342,974</u>	<u>\$ 5,373</u>
Component units - Founders festival	<u>\$ -</u>	<u>\$ 8,600</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,346,502	\$ -	\$ -	\$ 1,346,502
Equity investment in 47th District Court	2,674	4,496	-	7,170
Construction in progress - Street projects	<u>728,229</u>	<u>681,376</u>	<u>(403,777)</u>	<u>1,005,828</u>
Subtotal	2,077,405	685,872	(403,777)	2,359,500
Capital assets being depreciated/ amortized:				
Flowage rights	946,170	-	-	946,170
County roads	391,690	-	-	391,690
Infrastructure	13,827,561	909,817	-	14,737,378
Buildings and improvements	3,212,604	11,300	-	3,223,904
Court building	2,310,486	-	-	2,310,486
Equipment and other	700,814	49,891	(5,959)	744,746
Vehicles	<u>1,356,027</u>	<u>68,555</u>	<u>(54,343)</u>	<u>1,370,239</u>
Subtotal	22,745,352	1,039,563	(60,302)	23,724,613
Accumulated depreciation/ amortization:				
Flowage rights	700,769	37,847	-	738,616
County roads	65,281	13,056	-	78,337
Infrastructure	5,031,164	518,539	-	5,549,703
Buildings and improvements	1,510,030	102,371	-	1,612,401
Court building	304,618	58,286	-	362,904
Equipment and other	431,738	54,148	(5,959)	479,927
Vehicles	<u>826,575</u>	<u>103,923</u>	<u>(54,343)</u>	<u>876,155</u>
Subtotal	8,870,175	888,170	(60,302)	9,698,043
Net capital assets being depreciated	<u>13,875,177</u>	<u>151,393</u>	<u>-</u>	<u>14,026,570</u>
Net capital assets	<u>\$ 15,952,582</u>	<u>\$ 837,265</u>	<u>\$ (403,777)</u>	<u>\$ 16,386,070</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 174,009	\$ -	\$ -	\$ 174,009
Construction in progress	158,496	27,772	(149,508)	36,760
Subtotal	332,505	27,772	(149,508)	210,769
Capital assets being depreciated:				
Building	1,869,017	-	-	1,869,017
Water and sewer mains	25,554,923	330,272	-	25,885,195
Water storage tank	53,791	-	-	53,791
Water meters	151,754	601	-	152,355
Truck and tractors	363,750	9,556	-	373,306
Office equipment	344,442	-	-	344,442
Other equipment	198,991	-	(5,092)	193,899
Subtotal	28,536,668	340,429	(5,092)	28,872,005
Accumulated depreciation:				
Buildings	763,865	50,360	-	814,225
Water and sewer mains	9,764,698	517,552	-	10,282,250
Water storage tank	52,724	1,067	-	53,791
Water meters	137,374	1,484	-	138,858
Truck and tractors	284,017	12,403	-	296,420
Office equipment	280,796	17,185	-	297,981
Other equipment	115,495	12,108	(4,074)	123,529
Subtotal	11,398,969	612,159	(4,074)	12,007,054
Net capital assets being depreciated	17,137,699	(271,730)	(1,018)	16,864,951
Net capital assets	<u>\$ 17,470,204</u>	<u>\$ (243,958)</u>	<u>\$ (150,526)</u>	<u>\$ 17,075,720</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets (Continued)

Component Unit	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Capital assets not being depreciated -				
Land	\$ 76,500	\$ -	\$ -	\$ 76,500
Capital assets being depreciated:				
Land improvements	159,005	-	-	159,005
Office equipment	43,224	-	(4,380)	38,844
Green areas	29,914	-	-	29,914
Subtotal	232,143	-	(4,380)	227,763
Accumulated depreciation:				
Land improvements	21,745	2,242	-	23,987
Office equipment	4,379	4,077	(4,380)	4,076
Green areas	29,913	3,770	-	33,683
Subtotal	56,037	10,089	(4,380)	61,746
Net capital assets being depreciated	176,106	(10,089)	-	166,017
Net capital assets	<u>\$ 252,606</u>	<u>\$ (10,089)</u>	<u>\$ -</u>	<u>\$ 242,517</u>

