
City of Farmington, Michigan

**Financial Report
with Supplementary Information
June 30, 2023**

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Independent Auditor's Report

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 30, 2023

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

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

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

Government-wide Overall Financial Analysis

On a yearly basis, the City strives to make sure that current taxpayers continue to pay for current services and that costs are not pushed down to future generations. During the current year, the City experienced an increase of \$3,136,000 in the net position of its governmental activities and a decrease of \$35,000 in the net position of its business-type activities, showing that the City is meeting this goal.

Governmental activities net position increased primarily due to \$1,481,000 of capital grants related to the construction of the Farmington Road Streetscape, as well as a capital improvement millage, which generated \$782,000 that was invested in capital assets.

In the City's Water and Sewer Fund, the net position increased by \$130,000. In the City's Farmington Community Theater Fund, net position decreased by \$165,000. The closing of the theater during the pandemic and ongoing reduced attendance continue to affect the theater, even though attendance trends have been improving. This business-type activity will be closely monitored in the upcoming year, as operations will continue to be challenging due to the pandemic.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

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

In a condensed format, the tables below show the net position and changes in net position as of and for the years ended June 30, 2023 and 2022. Following the tables is an explanation of the reasons for significant fluctuations.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 11,957,761	\$ 13,718,868	\$ 2,725,227	\$ 2,850,090	\$ 14,682,988	\$ 16,568,958
Capital assets	27,493,363	22,872,849	18,353,651	18,459,131	45,847,014	41,331,980
Total assets	39,451,124	36,591,717	21,078,878	21,309,221	60,530,002	57,900,938
Deferred Outflows of Resources						
	3,865,590	3,563,688	412,761	306,487	4,278,351	3,870,175
Liabilities						
Current liabilities	2,186,465	2,612,865	544,276	609,539	2,730,741	3,222,404
Noncurrent liabilities	22,463,481	21,039,338	5,852,995	5,698,570	28,316,476	26,737,908
Total liabilities	24,649,946	23,652,203	6,397,271	6,308,109	31,047,217	29,960,312
Deferred Inflows of Resources						
	1,022,249	1,994,787	19,679	197,950	1,041,928	2,192,737
Net Position						
Net investment in capital assets	22,868,080	20,260,305	14,134,014	13,984,663	37,002,094	34,244,968
Restricted	1,463,512	1,434,707	-	-	1,463,512	1,434,707
Unrestricted	(6,687,073)	(7,186,597)	940,675	1,124,986	(5,746,398)	(6,061,611)
Total net position	<u>\$ 17,644,519</u>	<u>\$ 14,508,415</u>	<u>\$ 15,074,689</u>	<u>\$ 15,109,649</u>	<u>\$ 32,719,208</u>	<u>\$ 29,618,064</u>

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 2,304,705	\$ 2,137,474	\$ 5,840,716	\$ 5,433,098	\$ 8,145,421	\$ 7,570,572
Operating grants	1,777,792	1,487,693	100	319,472	1,777,892	1,807,165
Capital grants	1,474,657	395,012	-	-	1,474,657	395,012
General revenue:						
Property taxes	7,365,716	6,965,389	-	-	7,365,716	6,965,389
Intergovernmental	1,424,986	1,543,877	-	-	1,424,986	1,543,877
Investment earnings	411,640	(89,959)	75,818	(18,015)	487,458	(107,974)
Other revenue:						
Cable franchise fees	162,427	174,209	-	-	162,427	174,209
Sale of capital assets	-	-	14,838	-	14,838	-
Other miscellaneous income	213,158	79,581	-	-	213,158	79,581
Total revenue	15,135,081	12,693,276	5,931,472	5,734,555	21,066,553	18,427,831
Expenses						
General government	1,910,179	1,582,375	-	-	1,910,179	1,582,375
District court	555,825	531,266	-	-	555,825	531,266
Public safety	4,777,600	4,329,892	-	-	4,777,600	4,329,892
Public works	3,119,779	2,996,903	-	-	3,119,779	2,996,903
Health and welfare	6,507	5,587	-	-	6,507	5,587
Community and economic development	254,954	212,528	-	-	254,954	212,528
Recreation and culture	953,803	843,080	-	-	953,803	843,080
Interest on long-term debt	412,830	417,414	-	-	412,830	417,414
Water and Sewer	-	-	5,463,985	5,293,791	5,463,985	5,293,791
Farmington Community Theater	-	-	509,947	498,332	509,947	498,332
Total expenses	11,991,477	10,919,045	5,973,932	5,792,123	17,965,409	16,711,168
Transfers	(7,500)	-	7,500	-	-	-
Change in Net Position	3,136,104	1,774,231	(34,960)	(57,568)	3,101,144	1,716,663
Net Position - Beginning of year	14,508,415	12,734,184	15,109,649	15,167,217	29,618,064	27,901,401
Net Position - End of year	\$ 17,644,519	\$ 14,508,415	\$ 15,074,689	\$ 15,109,649	\$ 32,719,208	\$ 29,618,064

Governmental Activities

The City's governmental activities statement of net position changed from the prior year as follows. First, current and other assets decreased by approximately \$1,761,000, as \$2,633,000 of restricted assets was used to pay for various construction projects in the current year and net OPEB assets increased by \$877,000. Second, deferred outflows of resources increased by approximately \$302,000 because deferred pension costs increased by \$982,000 and deferred OPEB costs decreased by \$615,000. Third, current liabilities decreased by approximately \$426,000 primarily due to a reduction in accounts payable and items payable from restricted assets. Fourth, noncurrent liabilities increased by approximately \$1,424,000 due to the increase in net pension liability of \$3,631,000 offset by a decrease in net OPEB liability of \$1,029,000 from an asset to a liability, which was partially offset by the \$1,125,000 pay down of existing debt issues. Fifth, deferred inflows of resources decreased by approximately \$973,000 due to a decrease in deferred pension costs reductions of \$1,549,000 and an increase of \$576,000 in deferred OPEB.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

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

Total revenue increased by \$2,442,000. Capital grants increased by \$1,080,000 primarily due to a grant for the Farmington Road Streetscape. Investment earnings increased by \$502,000 due to a rise in interest rates.

Total expenses increased by \$1,072,000. The most significant increases occurred in the general government function (\$328,000) and public safety function (\$448,000), primarily due to salary and fringe benefit increases.

The City of Farmington, Michigan, by policy, strives to maintain a cash surplus sufficient to bridge any expected gaps in current year revenue or increases in ordinary, unanticipated current year expenditures. In the General Fund, the City's policy has been to maintain an unassigned fund balance of 25 percent of current year operating expenditures. At year end, the City's unassigned fund balance equaled 20.7 percent of expenditures. The unassigned fund balance is less than target because the City purchased land for development purposes, creating a deposit and a nonspendable fund balance totaling \$1,166,000. This land is intended to be resold to developers, and the deposit, less the repayment of related installment purchase agreement, will be returned to unassigned fund balance. If these two items were presently returned to unassigned fund balance, the unassigned fund balance would be 27.2 percent.

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

Business-type Activities

The City had a decrease in net position of approximately \$35,000 in its business-type activities for the fiscal year ended June 30, 2023.

There were no significant changes to the statement of net position.

Significant changes to the statement of activities include an increase of \$408,000 in charges for service resulting from water and sewer rate increases and a decrease of \$319,000 in capital grants related to a one-time grant the theater received in the prior year to offset losses related to COVID-19.

Financial Analysis of Individual Funds

Of the City's governmental funds, the General Fund accounts for all significant ongoing expenditures, except for roads and debt service. The City's major funds include the General Fund and Capital Improvement Millage Fund.

General Fund

The General Fund ended the fiscal year with a decrease in fund balance of approximately \$82,000.

Revenue in the General Fund increased by approximately \$964,000 in the current year. Significant increases and decreases relate to the following:

- Property taxes increased by approximately \$291,000 due to a 6.1 percent increase in taxable value.
- Federal grants increased by \$200,000 as a result of grants received to fund studies of the water and sewer system.
- Investment income increased by approximately \$319,000 due to multiple interest rate hikes by the Federal Reserve.

Expenditures in the General Fund increased by approximately \$1,464,000 in the current year. Significant increases and decreases include the following:

- General government, public safety, and public works increased due to increases in salaries and benefits.

- Recreation and culture increased by \$637,000 primarily due to the purchase of a building for \$395,000, as well as repairs to the Warner Mansion for \$128,000 and purchase of bleachers for the parks for approximately \$63,000.

Capital Improvement Millage Fund

The Capital Improvement Millage Fund expenditures exceeded revenue by approximately \$1,919,000. Expenditures exceed revenue due to the spending of bond proceeds that were received in the prior year on construction of the Farmington Road Streetscape. Significant projects completed included replacement of the playscape fence at Shiawassee park (\$49,000), construction of the Farmington Road Streetscape (\$2,596,000), and improvements to city hall and DPW buildings and grounds (\$75,000).

General Operating Fund Budgetary Highlights

Actual revenue was over budget by approximately \$43,000. Significant variances include the following: federal grants were under budget by \$67,000 due to public safety grants that were not received.

The original budget was amended to include an increase in revenue of approximately \$383,000. This increase is composed of an increase in state-shared revenue of approximately \$125,000 due to higher than anticipated sales tax collections at the state level, as well as several state grants; an increase of approximately \$127,000 in investment income due to higher than anticipated rate increases by the Federal Reserve; and an increase in other miscellaneous income of approximately \$107,000 primarily due to insurance recoveries.

Actual expenditures were under budget by approximately \$337,000. Significant positive budget variances resulted from the following: general government was under budget by approximately \$52,000 due to numerous small savings achieved by multiple departments, public safety was approximately \$153,000 under budget primarily due to reduced capital expenditures, and recreation and culture was approximately \$51,000 under budget due to reduced capital expenditures.

The original budget was amended to include an increase in budgeted expenditures of approximately \$676,000. Significant changes in budgeted expenditures include an increase in budgeted expenditures in recreation and culture of approximately \$535,000 related to a \$395,000 purchase of property and \$65,000 purchase of park equipment.

Transfers in - Capital Improvement Fund were under budget by approximately \$177,000, as capital purchases were funded by revenue increases. The original budget was amended to increase transfers in by approximately \$40,000, as certain capital items were removed from the budget.

Capital Assets and Debt Administration

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

- Streetscapes (\$3,656,000)
- Road repair (\$983,000)
- Park improvements (\$674,000)
- Public safety vehicles and equipment (\$140,000)
- City hall and DPW building improvements (\$150,000)
- Sidewalks (\$244,000)

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

- Water main replacements (\$126,000)
- Sewer lining (\$230,000)
- Miscellaneous water and sewer system upgrades (\$118,000)

Economic Factors and Next Year's Budgets and Rates

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

During the current year, property taxes comprised 53.5 percent of the City's General Fund revenue. Taxable value (TV) increased by 6.12 percent in the City. For the upcoming fiscal year, taxable value will increase by 6.32 percent, and the City anticipates taxable value growth into the foreseeable future. Several factors that will have a positive impact on taxable value include the construction of 14 new homes, which broke ground in the 2021/2022 fiscal year; 53 new townhomes planned for construction in the 2024 fiscal year; and the construction of a fiber network by a private company valued at \$15,000,000 that will connect all properties in the City.

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

The City's pension system is funded at 66.3 percent based on the most recent actuarial valuation dated December 31, 2022. This is a decrease of 12.4 percentage points over the prior year. The decrease is the result of calendar year 2022 investment losses.

The City is also impacted by its retiree health care obligations. Currently, the system is funded at 110.8 percent based on the most recent actuarial valuation dated June 30, 2023. This is an increase of 21.5 percentage points from the prior year. The City paid approximately \$381,000 in the current year for insurance for its retirees. This is down approximately \$34,000 from the prior year. Costs have been kept at a relatively constant level over the last several years primarily due to changes in the types of insurance offered to retirees, including implementing a Medicare Advantage program for retirees 65 years and older and favorable claims experience. In order to provide a degree of budget stability going forward, the City issued bonds in 2013 to fund its retiree health care obligations. The proceeds of the bonds, together with anticipated investment proceeds, are projected to pay the retiree health care premiums over the term of the bonds. When the bonds are paid off, the City will resume paying premiums from the General Fund and the Water and Sewer Fund.

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

Requests for Further Information

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

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,178,331	\$ 1,103,641	\$ 9,281,972	\$ 807,074
Receivables (Note 4)	621,931	1,727,847	2,349,778	67,137
Due from component units	4,500	-	4,500	-
Internal balances (Note 6)	185,663	(185,663)	-	-
Inventory	54,863	64,571	119,434	-
Prepaid expenses and other assets	232,485	951	233,436	1,300
Restricted assets	636,891	-	636,891	-
Land held for resale	1,166,028	-	1,166,028	-
Net OPEB asset (Note 10)	877,069	13,880	890,949	-
Capital assets: (Note 5)				
Assets not subject to depreciation	8,257,520	1,518,452	9,775,972	530,524
Assets subject to depreciation - Net	19,235,843	16,835,199	36,071,042	182,840
Total assets	39,451,124	21,078,878	60,530,002	1,588,875
Deferred Outflows of Resources				
Deferred charges on bond refunding	606,921	72,801	679,722	-
Deferred pension costs (Note 9)	2,696,169	331,068	3,027,237	-
Deferred OPEB costs (Note 10)	562,500	8,892	571,392	-
Total deferred outflows of resources	3,865,590	412,761	4,278,351	-
Liabilities				
Accounts payable	500,787	491,872	992,659	88,974
Due to other governmental units	-	775	775	4,945
Due to primary government	-	-	-	4,500
Refundable deposits	168,143	128	168,271	-
Accrued liabilities and other	497,632	47,207	544,839	58,115
Unearned revenue	1,019,903	4,294	1,024,197	97,452
Noncurrent liabilities:				
Due within one year:				
Compensated absences	167,717	30,999	198,716	-
Current portion of long-term debt	1,125,346	399,000	1,524,346	-
Due in more than one year:				
Compensated absences	125,195	2,098	127,293	16
Net pension liability (Note 9)	9,542,224	1,171,710	10,713,934	-
Long-term debt	11,502,999	4,249,188	15,752,187	-
Total liabilities	24,649,946	6,397,271	31,047,217	254,002
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	32,882	4,037	36,919	-
Deferred OPEB cost reductions (Note 10)	989,367	15,642	1,005,009	-
Total deferred inflows of resources	1,022,249	19,679	1,041,928	-
Net Position				
Net investment in capital assets	22,868,080	14,134,014	37,002,094	713,364
Restricted:				
Roads	1,236,823	-	1,236,823	-
Capital projects	37,525	-	37,525	-
Drug forfeiture	86,759	-	86,759	-
Grants	37,563	-	37,563	-
Opioid settlement	64,842	-	64,842	-
Unrestricted	(6,687,073)	940,675	(5,746,398)	621,509
Total net position	\$ 17,644,519	\$ 15,074,689	\$ 32,719,208	\$ 1,334,873

City of Farmington, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,910,179	\$ 290,818	\$ 3,212	\$ 16,502
District court	555,825	339,494	-	-
Public safety	4,777,600	518,868	14,846	-
Public works	3,119,779	960,276	1,618,965	1,391,311
Health and welfare	6,507	-	-	-
Community and economic development	254,954	48,697	-	-
Recreation and culture	953,803	146,552	140,769	66,844
Interest on long-term debt	412,830	-	-	-
Total governmental activities	11,991,477	2,304,705	1,777,792	1,474,657
Business-type activities:				
Water and Sewer	5,463,985	5,512,153	-	-
Farmington Community Theater	509,947	328,563	100	-
Total business-type activities	5,973,932	5,840,716	100	-
Total primary government	\$ 17,965,409	\$ 8,145,421	\$ 1,777,892	\$ 1,474,657
Component units:				
Downtown Development Authority	\$ 913,689	\$ 192,707	\$ 200,310	\$ 70,444
Brownfield Redevelopment Authority	21,838	-	345	-
Total component units	\$ 935,527	\$ 192,707	\$ 200,655	\$ 70,444
General revenue:				
Property taxes				
Unrestricted state-shared revenue:				
State-shared revenue				
Local community stabilization authority				
Investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,599,647)	\$ -	\$ (1,599,647)	\$ -
(216,331)	-	(216,331)	-
(4,243,886)	-	(4,243,886)	-
850,773	-	850,773	-
(6,507)	-	(6,507)	-
(206,257)	-	(206,257)	-
(599,638)	-	(599,638)	-
(412,830)	-	(412,830)	-
(6,434,323)	-	(6,434,323)	-
-	48,168	48,168	-
-	(181,284)	(181,284)	-
-	(133,116)	(133,116)	-
(6,434,323)	(133,116)	(6,567,439)	-
-	-	-	(450,228)
-	-	-	(21,493)
-	-	-	(471,721)
7,365,716	-	7,365,716	595,092
1,377,423	-	1,377,423	7,664
47,563	-	47,563	-
411,640	75,818	487,458	37,416
162,427	-	162,427	-
-	14,838	14,838	-
213,158	-	213,158	-
9,577,927	90,656	9,668,583	640,172
(7,500)	7,500	-	-
3,136,104	(34,960)	3,101,144	168,451
14,508,415	15,109,649	29,618,064	1,166,422
\$ 17,644,519	\$ 15,074,689	\$ 32,719,208	\$ 1,334,873

City of Farmington, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2023

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,978,775	\$ 1,232,345	\$ 1,836,217	\$ 7,047,337
Receivables	338,413	9,877	273,641	621,931
Due from component units	4,500	-	-	4,500
Due from other funds	103,091	-	19,090	122,181
Advances to other funds	154,000	-	-	154,000
Inventory	54,863	-	-	54,863
Prepaid expenses and other assets	119,854	-	2,084	121,938
Restricted assets	-	636,891	-	636,891
Land held for resale	1,166,028	-	-	1,166,028
Total assets	\$ 5,919,524	\$ 1,879,113	\$ 2,131,032	\$ 9,929,669
Liabilities				
Accounts payable	\$ 339,311	\$ 106,469	\$ 51,750	\$ 497,530
Due to other funds	86,142	-	83,090	169,232
Refundable deposits	168,143	-	-	168,143
Accrued liabilities and other	366,283	2,611	14,769	383,663
Unearned revenue	1,007,403	-	-	1,007,403
Total liabilities	1,967,282	109,080	149,609	2,225,971
Deferred Inflows of Resources - Unavailable revenue	-	-	50,442	50,442
Fund Balances				
Nonspendable - Inventory, prepaid expenses, land held for resale, and advances to other funds	1,494,745	-	2,084	1,496,829
Restricted:				
Roads	-	-	1,236,406	1,236,406
Grants and donations	3,784	-	-	3,784
Capital projects	-	674,416	-	674,416
Opioid settlement	-	-	14,400	14,400
Drug forfeiture	86,759	-	-	86,759
Committed - Capital projects	-	1,095,617	-	1,095,617
Assigned:				
Other	19,500	-	-	19,500
Debt service	-	-	79,524	79,524
Cemetery	46,259	-	-	46,259
Capital projects	111,500	-	598,567	710,067
Unassigned	2,189,695	-	-	2,189,695
Total fund balances	3,952,242	1,770,033	1,930,981	7,653,256
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,919,524	\$ 1,879,113	\$ 2,131,032	\$ 9,929,669

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 7,653,256
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds (excluding the internal service fund DPW Equipment Revolving Fund)	26,266,361
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	50,442
Bonds payable including deferred expense and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,021,424)
Accrued interest is not due and payable in the current period and is not reported in the funds	(38,086)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities, net of deferred inflow and outflows of resources (excluding internal service funds):	
Pension benefits	(6,723,776)
Retiree health care benefits	450,202
Internal service funds are included as part of governmental activities	<u>2,007,544</u>
Net Position of Governmental Activities	<u><u>\$ 17,644,519</u></u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 5,995,325	\$ 782,213	\$ 588,178	\$ 7,365,716
Intergovernmental:				
Federal grants	228,150	-	-	228,150
State-shared revenue and grants	1,569,222	6,170	1,427,184	3,002,576
Local grants and contributions	-	332,246	-	332,246
Charges for services	2,162,164	-	-	2,162,164
Fines and forfeitures	380,509	-	-	380,509
Licenses and permits	277,931	-	-	277,931
Investment income	260,971	52,202	98,467	411,640
Other miscellaneous income	339,835	104,396	118,108	562,339
Total revenue	11,214,107	1,277,227	2,231,937	14,723,271
Expenditures				
Current services:				
General government	2,209,159	50,891	-	2,260,050
District court	555,825	-	-	555,825
Public safety	4,576,312	-	-	4,576,312
Public works	1,527,166	2,672,728	1,889,222	6,089,116
Health and welfare	6,507	-	-	6,507
Community and economic development	254,954	-	-	254,954
Recreation and culture	1,431,045	65,256	-	1,496,301
Debt service:				
Principal	-	315,000	774,787	1,089,787
Interest on long-term debt	-	92,539	255,654	348,193
Total expenditures	10,560,968	3,196,414	2,919,663	16,677,045
Excess of Revenue Over (Under) Expenditures	653,139	(1,919,187)	(687,726)	(1,953,774)
Other Financing Sources (Uses)				
Transfers in	61,677	-	1,849,998	1,911,675
Transfers out	(796,621)	-	(1,122,554)	(1,919,175)
Total other financing (uses) sources	(734,944)	-	727,444	(7,500)
Net Change in Fund Balances	(81,805)	(1,919,187)	39,718	(1,961,274)
Fund Balances - Beginning of year	4,034,047	3,689,220	1,891,263	9,614,530
Fund Balances - End of year	\$ 3,952,242	\$ 1,770,033	\$ 1,930,981	\$ 7,653,256