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

Governmental activities:		
General government		\$ 110,961
Public safety		133,034
Public works		572,814
Recreation and culture		71,361
Total governmental activities		<u>\$ 888,170</u>
Business-type activities:		
Water and sewer		\$ 576,416
Theatre		35,743
Total business-type activities		<u>\$ 612,159</u>

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

### 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	\$ 37,264
	Local Streets Fund	6,361
	Water and Sewer Fund	4,723
	Farmington Community Theater Fund	4
Total General Fund		48,352
Major Streets Fund	Municipal Street Fund	52,567
Local Streets Fund	General Fund	1,221
	Municipal Street Fund	9,230
Total Local Streets Fund		10,451
Downtown Capital Projects Fund	Grand River Streetscape Fund	84,253
Total governmental funds		<u>\$ 195,623</u>
Water and Sewer Fund	General Fund	\$ 576
	Grand River Streetscape Fund	5,425
Total Water and Sewer Fund		<u>\$ 6,001</u>

Interfund balances arise from budgeted transfers occurring subsequent to year.

### Interfund Transfers

	Transfers Out					Total
	Major Streets	Local Streets	Municipal Streets	Capital Improvement	Downtown Capital Projects	
Transfers in:						
General Fund	\$ -	\$ -	\$ -	\$ 217,366	\$ -	\$ 217,366
Major Streets Fund	-	-	522,408	-	-	522,408
Local Streets	87,943	-	33,319	-	-	121,262
Capital Improvements	-	-	-	-	50,000	50,000
Grand River Streetscape	-	-	-	500,000	84,253	584,253
Nonmajor funds	96,095	43,820	-	-	-	139,915
Total governmental funds	<u>\$ 184,038</u>	<u>\$ 43,820</u>	<u>\$ 555,727</u>	<u>\$ 717,366</u>	<u>\$ 134,253</u>	<u>\$ 1,635,204</u>
Theatre Fund	<u>\$ 252,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,875</u>

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

The transfer from the Capital Improvement Fund to the General Fund was made to cover capital outlay expenditures within the General Fund.

The transfer from the Capital Improvement Fund to the Grand River Streetscape Capital Projects Fund was made to finance a portion of the cost related to the reconstruction of the streetscape along Grand River Avenue.

The transfer from the Capital Improvement Fund to the Theatre Fund was made in response to the forgiveness of a loan between the funds and to provide for the current and upcoming fiscal year debt service payments.

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

The transfer from the Major Streets Fund to the Local Streets Fund was made to pay for a portion of the Local Street 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 Downtown Capital Projects Fund to the Capital Improvement Fund was made because the actual costs for the downtown project were less than anticipated. As a result, the City decided to return a portion of the funds originally transferred to the Downtown Capital Projects Fund from the Capital Improvement Fund.

The transfer from the Downtown Capital Projects Fund to the Grand River Streetscape Fund was made to close out the Downtown Capital Projects Fund as of year end. The project was completed and remaining funds will be used to further improve the downtown district through the Grand River Streetscape Project.

The transfer from the Local Streets Fund to the nonmajor funds (1995 Act 175 Debt Fund) was made to repay a portion of the debt used to finance the City's road programs.

## **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 Court Building Agreement with Farmington Hills provides for future payments to Farmington Hills related to the City's purchase of the old 47<sup>th</sup> District Court building from Farmington Hills. 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.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