Governmental Funds

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ (1,961,274)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (excluding the internal service fund DPW Equipment Revolving Fund):	
Capital outlay and capital contributions	5,861,685
Depreciation expense	(1,387,235)
Net book value of assets disposed of	(85,047)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(77,225)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt) and deferred expense on bond issuance is capitalized and amortized on the statement of activities but not in the governmental funds	1,025,334
Interest expense is recognized in the government-wide statements as it accrues	(185)
Some employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (excluding internal service funds)	(344,865)
Internal service funds are included as part of governmental activities	<u>104,916</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,136,104</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2023

	Enterprise Funds			Governmental
	Nonmajor Enterprise - Farmington		Total	Proprietary Internal Service Funds
	Water and Sewer	Community Theater		
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,008,917	\$ 94,724	\$ 1,103,641	\$ 1,130,994
Receivables	1,719,510	8,337	1,727,847	-
Due from other funds	20	9,129	9,149	79,697
Inventory	54,027	10,544	64,571	-
Prepaid expenses and other assets	-	951	951	110,547
Total current assets	2,782,474	123,685	2,906,159	1,321,238
Noncurrent assets:				
Net OPEB asset (Note 10)	13,880	-	13,880	-
Capital assets:				
Assets not subject to depreciation	1,425,567	92,885	1,518,452	-
Assets subject to depreciation - Net	16,324,488	510,711	16,835,199	1,227,002
Total noncurrent assets	17,763,935	603,596	18,367,531	1,227,002
Total assets	20,546,409	727,281	21,273,690	2,548,240
Deferred Outflows of Resources				
Deferred charges on bond refunding	72,801	-	72,801	-
Deferred pension costs	331,068	-	331,068	60,816
Deferred OPEB costs	8,892	-	8,892	-
Total deferred outflows of resources	412,761	-	412,761	60,816
Liabilities				
Current liabilities:				
Accounts payable	479,646	12,226	491,872	3,257
Due to other governmental units	-	775	775	-
Due to other funds	23,576	17,236	40,812	983
Refundable deposits	-	128	128	-
Accrued liabilities and other	40,409	6,798	47,207	75,883
Unearned revenue	-	4,294	4,294	12,500
Compensated absences	30,999	-	30,999	167,717
Current portion of long-term debt	399,000	-	399,000	-
Total current liabilities	973,630	41,457	1,015,087	260,340
Noncurrent liabilities:				
Advances from other funds	-	154,000	154,000	-
Compensated absences	2,098	-	2,098	125,195
Net pension liability	1,171,710	-	1,171,710	215,235
Long-term debt	4,249,188	-	4,249,188	-
Total noncurrent liabilities	5,422,996	154,000	5,576,996	340,430
Total liabilities	6,396,626	195,457	6,592,083	600,770
Deferred Inflows of Resources				
Deferred pension cost reductions	4,037	-	4,037	742
Deferred OPEB cost reductions	15,642	-	15,642	-
Total deferred inflows of resources	19,679	-	19,679	742
Net Position				
Net investment in capital assets	13,530,418	603,596	14,134,014	1,227,002
Unrestricted	1,012,447	(71,772)	940,675	780,542
Total net position	\$ 14,542,865	\$ 531,824	\$ 15,074,689	\$ 2,007,544

City of Farmington, Michigan

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

Year Ended June 30, 2023

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,397,242	\$ -	\$ 2,397,242	\$ -
Sewage disposal charges	2,984,728	-	2,984,728	-
Fees	-	322,118	322,118	-
Other income	130,183	6,445	136,628	9,061
Service charges	-	-	-	774,967
Total operating revenue	5,512,153	328,563	5,840,716	784,028
Operating Expenses				
Source of supply	2,755,162	-	2,755,162	-
Administration and general	1,000,896	456,891	1,457,787	-
Transmission, distribution, and maintenance	951,384	-	951,384	-
Insurance costs	-	-	-	224,837
Accrued benefit expense	-	-	-	53,164
Fleet maintenance	-	-	-	367,399
Depreciation	638,598	51,516	690,114	95,102
Total operating expenses	5,346,040	508,407	5,854,447	740,502
Operating Income (Loss)	166,113	(179,844)	(13,731)	43,526
Nonoperating Revenue (Expense)				
Investment income	67,103	8,715	75,818	60,569
Interest expense	(117,945)	(1,540)	(119,485)	-
Gain on sale of assets	14,838	-	14,838	821
Nonoperating grants	-	100	100	-
Total nonoperating (expense) revenue	(36,004)	7,275	(28,729)	61,390
Transfers In	-	7,500	7,500	-
Change in Net Position	130,109	(165,069)	(34,960)	104,916
Net Position - Beginning of year	14,412,756	696,893	15,109,649	1,902,628
Net Position - End of year	\$ 14,542,865	\$ 531,824	\$ 15,074,689	\$ 2,007,544

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2023

	Enterprise Funds			Governmental
	Nonmajor Enterprise - Farmington		Total	Proprietary Internal Service Funds
	Water and Sewer	Community Theater		
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,477,270	\$ 330,256	\$ 5,807,526	\$ 735,944
Payments to suppliers	(4,026,434)	(330,399)	(4,356,833)	(445,026)
Payments to employees	(586,592)	(140,610)	(727,202)	(111,961)
Internal activity - Payments from other funds	(203,281)	(6,444)	(209,725)	-
Other receipts	-	1,017	1,017	-
Net cash and cash equivalents provided by (used in) operating activities	660,963	(146,180)	514,783	178,957
Cash Flows from Noncapital Financing Activities				
Operating grants	-	100	100	-
Principal and interest paid on operating debt	(37,268)	-	(37,268)	-
Net cash and cash equivalents (used in) provided by noncapital financing activities	(37,268)	100	(37,168)	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	14,838	-	14,838	821
Purchase of capital assets	(577,134)	(7,500)	(584,634)	(326,213)
Principal and interest paid on capital debt	(364,348)	(1,540)	(365,888)	-
Payment to escrow agent	-	7,500	7,500	-
Net cash and cash equivalents used in capital and related financing activities	(926,644)	(1,540)	(928,184)	(325,392)
Cash Flows Provided by Investing Activities - Interest received on investments	67,103	8,715	75,818	60,569
Net Decrease in Cash and Cash Equivalents	(235,846)	(138,905)	(374,751)	(85,866)
Cash and Cash Equivalents - Beginning of year	1,244,763	233,629	1,478,392	1,216,860
Cash and Cash Equivalents - End of year	<u>\$ 1,008,917</u>	<u>\$ 94,724</u>	<u>\$ 1,103,641</u>	<u>\$ 1,130,994</u>
Classification of Cash and Cash Equivalents	<u>\$ 1,008,917</u>	<u>\$ 94,724</u>	<u>\$ 1,103,641</u>	<u>\$ 1,130,994</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities				
Operating income (loss)	\$ 166,113	\$ (179,844)	\$ (13,731)	\$ 43,526
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:				
Depreciation	638,598	51,516	690,114	95,102
Changes in assets and liabilities:				
Receivables	(34,883)	2,710	(32,173)	13,438
Due to and from other funds	(203,281)	(6,444)	(209,725)	(61,522)
Inventories	9,481	(4,120)	5,361	-
Prepaid and other assets	1,997	(451)	1,546	(915)
Net OPEB asset	(29,852)	-	(29,852)	-
Accounts payable	(55,687)	(11,123)	(66,810)	5,684
Net pension liability	455,780	-	455,780	98,838
Deferrals related to pension or OPEB	(292,276)	-	(292,276)	(57,450)
Accrued and other liabilities	4,973	1,576	6,549	42,256
Total adjustments	494,850	33,664	528,514	135,431
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 660,963</u>	<u>\$ (146,180)</u>	<u>\$ 514,783</u>	<u>\$ 178,957</u>

The Evergreen-Farmington Sanitary Drain Drainage District issued debt on behalf of the City's Water and Sewer Fund in the amount of \$102,438, which was used to invest in the drainage district.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2023

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Assets				
Cash and cash equivalents	\$ 261,919	\$ 15,763	\$ 687,021	\$ 964,703
Investments:				
Mutual funds - Equity	1,710,446	-	-	1,710,446
Common stock	4,567,450	-	-	4,567,450
Mutual funds - Fixed income	1,709,272	-	-	1,709,272
Corporate bonds	68,592	-	-	68,592
Real estate	720,261	-	-	720,261
Government securities	137,712	-	-	137,712
Total assets	9,175,652	15,763	687,021	9,878,436
Liabilities - Accrued liabilities and other	-	15,763	-	15,763
Net Position				
Restricted:				
Postemployment benefits other than pension	9,175,652	-	-	9,175,652
Organizations and other governments	-	-	687,021	687,021
Total net position	<u>\$ 9,175,652</u>	<u>\$ -</u>	<u>\$ 687,021</u>	<u>\$ 9,862,673</u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Additions				
Investment income (loss):				
Interest and dividends	\$ 205,128	\$ -	\$ -	\$ 205,128
Net realized and unrealized gain on investments	707,608	-	-	707,608
Less investment expense	(41,901)	-	-	(41,901)
Net investment income	870,835	-	-	870,835
Property tax collections	-	-	12,376,317	12,376,317
Other additions	-	-	56,263	56,263
District court collections	-	-	3,283,451	3,283,451
Total additions - Net	870,835	-	15,716,031	16,586,866
Deductions				
Insurance costs	355,453	-	-	355,453
Administrative expenses	25,430	-	-	25,430
Tax distributions to other governments	-	-	12,376,317	12,376,317
Other deductions	-	-	75,487	75,487
District court disbursements	-	-	3,287,225	3,287,225
Total deductions	380,883	-	15,739,029	16,119,912
Net Increase (Decrease) in Fiduciary Net Position	489,952	-	(22,998)	466,954
Net Position - Beginning of year	8,685,700	-	710,019	9,395,719
Net Position - End of year	\$ 9,175,652	\$ -	\$ 687,021	\$ 9,862,673

City of Farmington, Michigan

**Component Units
Statement of Net Position**

June 30, 2023

	Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets				
Cash and cash equivalents	\$ 628,402	\$ 22,414	\$ 156,258	\$ 807,074
Receivables	63,831	-	3,306	67,137
Prepaid expenses and other assets	1,300	-	-	1,300
Capital assets:				
Assets not subject to depreciation	530,524	-	-	530,524
Assets subject to depreciation - Net	182,840	-	-	182,840
Total assets	1,406,897	22,414	159,564	1,588,875
Liabilities				
Accounts payable	79,324	9,650	-	88,974
Due to other governmental units	-	4,945	-	4,945
Due to primary government	4,500	-	-	4,500
Accrued liabilities and other	54,809	-	3,306	58,115
Unearned revenue	97,452	-	-	97,452
Noncurrent liabilities - Due in more than one year - Compensated absences	16	-	-	16
Total liabilities	236,101	14,595	3,306	254,002
Net Position				
Net investment in capital assets	713,364	-	-	713,364
Unrestricted	457,432	7,819	156,258	621,509
Total net position	<u>\$ 1,170,796</u>	<u>\$ 7,819</u>	<u>\$ 156,258</u>	<u>\$ 1,334,873</u>

City of Farmington, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 913,689	\$ 192,707	\$ 200,310	\$ 70,444
Brownfield Redevelopment Authority	21,838	-	345	-
Corridor Improvement Authority	-	-	-	-
Total component units	\$ 935,527	\$ 192,707	\$ 200,655	\$ 70,444

General revenue:

Property taxes

Unrestricted state-shared revenue

Investment income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position			
Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ (450,228)	\$ -	\$ -	\$ (450,228)
-	(21,493)	-	(21,493)
-	-	-	-
(450,228)	(21,493)	-	(471,721)
509,397	26,979	58,716	595,092
7,664	-	-	7,664
30,349	978	6,089	37,416
547,410	27,957	64,805	640,172
97,182	6,464	64,805	168,451
1,073,614	1,355	91,453	1,166,422
\$ 1,170,796	\$ 7,819	\$ 156,258	\$ 1,334,873

Note 1 - Significant Accounting Policies

Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

Jointly Governed Organization

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington Hills, Michigan. The City provides 16.95 percent of the funding for the Michigan 47th District Court Administration Fund.

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

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "RRRASOC"). The RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Milford, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan and the charter townships of South Lyon and Milford. The RRRASOC receives its operating revenue from member contributions and miscellaneous income. The City contributed \$14,370 for the year ended June 30, 2023. Financial information for the RRRASOC can be obtained from the RRRASOC's administrative offices at 20000 West Eight Mile Road, Southfield, MI 48075.

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

Note 1 - Significant Accounting Policies (Continued)

Accounting and Reporting Principles

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

Report Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds

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

- General Fund - The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- Capital Improvement Millage Fund - The Capital Improvement Millage Fund is a capital project fund that accounts for the capital project activity that is funded by the voter-approved capital improvement millage.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a major enterprise fund:

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

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

Fiduciary Funds

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

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

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Note 1 - Significant Accounting Policies (Continued)

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

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

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

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

Receivables and Payables

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

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

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Land Held for Resale

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

In August 2021, the City entered into a purchase agreement to sell the land held for resale to a developer for \$1,250,000. At June 30, 2023, the developer continues to perform its due diligence.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets in the governmental activities consist of unspent bond proceeds associated with the 2020 Capital Improvement Bond.

Capital Assets

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

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

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

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund, Water and Sewer Fund, and debt service funds are generally used to liquidate governmental long-term debt.

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pension and other postemployment benefits and deferred charges on bond refunding.

Note 1 - Significant Accounting Policies (Continued)

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

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

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Tax Revenue

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

The City's 2022 property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the City totaled \$411 million (a portion of which is abated and a portion of which is captured by the Authority, the BRA, and the CIA), on which taxes levied consisted of 13.9000 mills for general operating purposes, 0.1000 mills for capital improvements, 1.4040 mills for street improvements and maintenance, 2.8302 mills for operations and capital, and 1.7716 mills for operating the Authority. This resulted in approximately \$5,433,000 for general operating, \$39,000 for capital improvements, \$549,000 for street improvements and maintenance, \$1,106,000 for operations and capital, and \$47,000 for operating the Authority. These amounts are recognized in the respective General Fund, Capital Improvement Fund, Municipal Street Fund, Capital Improvement Millage Fund, and the Downtown Development Authority.

Note 1 - Significant Accounting Policies (Continued)

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund, DPW Equipment Revolving Fund, and Water and Sewer Fund.

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Compensated Time Off)

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City Charter requires the city manager to submit a budget for the next fiscal year to the City Council on or before April 20 and the City Council to adopt, by resolution, a budget for the next fiscal year on or after May 1 and no later than June 20. The City Council may pass amendments to the budget during the fiscal year by resolution.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2023 has not been calculated.

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have significant expenditure budget variances.

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

Construction Code Fees

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

Cumulative shortfall at July 1, 2022		\$ (1,181,543)
Current year permit revenue		241,670
Related expenses:		
Direct costs	\$ 303,989	
Estimated indirect costs	30,399	334,388
		<u> </u>
Current year shortfall		<u>(92,718)</u>
Cumulative shortfall at June 30, 2023		<u>\$ (1,274,261)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is also authorized by Michigan Public Act 347 of 2012, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of \$784,685 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$357,642 of a fiduciary trust fund. The City's component units had no bank deposits that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As noted above, the City participates in the Oakland County Local Government Investment Pool, the Michigan CLASS investment pool, and Comerica J Fund. As of June 30, 2023, the City's investment in the Oakland County investment pool, Michigan CLASS investment pool, and Comerica J Fund was \$962,261, \$5,913,097, and \$3,637,436, respectively.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Years)
Primary Government		
Michigan CLASS investment pool	\$ 5,913,097	0.19
Oakland County Local Government Investment Pool	962,261	1.18
Comerica J Fund	3,637,436	0.33
Total	\$ 10,512,794	
Investment	Carrying Value	Weighted- average Maturity (Years)
Fiduciary Funds		
Mutual funds - Fixed income	\$ 1,709,272	3.75
Corporate bonds	68,592	7.99
Government securities	137,712	26.25
Total	\$ 1,915,576	

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Michigan CLASS investment pool	\$ 5,913,097	AAAm	S&P
Oakland County Local Government Investment Pool	962,261	Not rated	N/A
Comerica J Fund	<u>3,637,436</u>	Not rated	N/A
Total	<u>\$ 10,512,794</u>		

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds - Fixed income	\$ 1,709,272	Not rated	Not rated
Corporate bonds	68,592	A2-BAA2	Moody's
Government securities	<u>137,712</u>	Not rated - AAA	Moody's
Total	<u>\$ 1,915,576</u>		

Fair Value Measurements

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

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

June 30, 2023

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2023:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2023			Balance at June 30, 2023
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Debt securities:				
Mutual funds - Fixed income	\$ 1,709,272	\$ -	\$ -	\$ 1,709,272
Corporate bonds	-	68,592	-	68,592
Government securities	36,977	100,735	-	137,712
Equity securities:				
Mutual funds - Equity	1,710,446	-	-	1,710,446
Stocks	4,567,450	-	-	4,567,450
Total equity securities	6,277,896	-	-	6,277,896
Total	\$ 8,024,145	\$ 169,327	\$ -	8,193,472
Investments measured at NAV:				
Michigan CLASS investment pool				5,913,097
Oakland County Local Government Investment Pool				962,261
Comerica J Fund				3,637,436
Real estate funds				720,261
Total investments measured at NAV				11,233,055
Total assets				\$ 19,426,527

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

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

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

Investments in Entities That Calculate Net Asset Value per Share

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

June 30, 2023

Note 3 - Deposits and Investments (Continued)

At June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	\$ 5,913,097	\$ -	No restrictions	None
Oakland County Local Government Investment Pool	962,261	-	No restrictions	None
Comerica J Fund	3,637,436	-	No restrictions	None
Real estate funds	720,261	-	Monthly	One month

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

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

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

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

Note 4 - Receivables

Receivables as of June 30, 2023 for the City's individual major governmental funds and the nonmajor governmental funds are as follows:

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Proprietary Internal Service Funds	Total Governmental Activities
Receivables:					
Taxes	\$ 1,322	\$ 2,423	\$ 2,275	\$ -	\$ 6,020
Other receivables	-	-	52,116	-	52,116
Due from other governmental units	295,122	7,454	219,250	-	521,826
Interest and other	41,969	-	-	-	41,969
Net receivables	\$ 338,413	\$ 9,877	\$ 273,641	\$ -	\$ 621,931

Note 4 - Receivables (Continued)

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

	Water and Sewer Fund	Nonmajor Enterprise Fund - Farmington Community Theater Fund	Total Business- type Activities
Delinquent water and sewer bills	\$ 183,771	\$ -	\$ 183,771
Customer receivables	1,510,437	-	1,510,437
Intergovernmental	15,291	-	15,291
Interest and other	10,011	8,337	18,348
Total receivables	<u>\$ 1,719,510</u>	<u>\$ 8,337</u>	<u>\$ 1,727,847</u>
			Component Units
Other			\$ 36,368
Property taxes receivable			<u>30,769</u>
Total			<u>\$ 67,137</u>