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

Long-term obligation 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:							
1995 Michigan Transportation Fund Bonds:							
Amount of issue - \$380,000	5.55%-						
Maturing through 2009	5.65%	\$40,000	\$ 80,000	\$ -	\$ (40,000)	\$ 40,000	\$ 40,000
2007 Michigan Transportation Fund Bonds:							
Amount of issue - \$1,450,000		\$45,000-					
Maturing through 2021	3.9%	\$145,000	1,450,000	-	(40,000)	1,410,000	45,000
County drain contract -							
2003 Caddell Drain Refunding Issue:							
Amount of issue - \$286,280	2.7%-	\$24,516-					
Maturing through 2014	4.0%	\$26,097	172,401	-	(24,516)	147,885	24,516
Building Authority Bonds:							
2001 Building Authority Bonds -							
47th District Court:							
Amount of issue - \$1,400,300*	4.2%-	\$63,650-					
Maturing through 2021	5.5%	\$126,664	1,146,430	-	(44,649)	1,101,781	63,650
2009 Capital Improvement Bond:							
Amount of issue - \$1,000,000	4.750%-	\$30,000-					
Maturing through 2029	4.875%	\$75,000	-	1,000,000		1,000,000	30,000
2005 Capital Improvement Bond:							
Amount of issue - \$1,500,000	3.50%-	\$55,000-					
Maturing through 2019	4.0%	\$155,000	1,350,000	-	(55,000)	1,295,000	55,000
Total governmental activities			<u>\$ 4,198,831</u>	<u>\$ 1,000,000</u>	<u>\$ (204,165)</u>	<u>\$ 4,994,666</u>	<u>\$ 258,166</u>
<b>Business-type Activities</b>							
General obligation bonds:							
1990 Sewer Improvements:							
Amount of issue - \$12,000,000		\$710,000-					
Maturing through 2010	2.0%	\$725,000	\$ 2,130,000	\$ -	\$ (695,000)	\$ 1,435,000	\$ 710,000
2003 Capital Improvement Sewer Bonds:							
Amount of issue - \$900,000	3.2%-	\$45,000-					
Maturing through 2023	4.8%	\$60,000	755,000	-	(35,000)	720,000	45,000
Revenue bonds:							
1991 Water Supply and Sewer Disposal							
System Bonds:							
Amount of issue - \$934,212							
Maturing through 2013	2.0%	\$55,000	270,000	-	(50,000)	220,000	55,000
1999 Community Theatre Bonds:							
Amount of issue - \$690,000	5.3%-	\$45,000-					
Maturing through 2015	5.95%	\$65,000	430,000	-	(45,000)	385,000	45,000
Total business-type activities			<u>\$ 3,585,000</u>	<u>\$ -</u>	<u>\$ (825,000)</u>	<u>\$ 2,760,000</u>	<u>\$ 855,000</u>

\* Amount represents the City of Farmington's portion of bonds issued by the City of Farmington Hills' Building Authority.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

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

Annual debt service requirements to maturity for the above governmental and business-type bonds and contracts are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 258,166	\$ 197,123	\$ 455,289	\$ 855,000	\$ 76,278	\$ 931,278
2011	272,375	194,303	466,678	875,000	56,719	931,719
2012	321,584	182,504	504,088	150,000	43,940	193,940
2013	347,477	169,593	517,070	155,000	38,124	193,124
2014	367,507	155,620	523,127	105,000	32,472	137,472
2015-2019	1,990,503	538,167	2,528,670	390,000	91,771	481,771
2020-2024	1,092,054	166,479	1,258,533	230,000	22,307	252,307
2025-2029	345,000	51,529	396,529	-	-	-
Total	<u>\$ 4,994,666</u>	<u>\$ 1,655,318</u>	<u>\$ 6,649,984</u>	<u>\$ 2,760,000</u>	<u>\$ 361,611</u>	<u>\$ 3,121,611</u>

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 revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds is \$220,000 and \$8,800, respectively. During the current year, net revenues of the system were (\$345,912) compared to the annual debt requirements of \$54,900.

The DDA has agreed to pay the City from its tax increment revenues, 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 \$500,000.

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority, a risk pool for claims relating to property loss, torts, and errors and omissions. The City 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.

## **Note 8 - Risk Management (Continued)**

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.

## **Note 9 - Defined Benefit Pension Plan**

### **Plan Description**

The City of Farmington Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Farmington; this plan covers nearly all employees of the City. The system provides retirement and disability benefits to plan members and their beneficiaries. At June 30, 2008, the date of the most recent actuarial valuation, membership consisted of 43 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 55 current active employees. The plan does not issue a separate financial report.