June 30, 2023

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,939,382	\$ -	\$ 161,170	\$ -	\$ 2,100,552
Construction in progress	2,348,342	(1,099,293)	4,907,919	-	6,156,968
Subtotal	4,287,724	(1,099,293)	5,069,089	-	8,257,520
Capital assets being depreciated:					
County roads	391,690	-	-	-	391,690
Flowage rights	946,170	-	-	-	946,170
Infrastructure	29,629,525	996,085	129,939	(7,240)	30,748,309
Buildings and improvements	4,000,471	102,536	471,229	(4,600)	4,569,636
Equipment and other	1,634,782	672	422,657	(240,880)	1,817,231
Vehicles	2,794,788	-	94,984	(69,914)	2,819,858
Court building	1,687,748	-	-	-	1,687,748
Subtotal	41,085,174	1,099,293	1,118,809	(322,634)	42,980,642
Accumulated depreciation:					
County roads	248,069	-	13,056	-	261,125
Flowage rights	946,171	-	-	-	946,171
Infrastructure	15,687,342	-	1,033,130	-	16,720,472
Buildings and improvements	2,645,468	-	72,619	(4,600)	2,713,487
Equipment and other	916,625	-	208,459	(176,500)	948,584
Vehicles	1,415,028	-	121,318	(56,487)	1,479,859
Court building	641,346	-	33,755	-	675,101
Subtotal	22,500,049	-	1,482,337	(237,587)	23,744,799
Net capital assets being depreciated	18,585,125	1,099,293	(363,528)	(85,047)	19,235,843
Net governmental activities capital assets	\$ 22,872,849	\$ -	\$ 4,705,561	\$ (85,047)	\$ 27,493,363

June 30, 2023

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 174,009	\$ -	\$ -	\$ -	\$ 174,009
Construction in progress	1,321,781	(94,256)	116,918	-	1,344,443
Subtotal	1,495,790	(94,256)	116,918	-	1,518,452
Capital assets being depreciated:					
Water and sewer mains	32,487,990	94,007	248,012	-	32,830,009
Water storage tank	224,377	-	-	-	224,377
Water meters	666,841	-	4,866	-	671,707
Building	2,040,603	-	188,138	-	2,228,741
Truck and tractors	124,517	-	-	(57,473)	67,044
Office equipment	672,887	249	26,700	(18,048)	681,788
Subtotal	36,217,215	94,256	467,716	(75,521)	36,703,666
Accumulated depreciation:					
Water and sewer mains	16,883,733	-	568,491	-	17,452,224
Water storage tank	99,279	-	11,372	-	110,651
Water meters	181,353	-	33,342	-	214,695
Building	1,401,995	-	43,419	-	1,445,414
Truck and tractors	124,516	-	-	(57,473)	67,043
Office equipment	562,998	-	33,490	(18,048)	578,440
Subtotal	19,253,874	-	690,114	(75,521)	19,868,467
Net capital assets being depreciated	16,963,341	94,256	(222,398)	-	16,835,199
Net business-type activities capital assets	<u>\$ 18,459,131</u>	<u>\$ -</u>	<u>\$ (105,480)</u>	<u>\$ -</u>	<u>\$ 18,353,651</u>

June 30, 2023

Note 5 - Capital Assets (Continued)

Component Units

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 460,580	\$ -	\$ -	\$ -	\$ 460,580
Construction in progress	-	-	69,944	-	69,944
Subtotal	460,580	-	69,944	-	530,524
Capital assets being depreciated:					
Green areas	361,049	-	-	(28,079)	332,970
Office equipment	27,772	-	-	-	27,772
Land improvements	321,339	-	-	-	321,339
Subtotal	710,160	-	-	(28,079)	682,081
Accumulated depreciation:					
Green areas	301,001	-	34,181	(18,719)	316,463
Office equipment	20,909	-	1,144	-	22,053
Land improvements	147,445	-	13,280	-	160,725
Subtotal	469,355	-	48,605	(18,719)	499,241
Net capital assets being depreciated	240,805	-	(48,605)	(9,360)	182,840
Net component units capital assets	<u>\$ 701,385</u>	<u>\$ -</u>	<u>\$ 21,339</u>	<u>\$ (9,360)</u>	<u>\$ 713,364</u>

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

Governmental activities:	
General government	\$ 103,077
Public safety	190,060
Public works	989,886
Recreation and culture	104,212
Internal service fund (depreciation is charged to the various functions based on their usage of the asset)	95,102
Total governmental activities	<u>\$ 1,482,337</u>
Business-type activities:	
Water and sewer	\$ 638,598
Theater	51,516
Total business-type activities	<u>\$ 690,114</u>
Component unit activities - Downtown Development Authority	\$ 48,605

Note 5 - Capital Assets (Continued)

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities - Farmington Road Streetscape	\$ 3,206,567	\$ 155,977

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 69,020
	Water and Sewer Fund	16,835
	Nonmajor enterprise fund	<u>17,236</u>
	Total General Fund	103,091
Nonmajor governmental funds	General Fund	19,090
Internal service fund - DPW Equipment Revolving Fund	General Fund	8,799
	Nonmajor governmental fund	6,570
	Water and Sewer Fund	<u>6,680</u>
	Total internal service fund - DPW Equipment Revolving Fund	22,049
Water and Sewer Fund	General Fund	20
Nonmajor enterprise fund	General Fund	585
	Nonmajor governmental fund	7,500
	Water and Sewer Fund	61
	Internal service fund - DPW Equipment Revolving Fund	<u>983</u>
	Total nonmajor enterprise fund	9,129
Internal service fund - Employee Accrued Benefits Fund	General Fund	<u>57,648</u>
	Total	<u>\$ 211,027</u>

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

<u>Fund Borrowed From</u>	<u>Fund Loaned To</u>	<u>Amount</u>
General Fund	Nonmajor enterprise fund	\$ 154,000

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

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Downtown Development Authority	\$ 4,500

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

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Nonmajor governmental funds	Nonmajor governmental funds (1)	\$ 1,053,377
	General Fund (2)	61,677
	Nonmajor enterprise fund (3)	<u>7,500</u>
	Total nonmajor governmental funds	1,122,554
General Fund	Nonmajor governmental funds (4)	<u>796,621</u>
	Total	<u>\$ 1,919,175</u>

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

(2) Transfers from the nonmajor governmental funds (Capital Improvement Fund) to the General Fund were made to fund capital outlay.

(3) Transfers from nonmajor governmental funds (Capital Improvement Fund) to the nonmajor enterprise fund (Theater Fund) were made to fund capital outlay

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

Note 7 - Long-term Debt

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

Note 7 - Long-term Debt (Continued)

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowing - 2020 Installment Purchase Agreement:							
Amount of issue - \$690,000		\$74,346-					
Maturing through 2029	2.85%	\$85,562	\$ 551,381	\$ -	\$ (72,286)	\$ 479,095	\$ 74,346
Other debt:							
Limited Tax General Obligation Bond - 2013 OPEB Bond:							
Amount of issue - \$7,514,500							
Matured during 2023			413,250	-	(413,250)	-	-
2019 Limited Tax General Obligation Refunding Bonds:							
Amount of issue - \$8,466,250	1.79%-	\$631,000-					
Maturing through 2033	2.82%	\$912,250	7,853,500	-	(189,250)	7,664,250	631,000
2020 Capital Improvement Bond:							
Amount of issue - \$2,000,000		\$120,000-					
Maturing through 2035	2.00%	\$175,000	1,900,000	-	(155,000)	1,745,000	160,000
2022 Capital Improvement Bonds Millage:							
Amount of issue - \$3,000,000	2.30%-	\$70,000-					
Maturing through 2037	3.30%	\$305,000	3,000,000	-	(260,000)	2,740,000	260,000
Total other debt principal outstanding			13,166,750	-	(1,017,500)	12,149,250	1,051,000
Total bonds and contracts payable			13,718,131	-	(1,089,786)	12,628,345	1,125,346
Compensated absences			263,420	209,489	(179,997)	292,912	167,717
Total governmental activities long-term debt			\$ 13,981,551	\$ 209,489	\$ (1,269,783)	\$ 12,921,257	\$ 1,293,063

June 30, 2023

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other debt:							
2023 Evergreen- Farmington Sewage Disposal Bond Amount of Issue: \$102,438							
Maturing through 2034	1.875%		\$ -	\$ 102,438	\$ -	\$ 102,438	\$ -
2003 Capital Improvement Sewer Bonds: Amount of issue - \$900,000							
Matured during 2023			60,000	-	(60,000)	-	-
2013 OPEB Bond: Amount of issue - \$395,500							
Matured during 2023			21,750	-	(21,750)	-	-
2015 Capital Improvement Bond: Amount of issue - \$1,500,000	3.00%-	\$70,000-					
Maturing through 2035	3.50%	\$100,000	1,075,000	-	(70,000)	1,005,000	70,000
2019 Limited Tax General Obligation Refunding Bonds: Amount of issue - \$2,053,750	1.79%-	\$42,750-					
Maturing through 2033	2.82%	\$237,750	1,991,500	-	(120,750)	1,870,750	204,000
2020 Capital Improvement Bond: Amount of issue - \$2,000,000		\$125,000-					
Maturing through 2035	2.00%	\$160,000	1,790,000	-	(120,000)	1,670,000	125,000
Total other debt principal outstanding			4,938,250	102,438	(392,500)	4,648,188	399,000
Compensated absences			28,418	31,509	(26,830)	33,097	30,999
Total business-type activities long- term debt			<u>\$ 4,966,668</u>	<u>\$ 133,947</u>	<u>\$ (419,330)</u>	<u>\$ 4,681,285</u>	<u>\$ 429,999</u>

Total interest expense for the year was approximately \$467,000.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities					Business-type Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Other Debt		
	Principal	Interest	Principal	Interest		Principal	Interest	Total
2024	\$ 74,346	\$ 13,654	\$ 1,051,000	\$ 309,207	\$ 1,448,207	\$ 399,000	\$ 112,069	\$ 511,069
2025	76,465	11,535	1,089,500	285,532	1,463,032	410,500	103,251	513,751
2026	78,644	9,356	1,128,250	259,989	1,476,239	421,750	93,942	515,692
2027	80,886	7,115	1,167,000	232,705	1,487,706	444,235	84,167	528,402
2028	83,191	4,809	1,210,500	203,739	1,502,239	456,047	73,924	529,971
2029-2033	85,563	2,439	5,483,000	580,737	6,151,739	2,021,656	204,335	2,225,991
Thereafter	-	-	1,020,000	71,551	1,091,551	495,000	19,325	514,325
Total	<u>\$ 479,095</u>	<u>\$ 48,908</u>	<u>\$ 12,149,250</u>	<u>\$ 1,943,460</u>	<u>\$ 14,620,713</u>	<u>\$ 4,648,188</u>	<u>\$ 691,013</u>	<u>\$ 5,339,201</u>

Revenue Pledged in Connection with Debt

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the Authority's portion of the principal and interest on the 2019 Limited Tax General Obligation Refunding Bonds (formerly the 2009 Streetscape Capital Improvement Bond, which was refunded). The Authority has further agreed to reimburse the City for any costs of the project not financed from the proceeds of the bonds, including, if necessary, the cost of issuance, any publication costs, and other costs incurred by the City associated with the design and acquisition of the project, in an amount not to exceed \$935,000.