### **Contributions**

Plan member contributions are recognized in the period in which the contributions are made. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by ordinance and by negotiation with the City's competitive bargaining units and employee groups and requires a contribution from the employees of 0 percent to 3 percent, depending on employee group. The funding policy provides for periodic employer contributions at actuarially determined rates. Investment management costs of the plan are paid by the plan.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

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

#### Annual Pension Costs

For the year ended June 30, 2009, the City's annual pension cost of \$507,687 for the plan was equal to the City's actual contribution. The annual contribution was determined as part of an actuarial valuation at June 30, 2007, using the entry actual age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually (including an inflation component of 5 percent), (b) projected salary increases of 5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 5 percent per year, depending on age, attributable to seniority/merit, and (d) no postretirement benefit increase. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The excess of assets over the actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 20 years.

#### Reserves

As of June 30, 2009, the plan's legally required reserves have been fully funded as follows:

Reserves for employees' contributions	\$	485,088
Reserves for retired benefit payments		12,407,577

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension costs (APC)	\$ 507,687	\$ 520,904	\$ 658,422
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

#### Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 98.5 percent funded. The actuarial accrued liability for benefits was \$18.9 million, and the actuarial value of assets was \$18.6 million, resulting in an unfunded actuarial accrued liability of \$.3 million. The covered payroll (annual payroll for active employees covered by the plan) was \$3.2 million and the ratio for the unfunded actuarial accrued liability to the covered payroll was 8.70 percent.

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

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## **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, and 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, 36 retirees are eligible, 32 are participating, and three are receiving payments in lieu of coverage. Payments in lieu of insurance coverage are paid by the City.

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 calculations made by the actuary for the Trust Fund to result in a prefunded plan. For the year ended June 30, 2009, the Trust Fund received employer contributions of \$561,527 and paid postemployment healthcare premiums of \$482,358. There were no required employee contributions.

# City of Farmington, Michigan

## Notes to Financial Statements June 30, 2009

### Note 10 - Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2009, 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 cost 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)	\$ 879,133
Interest on the prior year's net OPEB obligation	-
Less adjustments to the annual required contribution	<u>(43,159)</u>
Annual OPEB cost	835,974
Amounts contributed:	
Payments of current premiums	(482,358)
Advance funding	<u>(79,169)</u>
Increase in net OPEB obligation	274,447
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u><u>\$ 274,447</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:

	Fiscal Year Ended June 30		
	2007	2008	2009
Annual OPEB Costs	Unavailable	Unavailable	\$ 879,133
Percentage contributed	Unavailable	Unavailable	68.78%
Net OPEB obligation	Unavailable	Unavailable	\$ 274,447

### Note 10 - Postemployment Benefits (Continued)

The funding progress of the Plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2008:

Actuarial value of assets	\$	2,186,781
Actuarial accrued liability (AAL)		13,126,316
Unfunded AAL (UAAL)		10,939,535
Funded ratio		16.70%
Annual covered payroll		3,200,000
Ratio of UAAL to covered payroll		342%

**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.

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

### **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 8.0 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, 2007. 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, 2007 of 30 years.

### **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 date 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. Total start-up contributions amounted to \$633,510. Also, under terms of the agreement, employees will received \$2,100 per year in contributions from the City to their HCSP account. These contributions will begin in July 2009. Terms of the MERS HCSP may be amended by future labor contracts and by council resolutions.

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

### **City of Farmington'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.

Currently, 23 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, 2009, the City paid postemployment dental reimbursements in the amount of \$6,716.

**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, Michigan

## Notes to Financial Statements June 30, 2009

### Note 10 - Postemployment Benefits (Continued)

#### City of Farmington's Retiree Dental Plan

In the June 30, 2007 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 returns 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, 2007. 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 amortization period at June 30, 2007 of 30 years.

### Note 11 - Designated Fund Balance

The following is a summary of the unreserved fund balances of certain governmental funds with management's designations:

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Municipal Street Fund</u>
Designated for:			
Cemeteries	\$ 46,259	\$ -	\$ -
Accrued benefits	666,409	-	-
Property tax adjustments	77,503	-	-
Working capital	284,438	-	-
Subsequent years' expenditures	<u>340,262</u>	<u>6,890</u>	<u>1,167,828</u>
Total designated	<u>\$ 1,414,871</u>	<u>\$ 6,890</u>	<u>\$ 1,167,828</u>

## **Required Supplemental Information**

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# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Fund Balance - July 1, 2008</b>	\$ 4,151,691	\$ 4,151,691	\$ 4,151,691	\$ -
<b>Resources (Inflows)</b>				
Property taxes	4,562,021	4,557,880	4,526,381	(31,499)
Licenses and permits	96,600	84,100	83,718	(382)
Federal grants	26,568	70,598	26,568	(44,030)
State-shared revenues and grants	724,430	715,800	702,351	(13,449)
Charges for services	1,681,007	1,710,530	1,730,831	20,301
Fines and forfeits	411,000	486,000	485,653	(347)
Other revenue	285,502	259,275	266,346	7,071
Transfer - Capital Improvement Fund	400,000	217,366	217,366	-
Total resources (inflows)	8,187,128	8,101,549	8,039,214	(62,335)
<b>Charges to Appropriations (Outflows)</b>				
General government	1,772,412	1,717,036	1,668,286	48,750
Court	458,230	458,230	440,158	18,072
Public safety	3,209,373	3,161,862	3,030,608	131,254
Public services	1,111,938	1,090,070	1,075,847	14,223
Health and welfare	18,502	18,402	17,938	464
Community and economic development	95,500	39,050	37,033	2,017
Recreation and culture	440,288	449,026	423,331	25,695
Retirement and retiree health care	1,055,885	1,615,089	1,602,784	12,305
Contingency	25,000	25,000	-	25,000
Total charges to appropriations (outflows)	8,187,128	8,573,765	8,295,985	277,780
<b>Transfers to (from) Fund Balance</b>	-	(472,216)	(256,771)	215,445
<b>Fund Balance - June 30, 2009</b>	<b>\$ 4,151,691</b>	<b>\$ 3,679,475</b>	<b>\$ 3,894,920</b>	<b>\$ 215,445</b>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Fund Balance - July 1, 2008</b>	\$ 365,698	\$ 365,698	\$ 365,698	\$ -
<b>Resources (Inflows)</b>				
State-shared revenue	379,000	362,900	364,028	1,128
Contracts and grants	104,105	102,487	88,962	(13,525)
Other revenue	6,000	3,250	3,279	29
Transfers from Municipal Street Fund	1,506,237	526,745	522,408	(4,337)
Transfers from Grand River Streetscape	798,380	-	-	-
Total resources (inflows)	2,793,722	995,382	978,677	(16,705)
<b>Charges to Appropriations (Outflows)</b>				
Construction	2,256,257	628,345	602,986	25,359
Operations and maintenance	316,810	294,426	267,604	26,822
Transfer to Local Streets Fund	52,084	87,943	87,943	-
Transfer to Debt Service Fund	96,270	96,270	96,095	175
Total charges to appropriations (outflows)	2,721,421	1,106,984	1,054,628	52,356
<b>Transfers from Fund Balance</b>	72,301	(111,602)	(75,951)	35,651
<b>Fund Balance - June 30, 2009</b>	<b>\$ 437,999</b>	<b>\$ 254,096</b>	<b>\$ 289,747</b>	<b>\$ 35,651</b>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Local Streets Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Fund Balance - July 1, 2008</b>	\$ 75,593	\$ 75,593	\$ 75,593	\$ -
<b>Resources (Inflows)</b>				
State-shared revenue	162,845	155,091	155,664	573
Other revenue	2,000	500	336	(164)
Transfer from Municipal Street Fund	23,000	37,000	33,319	(3,681)
Transfer from Major Streets Fund	52,084	87,943	87,943	-
Total resources (inflows)	239,929	280,534	277,262	(3,272)
<b>Charges to Appropriations (Outflows)</b>				
Construction	23,000	37,000	33,319	3,681
Operations and maintenance	173,109	175,307	183,446	(8,139)
Transfer to Debt Service Fund	43,820	43,820	43,820	-
Total charges to appropriations (outflows)	239,929	256,127	260,585	(4,458)
<b>Transfers to Fund Balance</b>	-	24,407	16,677	(7,730)
<b>Fund Balance - June 30, 2009</b>	<b>\$ 75,593</b>	<b>\$ 100,000</b>	<b>\$ 92,270</b>	<b>\$ (7,730)</b>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Municipal Street Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Fund Balance - July 1, 2008</b>	\$ 1,417,048	\$ 1,417,048	\$ 1,417,048	\$ -
<b>Resources (Inflows)</b>				
Property taxes	409,360	408,764	408,765	1
Other income	15,000	15,000	15,153	153
Total resources (inflows)	424,360	423,764	423,918	154
<b>Charges to Appropriations (Outflows)</b>				
Transfer to Major Streets Fund	1,506,237	526,745	522,408	4,337
Transfer to Local Streets Fund	23,000	37,000	33,319	3,681
Total charges to appropriations (outflows)	1,529,237	563,745	555,727	8,018
<b>Transfers from Fund Balance</b>	(1,104,877)	(139,981)	(131,809)	8,172
<b>Fund Balance - June 30, 2009</b>	<b>\$ 312,171</b>	<b>\$ 1,277,067</b>	<b>\$ 1,285,239</b>	<b>\$ 8,172</b>