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the Authority's portion of the principal and interest on the 2019 Limited Tax General Obligation Refunding Bonds (formerly the 2013 Grove Street Capital Improvement Bond, which was refunded). The Authority has further agreed to reimburse the City for any costs of the project not financed from the proceeds of the bonds, including, if necessary, the costs of issuance, any publication costs, and other costs incurred by the City associated with the design and acquisition of the project, in an amount not to exceed \$1,400,000.

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the Authority's portion of the principal and interest on the 2022 Capital Improvement Bond, which was issued to fund the Farmington Streetscape improvements. The Authority has further agreed to reimburse the City for any costs of the project not financed from the proceeds of the bonds, including, if necessary, the costs of issuance, any publication costs, and other costs incurred by the City associated with the design and acquisition of the project, in an amount not to exceed \$1,500,000.

Note 8 - Risk Management

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

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

Note 8 - Risk Management (Continued)

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

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

	General Liability	
	2023	2022
Estimated liability - Beginning of year	\$ 66,000	\$ 13,000
Estimated claims incurred, including changes in estimates	47,699	93,252
Claim payments	(40,074)	(40,252)
Estimated liability - End of year	<u>\$ 73,625</u>	<u>\$ 66,000</u>

Note 9 - Agent Defined Benefit Pension Plan

Plan Description

The City of Farmington, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board.

The pension system issues a publicly available financial report, which includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

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

Nonunion

Retirement benefits for employees are calculated as 2.25 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 7 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 1.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Department Head

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 58, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 7 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Command

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement for employees hired prior to January 31, 2020 age is 60, with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. Normal retirement age for employees hired on or after January 31, 2020 is 60, with early unreduced retirement at 25 years of service and age 50 and reduced retirement at age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Public Safety

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age for employees hired prior to December 2, 2019 is 60, with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. Normal retirement age for employees hired on or after December 2, 2019 is 60, with early unreduced retirement at 25 years of service and age 50 and reduced retirement at age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 4.0 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Dispatch

Retirement benefits for employees are calculated as 2.25 percent of the employee’s final 5-year average salary times the employee’s years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 6 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. This plan is closed to new entrants.

Department of Public Works

Retirement benefits for employees are calculated as 2.25 percent of the employee’s final 5-year average salary times the employee’s years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. This plan is closed to new entrants. Employees contribute 1.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

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

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Public safety employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	57
Inactive plan members entitled to but not yet receiving benefits	20
Active plan members	38
	<hr/>
Total employees covered by the plan	115
	<hr/> <hr/>

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Contributions

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

For the year ended June 30, 2023, the active employee contribution rate was 4.5 percent of annual pay for command, 4.5 percent for department heads and public safety, 1.50 percent for nonunion, and 0 percent for dispatch. The City's contribution rates for the year ended June 30, 2023 were set in the December 31, 2020 actuarial valuation and modified through the fiscal year ended June 30, 2023 as benefits were changed. The contribution rates for the year ended June 30, 2023 as a percentage of annual payroll are as follows: nonunion - 29.56 percent; department heads - 63.47 percent; and public safety hired after November 18, 2019 - 11.14 percent. The City contributes \$13,455 per month for the department of public works, \$20,447 per month for the command, and \$28,837 per month for public safety.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2023 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2022 measurement date. The total pension liability was based on the December 31, 2022 actuarial valuation.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 31,107,475	\$ 24,480,579	\$ 6,626,896
Changes for the year:			
Service cost	414,007	-	414,007
Interest	2,203,712	-	2,203,712
Differences between expected and actual experience	(55,378)	-	(55,378)
Contributions - Employer	-	1,095,663	(1,095,663)
Contributions - Employee	-	112,166	(112,166)
Net investment loss	-	(2,688,078)	2,688,078
Benefit payments, including refunds	(1,836,900)	(1,836,900)	-
Administrative expenses	-	(44,448)	44,448
Net changes	725,441	(3,361,597)	4,087,038
Balance at December 31, 2022	<u>\$ 31,832,916</u>	<u>\$ 21,118,982</u>	<u>\$ 10,713,934</u>

The plan's fiduciary net position represents 66.3 percent of the total pension liability.

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

For the year ended June 30, 2023, the City recognized pension expense of \$2,374,217.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,559	\$ (36,919)
Changes in assumptions	369,952	-
Net difference between projected and actual earnings on pension plan investments	2,049,572	-
Employer contributions to the plan subsequent to the measurement date	563,154	-
Total	<u>\$ 3,027,237</u>	<u>\$ (36,919)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions of \$530,671 made subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2024	\$ 558,064
2025	353,593
2026	627,806
2027	887,701
Total	<u>\$ 2,427,164</u>

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.5 percent, salary increases (including inflation) of 3.0 percent (with merit increases totaling up to 6.7 percent, for a total of 3.0 percent - 9.7 percent), and an investment rate of return (net of investment expenses) of 7.25 percent.

Mortality rates were based on certain sex-distinct Pub-2010 mortality tables.

These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from 2014 through 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private assets	20.00	7.00

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 14,323,721	\$ 10,713,934	\$ 7,672,899

Pension Plan Fiduciary Net Position

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

Note 10 - Other Postemployment Benefit Plan

Farmington Retiree Health Care Plan

Plan Description

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

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

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

Note 10 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

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

MERS Health Care Savings Plan

Plan Description

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

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

Benefits Provided

Under the terms of the MERS HCSP, nonunion, department head, and public safety employees receive \$2,100 per year in contributions from the City, and department of public service employees receive \$90 per year. Employer contributions for the year were approximately \$62,000. Terms of the MERS HCSP may be amended by future labor contracts and by resolution.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Farmington Retiree Health Care Plan
Date of member count	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	35
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	14
Total plan members	52

Contributions

The City, by ordinance, is required to fund the Trust Fund in an amount sufficient to pay all projected coverage premiums for that fiscal year. The City may contribute additional amounts consistent with the actuarial valuations and calculations made by the actuary for the Trust Fund to result in a prefunded plan. During the year ended June 30, 2014, the City prefunded its employer contribution in the amount of \$8,037,596. For the year ended June 30, 2023, the Trust Fund paid postemployment health care premiums of \$355,453. There were no required employee contributions. Plan members are not required to contribute to the Plan.

Note 10 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability (Asset)

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability (asset). The June 30, 2023 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2023 measurement date. The June 30, 2023 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, which used update procedures to roll forward the estimated liability to June 30, 2023.

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

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2022	\$ 9,730,717	\$ 8,685,701	\$ 1,045,016
Changes for the year:			
Service cost	81,642	-	81,642
Interest	670,676	-	670,676
Differences between expected and actual experience	(2,011,047)	-	(2,011,047)
Changes in assumptions	193,628	-	193,628
Contributions - Employer	-	25,459	(25,459)
Net investment income	-	870,835	(870,835)
Benefit payments, including refunds	(380,912)	(380,912)	-
Administrative expenses	-	(25,430)	25,430
Net changes	(1,446,013)	489,952	(1,935,965)
Balance at June 30, 2023	\$ 8,284,704	\$ 9,175,653	\$ (890,949)

The Plan's fiduciary net position represents 110.75 percent of the total OPEB liability.

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

For the year ended June 30, 2023, the City recognized an OPEB recovery of \$700,707.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,005,009)
Changes in assumptions	95,782	-
Net difference between projected and actual earnings on OPEB plan investments	475,610	-
Total	\$ 571,392	\$ (1,005,009)

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2024	\$ (752,096)
2025	11,472
2026	362,241
2027	(55,234)
Total	<u>\$ (433,617)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, which used update procedures to roll forward the liability to June 30, 2023. The actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including 3.0 percent inflation) of 3.6 percent to 9.7 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a health care cost trend rate for pre-65 medical and drug costs of 7.50 percent for 2022, decreasing to 3.5 percent in year 16; a health care cost trend rate for post-65 medical and drug costs of 6.25 percent for 2023, decreasing to 3.5 percent in year 16; and a health care cost trend rate of 3.5 percent for dental. Mortality rates were based on the sex-distinct Pub-2010 tables and include a margin for future mortality improvements projected using a fully generational improvement scale.

Certain actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for MERS for the period from January 1, 2014 to December 31, 2018. These assumptions were first used in the June 30, 2020 actuarial valuation.

Discount Rate

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

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

Note 10 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2023 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	35.00 %	5.90 %
International equity	18.00	4.80
Emerging markets equity	5.00	6.00
Fixed income and preferred	20.00	1.40
Private real estate	7.50	5.00
Private credit	5.00	6.40
Real assets	5.00	3.70
Absolute return assets	2.50	2.80
Cash and equivalents	2.00	0.70

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 10.32 percent. The money-weighted rate of return expresses investment performance, net of investment, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

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

	1 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability (asset) of the Farmington Retiree Health Care Plan	\$ 215,852	\$ (890,949)	\$ (1,800,261)

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

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

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB (asset) liability of the Farmington Retiree Health Care Plan	\$ (1,903,080)	\$ (890,949)	\$ 348,603

June 30, 2023

Note 10 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

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

Assumption Changes

The health care cost trend rates were reset for pre-65 and post-65 medical and drug costs.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,979,919	\$ 5,995,173	\$ 5,995,325	\$ 152
Intergovernmental:				
Federal grants	100,595	99,002	31,712	(67,290)
State-shared revenue and grants	1,424,544	1,550,820	1,569,222	18,402
Charges for services	2,108,798	2,129,271	2,162,164	32,893
Fines and forfeitures	350,000	360,000	380,509	20,509
Licenses and permits	271,550	250,000	277,931	27,931
Investment income	75,000	201,884	228,549	26,665
Other miscellaneous income	248,575	356,076	339,835	(16,241)
Total revenue	10,558,981	10,942,226	10,985,247	43,021
Expenditures				
Current services:				
General government	2,189,212	2,260,889	2,209,159	51,730
District court	558,413	558,413	555,825	2,588
Public safety	4,725,844	4,729,419	4,576,312	153,107
Public works	1,325,438	1,363,969	1,330,727	33,242
Health and welfare	6,660	6,660	6,507	153
Community and economic development	252,884	279,862	254,954	24,908
Recreation and culture	946,453	1,481,821	1,431,045	50,776
Contingency	20,000	20,000	-	20,000
Total expenditures	10,024,904	10,701,033	10,364,529	336,504
Excess of Revenue Over Expenditures	534,077	241,193	620,718	379,525
Other Financing Sources (Uses)				
Transfers in - Capital Improvement Fund	199,500	239,175	61,677	(177,498)
Transfers out - Debt service	(796,921)	(796,921)	(796,621)	300
Total other financing uses	(597,421)	(557,746)	(734,944)	(177,198)
Net Change in Fund Balance	(63,344)	(316,553)	(114,226)	202,327
Fund Balance - Beginning of year	4,032,690	4,032,690	4,032,690	-
Fund Balance - End of year	\$ 3,969,346	\$ 3,716,137	\$ 3,918,464	\$ 202,327

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

	Last Nine Plan Years								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 414,007	\$ 369,531	\$ 396,874	\$ 409,084	\$ 388,664	\$ 384,427	\$ 367,638	\$ 384,742	\$ 345,578
Interest	2,203,712	2,161,463	2,040,140	2,025,834	1,986,607	1,936,899	1,935,559	1,804,775	1,755,332
Changes in benefit terms	-	(8,182)	(10,200)	(3,847)	-	-	-	-	-
Differences between expected and actual experience	(55,378)	133,677	(78,868)	44,792	(147,213)	16,098	(583,546)	786,640	-
Changes in assumptions	-	1,109,857	1,048,979	807,047	-	-	-	1,027,429	-
Benefit payments, including refunds	(1,836,900)	(1,828,830)	(1,744,960)	(1,766,610)	(1,729,164)	(1,707,291)	(1,715,276)	(1,637,965)	(1,404,412)
Net Change in Total Pension Liability	725,441	1,937,516	1,651,965	1,516,300	498,894	630,133	4,375	2,365,621	696,498
Total Pension Liability - Beginning of year	31,107,475	29,169,959	27,517,994	26,001,694	25,502,800	24,872,667	24,868,292	22,502,671	21,806,173
Total Pension Liability - End of year	\$ 31,832,916	\$ 31,107,475	\$ 29,169,959	\$ 27,517,994	\$ 26,001,694	\$ 25,502,800	\$ 24,872,667	\$ 24,868,292	\$ 22,502,671
Plan Fiduciary Net Position									
Contributions - Employer	\$ 1,095,663	\$ 968,159	\$ 798,148	\$ 722,843	\$ 670,288	\$ 594,340	\$ 486,144	\$ 586,076	\$ 411,173
Contributions - Member	112,166	105,478	84,216	65,738	60,195	59,397	55,978	56,538	54,100
Net investment (loss) income	(2,688,078)	2,964,713	2,795,874	2,522,346	(783,996)	2,501,487	2,050,005	(288,575)	1,222,462
Administrative expenses	(44,448)	(35,165)	(40,476)	(43,428)	(39,523)	(39,689)	(40,522)	(42,719)	(44,733)
Benefit payments, including refunds	(1,836,900)	(1,828,830)	(1,744,960)	(1,766,610)	(1,729,164)	(1,707,291)	(1,715,276)	(1,637,965)	(1,404,412)
Net Change in Plan Fiduciary Net Position	(3,361,597)	2,174,355	1,892,802	1,500,889	(1,822,200)	1,408,244	836,329	(1,326,645)	238,590
Plan Fiduciary Net Position - Beginning of year	24,480,579	22,306,224	20,413,422	18,912,533	20,734,733	19,326,489	18,490,160	19,816,805	19,578,215
Plan Fiduciary Net Position - End of year	\$ 21,118,982	\$ 24,480,579	\$ 22,306,224	\$ 20,413,422	\$ 18,912,533	\$ 20,734,733	\$ 19,326,489	\$ 18,490,160	\$ 19,816,805
City's Net Pension Liability - Ending	\$ 10,713,934	\$ 6,626,896	\$ 6,863,735	\$ 7,104,572	\$ 7,089,161	\$ 4,768,067	\$ 5,546,178	\$ 6,378,132	\$ 2,685,866
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.34 %	78.70 %	76.47 %	74.18 %	72.74 %	81.30 %	77.70 %	74.35 %	88.06 %
Covered Payroll	\$ 2,992,027	\$ 3,084,556	\$ 2,928,849	\$ 3,024,228	\$ 2,893,629	\$ 2,875,893	\$ 2,737,705	\$ 2,843,843	\$ 2,608,682
City's Net Pension Liability as a Percentage of Covered Payroll	358.08 %	214.84 %	234.35 %	234.92 %	244.99 %	165.79 %	202.58 %	224.28 %	102.96 %

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,099,716	\$ 1,065,336	\$ 859,627	\$ 756,555	\$ 700,803	\$ 672,235	\$ 545,225	\$ 478,424	\$ 410,775	\$ 385,777
Contributions in relation to the actuarially determined contribution	1,099,716	1,065,336	859,627	756,555	700,803	672,235	545,225	478,424	410,775	385,777
Contribution Deficiency	\$ -									
Covered Payroll	\$ 2,992,027	\$ 3,084,556	\$ 2,928,849	\$ 3,024,228	\$ 2,893,629	\$ 2,875,893	\$ 2,737,705	\$ 2,843,843	\$ 2,608,682	\$ 2,881,089
Contributions as a Percentage of Covered Payroll	36.75 %	34.54 %	29.35 %	25.02 %	24.22 %	23.37 %	19.92 %	16.82 %	15.75 %	13.39 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	4-20 years depending on division
Asset valuation method	5-year smoothed with dedicated gains policy
Inflation	2.5 percent
Salary increase	3.00 percent, including inflation
Investment rate of return	7.00 percent
Retirement age	60 years
Mortality	50 percent male - 50 percent female blend of the Pub-2010 tables
Other information	None

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

Last Seven Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 81,642	\$ 87,273	\$ 89,011	\$ 89,066	\$ 102,908	\$ 106,758	\$ 107,013
Interest	670,676	651,482	675,619	660,434	755,902	740,117	722,901
Differences between expected and actual experience	(2,011,047)	(63,897)	(1,429,131)	37,529	(1,660,941)	63,600	124,964
Changes in assumptions	193,628	-	797,598	-	78,356	-	-
Benefit payments, including refunds	(380,912)	(414,768)	(539,343)	(600,783)	(665,475)	(700,645)	(716,960)
Net Change in Total OPEB Liability	(1,446,013)	260,090	(406,246)	186,246	(1,389,250)	209,830	237,918
Total OPEB Liability - Beginning of year	9,730,717	9,470,627	9,876,873	9,690,627	11,079,877	10,870,047	10,632,129
Total OPEB Liability - End of year	\$ 8,284,704	\$ 9,730,717	\$ 9,470,627	\$ 9,876,873	\$ 9,690,627	\$ 11,079,877	\$ 10,870,047
Plan Fiduciary Net Position							
Contributions - Employer	\$ 25,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income (loss)	870,835	(1,368,754)	2,342,907	(91,358)	310,773	773,670	1,084,916
Miscellaneous other charges	(25,430)	(8,250)	(21,890)	(23,100)	(6,121)	(21,540)	-
Benefit payments, including refunds	(380,912)	(414,768)	(539,343)	(600,783)	(665,475)	(700,645)	(716,960)
Net Change in Plan Fiduciary Net Position	489,952	(1,791,772)	1,781,674	(715,241)	(360,823)	51,485	367,956
Plan Fiduciary Net Position - Beginning of year	8,685,701	10,477,473	8,695,799	9,411,040	9,771,863	9,720,378	9,352,422
Plan Fiduciary Net Position - End of year	\$ 9,175,653	\$ 8,685,701	\$ 10,477,473	\$ 8,695,799	\$ 9,411,040	\$ 9,771,863	\$ 9,720,378
Net OPEB (Asset) Liability - Ending	\$ (890,949)	\$ 1,045,016	\$ (1,006,846)	\$ 1,181,074	\$ 279,587	\$ 1,308,014	\$ 1,149,669
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	110.75 %	89.26 %	110.63 %	88.04 %	97.11 %	88.19 %	89.42 %
Covered-employee Payroll	\$ 1,150,043	\$ 1,309,913	\$ 1,402,168	\$ 1,483,638	\$ 1,505,032	\$ 1,532,434	\$ 1,587,676
Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll	(77.47)%	79.78 %	(71.81)%	79.61 %	18.58 %	85.36 %	72.41 %

Required Supplementary Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 149,489	\$ 152,260	\$ 76,023	\$ 75,363	\$ 233,882	\$ 234,154	\$ 100,742	\$ 104,518	\$ 107,957	\$ 985,812
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	8,037,596
Contribution (Deficiency) Excess	\$ (149,489)	\$ (152,260)	\$ (76,023)	\$ (75,363)	\$ (233,882)	\$ (234,154)	\$ (100,742)	\$ (104,518)	\$ (107,957)	\$ 7,051,784
Covered-employee Payroll	\$ 1,150,043	\$ 1,309,913	\$ 1,402,168	\$ 1,483,638	\$ 1,505,032	\$ 1,532,434	\$ 1,587,676	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered-employee Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2022. Actuarially determined contribution rates are calculated as of June 30 of even-numbered years. The valuation date is 12 months prior to the fiscal year end of odd-numbered fiscal years and 24 months prior to the fiscal year end of even-numbered fiscal years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	17 years
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 8.25 percent, gradually decreasing to 3.5 percent in year 10
Salary increase	3.0 to 9.7 percent
Investment rate of return	7.00 percent, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	A version of the sex-distinct Pub-2010 tables

City of Farmington, Michigan

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

**Last Seven Fiscal Years
Years Ended June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	10.32 %	(13.67)%	28.30 %	(1.04)%	3.29 %	8.27 %	12.20 %

Budgetary Information

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

	Total Revenue and Other Financing Sources	Total Expenditures and Other Financing Uses	Net Change in Fund Balance
Amounts per operating statement	\$ 11,275,784	\$ 11,357,589	\$ (81,805)
American Rescue Plan Act	(228,860)	(196,439)	(32,421)
Amounts per budget statement	<u>\$ 11,046,924</u>	<u>\$ 11,161,150</u>	<u>\$ (114,226)</u>

Pension Information

Changes in Assumptions

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

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

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

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

OPEB Information

Changes in Assumptions

2023 - The health care cost trend rates were reset for pre-65 and post-65 medical and drug costs.