# City of Farmington, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Capital Improvement Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance With Amended Budget
<b>Fund Balance - July 1, 2008</b>	\$ 2,172,138	\$ 2,172,138	\$ 2,172,138	\$ -
<b>Resources (Inflows)</b>				
State-shared revenue	220,000	216,000	216,041	41
Property taxes	-	(24)	(24)	-
Investment income	45,000	39,000	35,688	(3,312)
Transfer from Downtown Capital Improvement Fund	<u>80,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total resources (inflows)	345,000	304,976	301,705	(3,271)
<b>Charges to Appropriations (Outflows)</b>				
Transfer to General Fund	400,000	217,367	217,366	1
Transfer to Grand River Streetscape Fund	-	500,000	500,000	-
Transfer to Shiawassee Park Fund	220,000	5,000	-	5,000
Transfer to Theatre Fund	<u>68,195</u>	<u>252,875</u>	<u>252,875</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>688,195</u>	<u>975,242</u>	<u>970,241</u>	<u>5,001</u>
<b>Transfers from Fund Balance</b>	<u>(343,195)</u>	<u>(670,266)</u>	<u>(668,536)</u>	<u>1,730</u>
<b>Fund Balance - June 30, 2009</b>	<u><b>\$ 1,828,943</b></u>	<u><b>\$ 1,501,872</b></u>	<u><b>\$ 1,503,602</b></u>	<u><b>\$ 1,730</b></u>

# City of Farmington, Michigan

## Required Supplemental Information Retirement System Schedule of Funding Progress Year Ended June 30, 2009 (dollar amounts in millions)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/03	\$ 16.248	\$ 13.310	\$ (2.938)	122.1	\$ 2.890	-
06/30/04	15.848	14.715	(1.133)	107.7	2.855	-
06/30/05	15.921	15.863	(0.058)	100.4	2.898	-
06/30/06	16.580	17.205	0.625	96.4	3.100	20.16%
06/30/07	17.948	18.284	0.336	98.2	3.097	10.80%
06/30/08	18.581	18.858	0.277	98.5	3.186	8.70%

The schedule of employer contributions is as follows:

Fiscal Year Ended June 30	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
2004	06/30/02	\$ 141,974	100.0
2005	06/30/03	206,638	100.0
2006	06/30/04	341,110	100.0
2007	06/30/05	658,422	100.0
2008	06/30/06	520,904	100.0
2009	06/30/07	507,687	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Amortization period (perpetual)	20 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5%-10%
*Includes inflation at	5%

## **Other Supplemental Information**

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# City of Farmington, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Debt Service			Total Nonmajor Governmental Funds
	Nonvoted Debt Service	2007 MTA 175 Debt Service	1995 Act 175 Debt	
<b>Assets - Cash and investments</b>	<b><u>\$ 30,475</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,475</u></b>
<b>Fund Balances - Reserved</b>	<b><u>\$ 30,475</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,475</u></b>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2009

	Debt Service Funds			Total Nonmajor Governmental Funds
	Nonvoted Debt Service	2007 MTA 175 Debt Service	1995 Act 175 Debt	
<b>Revenues</b>				
Property taxes	\$ 134,667	\$ -	\$ -	\$ 134,667
Interest income	750	-	-	750
Total revenues	135,417	-	-	135,417
<b>Expenditures</b>				
Principal	76,436	40,000	40,000	156,436
Interest	58,304	56,095	3,820	118,219
Total expenditures	134,740	96,095	43,820	274,655
<b>Excess of Revenues Over (Under) Expenditures</b>	677	(96,095)	(43,820)	(139,238)
<b>Other Financing Sources</b> - Transfers in	-	96,095	43,820	139,915
<b>Net Change in Fund Balances</b>	677	-	-	677
<b>Fund Balances</b> - Beginning of year	29,798	-	-	29,798
<b>Fund Balances</b> - End of year	<u>\$ 30,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,475</u>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Net Assets Pension and Other Employee Benefit Funds June 30, 2009

	Employees' Retirement System	Public Employee Healthcare Fund	Disability Health Insurance Fund	Total
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 152,094	\$ -	-	\$ 152,094
U.S. governmental securities	2,883,908	-	-	2,883,908
Corporate stock	1,513,838	-	-	1,513,838
Corporate bonds	3,529,846	-	-	3,529,846
Mutual funds	6,303,405	-	-	6,303,405
Foreign stock	40,654	-	-	40,654
Investment pools	-	1,815,617	73,998	1,889,615
Receivables	207,142	-	-	207,142
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	14,630,887	1,815,617	73,998	16,520,502
<b>Liabilities</b>				
Accounts payable	10,054	-	-	10,054
Accrued and other liabilities	423,260	-	-	423,260
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	433,314	-	-	433,314
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b><u>\$ 14,197,573</u></b>	<b><u>\$ 1,815,617</u></b>	<b><u>\$ 73,998</u></b>	<b><u>\$ 16,087,188</u></b>

# City of Farmington, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Funds Year Ended June 30, 2009

	Employees' Retirement System	Public Employee Healthcare Fund	Disability Health Insurance Fund	Total
<b>Additions</b>				
Investment income:				
Interest and dividends	\$ 436,174	\$ 4,645	\$ 712	\$ 441,531
Net realized and unrealized loss on investments	(3,323,485)	(463,483)	-	(3,786,968)
Less investment expenses	(86,601)	-	-	(86,601)
Other	-	8,504	-	8,504
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net investment income (loss)	(2,973,912)	(450,334)	712	(3,423,534)
Contributions:				
Employer	507,687	561,527	1,300	1,070,514
Employee	54,769	-	1,300	56,069
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total contributions	562,456	561,527	2,600	1,126,583
Total additions - Net	(2,411,456)	111,193	3,312	(2,296,951)
<b>Deductions</b>				
Benefit payments	1,158,562	-	-	1,158,562
Insurance costs	-	482,357	-	482,357
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deductions	1,158,562	482,357	-	1,640,919
<b>Net (Decrease) Increase in Plan Assets</b>	(3,570,018)	(371,164)	3,312	(3,937,870)
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>				
Beginning of year	<u>17,767,591</u>	<u>2,186,781</u>	<u>70,686</u>	<u>20,025,058</u>
End of year	<u>\$ 14,197,573</u>	<u>\$ 1,815,617</u>	<u>\$ 73,998</u>	<u>\$ 16,087,188</u>