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

Other Supplementary Information

City of Farmington, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Street	Opioid Settlement
Assets				
Cash and investments	\$ 694,318	\$ 155,619	\$ 238,753	\$ -
Receivables	157,654	61,596	2,238	52,116
Due from other funds	6,364	-	-	12,726
Prepaid expenses and other assets	417	1,667	-	-
Total assets	\$ 858,753	\$ 218,882	\$ 240,991	\$ 64,842
Liabilities				
Accounts payable	\$ 1,625	\$ 49,875	\$ -	\$ -
Due to other funds	8,185	5,728	-	-
Accrued liabilities and other	6,954	5,399	2,370	-
Total liabilities	16,764	61,002	2,370	-
Deferred Inflows of Resources - Unavailable revenue	-	-	-	50,442
Fund Balances				
Nonspendable	417	1,667	-	-
Restricted:				
Roads	841,572	156,213	238,621	-
Opioid settlement	-	-	-	14,400
Assigned:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total fund balances	841,989	157,880	238,621	14,400
Total liabilities, deferred inflows of resources, and fund balances	\$ 858,753	\$ 218,882	\$ 240,991	\$ 64,842

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

Debt Service Funds				Capital Project Fund		
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	Total	
\$ 45,232	\$ 2,804	\$ -	\$ 31,738	\$ 667,753	\$ 1,836,217	
-	-	-	-	37	273,641	
-	-	-	-	-	19,090	
-	-	-	-	-	2,084	
\$ 45,232	\$ 2,804	\$ -	\$ 31,738	\$ 667,790	\$ 2,131,032	
\$ 250	\$ -	\$ -	\$ -	\$ -	\$ 51,750	
-	-	-	-	69,177	83,090	
-	-	-	-	46	14,769	
250	-	-	-	69,223	149,609	
-	-	-	-	-	50,442	
-	-	-	-	-	2,084	
-	-	-	-	-	1,236,406	
-	-	-	-	-	14,400	
44,982	2,804	-	31,738	-	79,524	
-	-	-	-	598,567	598,567	
44,982	2,804	-	31,738	598,567	1,930,981	
\$ 45,232	\$ 2,804	\$ -	\$ 31,738	\$ 667,790	\$ 2,131,032	

City of Farmington, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Street	Opioid Settlement
Revenue				
Property taxes	\$ -	\$ -	\$ 549,154	\$ -
Intergovernmental	983,243	439,284	4,311	-
Investment income	22,666	10,136	17,020	-
Other miscellaneous income	-	-	-	14,400
Total revenue	1,005,909	449,420	570,485	14,400
Expenditures				
Current services - Public works	381,306	1,507,916	-	-
Debt service:				
Principal	100,000	-	-	-
Interest on long-term debt	30,113	-	-	-
Total expenditures	511,419	1,507,916	-	-
Excess of Revenue Over (Under) Expenditures	494,490	(1,058,496)	570,485	14,400
Other Financing Sources (Uses)				
Transfers in	-	1,053,377	-	-
Transfers out	(200,000)	-	(800,000)	-
Total other financing (uses) sources	(200,000)	1,053,377	(800,000)	-
Net Change in Fund Balances	294,490	(5,119)	(229,515)	14,400
Fund Balances - Beginning of year	547,499	162,999	468,136	-
Fund Balances - End of year	\$ 841,989	\$ 157,880	\$ 238,621	\$ 14,400

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

Year Ended June 30, 2023

Debt Service Funds				Capital Project Fund		
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	Total	
\$ -	\$ -	\$ -	\$ -	\$ 39,024	\$ 588,178	
-	-	-	-	346	1,427,184	
2,644	132	-	13,676	32,193	98,467	
<u>33,425</u>	<u>-</u>	<u>70,283</u>	<u>-</u>	<u>-</u>	<u>118,108</u>	
36,069	132	70,283	13,676	71,563	2,231,937	
-	-	-	-	-	1,889,222	
20,000	72,287	60,000	522,500	-	774,787	
<u>13,425</u>	<u>15,714</u>	<u>10,283</u>	<u>186,119</u>	<u>-</u>	<u>255,654</u>	
<u>33,425</u>	<u>88,001</u>	<u>70,283</u>	<u>708,619</u>	<u>-</u>	<u>2,919,663</u>	
2,644	(87,869)	-	(694,943)	71,563	(687,726)	
-	88,001	-	708,620	-	1,849,998	
-	-	-	-	(122,554)	(1,122,554)	
<u>-</u>	<u>88,001</u>	<u>-</u>	<u>708,620</u>	<u>(122,554)</u>	<u>727,444</u>	
2,644	132	-	13,677	(50,991)	39,718	
<u>42,338</u>	<u>2,672</u>	<u>-</u>	<u>18,061</u>	<u>649,558</u>	<u>1,891,263</u>	
<u>\$ 44,982</u>	<u>\$ 2,804</u>	<u>\$ -</u>	<u>\$ 31,738</u>	<u>\$ 598,567</u>	<u>\$ 1,930,981</u>	

City of Farmington, Michigan

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

June 30, 2023

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 269,645	\$ 317,979	\$ 543,370	\$ 1,130,994
Due from other funds	-	57,648	22,049	79,697
Prepaid expenses and other assets	110,547	-	-	110,547
Total current assets	380,192	375,627	565,419	1,321,238
Noncurrent assets - Capital assets subject to depreciation	-	-	1,227,002	1,227,002
Total assets	380,192	375,627	1,792,421	2,548,240
Deferred Outflows of Resources - Deferred outflows related to pensions	-	-	60,816	60,816
Liabilities				
Current liabilities:				
Accounts payable	-	-	3,257	3,257
Due to other funds	-	-	983	983
Accrued liabilities and other	73,625	-	2,258	75,883
Unearned revenue	12,500	-	-	12,500
Compensated absences	-	167,717	-	167,717
Total current liabilities	86,125	167,717	6,498	260,340
Noncurrent liabilities:				
Compensated absences	-	125,195	-	125,195
Net pension liability	-	-	215,235	215,235
Total liabilities	86,125	292,912	221,733	600,770
Deferred Inflows of Resources - Deferred inflows related to pensions	-	-	742	742
Net Position				
Net investment in capital assets	-	-	1,227,002	1,227,002
Unrestricted	294,067	82,715	403,760	780,542
Total net position	<u>\$ 294,067</u>	<u>\$ 82,715</u>	<u>\$ 1,630,762</u>	<u>\$ 2,007,544</u>

City of Farmington, Michigan

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

Year Ended June 30, 2023

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Operating Revenue				
Other income	\$ -	\$ -	\$ 9,061	\$ 9,061
Service charges	202,139	57,648	515,180	774,967
Total operating revenue	202,139	57,648	524,241	784,028
Operating Expenses				
Insurance costs	224,837	-	-	224,837
Accrued benefit expense	-	53,164	-	53,164
Fleet maintenance	-	-	367,399	367,399
Depreciation	-	-	95,102	95,102
Total operating expenses	224,837	53,164	462,501	740,502
Operating (Loss) Income	(22,698)	4,484	61,740	43,526
Nonoperating Revenue				
Investment income	16,258	15,956	28,355	60,569
Gain on sale of assets	-	-	821	821
Total nonoperating expense	16,258	15,956	29,176	61,390
Change in Net Position	(6,440)	20,440	90,916	104,916
Net Position - Beginning of year	300,507	62,275	1,539,846	1,902,628
Net Position - End of year	\$ 294,067	\$ 82,715	\$ 1,630,762	\$ 2,007,544

Other Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2023

	Self Insurance	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 214,639	\$ 10,000	\$ 523,805	\$ 748,444
Payments to suppliers	(218,127)	-	(239,399)	(457,526)
Payments to employees and fringes	-	(23,672)	(88,289)	(111,961)
Net cash and cash equivalents (used in) provided by operating activities	(3,488)	(13,672)	196,117	178,957
Cash Flows from Financing Activities				
Proceeds from sale of capital assets	-	-	3,500	3,500
Purchase of capital assets	-	-	(328,892)	(328,892)
Net cash and cash equivalents used in financing activities	-	-	(325,392)	(325,392)
Cash Flows Provided by Investing Activities -				
Interest received on investments	16,258	15,956	28,355	60,569
Net Increase (Decrease) in Cash and Cash Equivalents				
	12,770	2,284	(100,920)	(85,866)
Cash and Cash Equivalents - Beginning of year				
	256,875	315,695	644,290	1,216,860
Cash and Cash Equivalents - End of year				
	<u>\$ 269,645</u>	<u>\$ 317,979</u>	<u>\$ 543,370</u>	<u>\$ 1,130,994</u>
Classification of Cash and Cash Equivalents -				
Cash and investments	<u>\$ 269,645</u>	<u>\$ 317,979</u>	<u>\$ 543,370</u>	<u>\$ 1,130,994</u>
Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities				
Operating (loss) income	\$ (22,698)	\$ 4,484	\$ 61,740	\$ 43,526
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	-	-	95,102	95,102
Changes in assets and liabilities:				
Receivables	12,500	-	13,438	25,938
Due to and from other funds	-	(47,648)	(13,874)	(61,522)
Prepaid and other assets	(915)	-	-	(915)
Accounts payable	7,625	-	(1,941)	5,684
Net pension liability	-	-	98,838	98,838
Deferrals related to pension	-	-	(57,450)	(57,450)
Accrued and other liabilities	-	29,492	264	29,756
Total adjustments	19,210	(18,156)	134,377	135,431
Net cash and cash equivalents (used in) provided operating activities	<u>\$ (3,488)</u>	<u>\$ (13,672)</u>	<u>\$ 196,117</u>	<u>\$ 178,957</u>

City of Farmington, Michigan

Other Supplementary Information
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2023

	Custodial Funds			
	Custodial	47th District Court	Tax Collection	Total
Assets - Cash and cash equivalents	\$ 570	\$ 686,451	\$ -	\$ 687,021
Liabilities	-	-	-	-
Net Position - Organizations and other governments	\$ 570	\$ 686,451	\$ -	\$ 687,021

City of Farmington, Michigan

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

Year Ended June 30, 2023

	Custodial Funds			
	Custodial	47th District Court	Tax Collection	Total
Additions				
Property tax collections	\$ -	\$ -	\$ 12,376,317	\$ 12,376,317
Other additions	56,263	-	-	56,263
District court collections	-	3,283,451	-	3,283,451
Total additions	56,263	3,283,451	12,376,317	15,716,031
Deductions				
Tax distributions to other governments	-	-	12,376,317	12,376,317
Other deductions	75,487	-	-	75,487
District court disbursements	-	3,287,225	-	3,287,225
Total deductions	75,487	3,287,225	12,376,317	15,739,029
Net Decrease in Fiduciary Net Position	(19,224)	(3,774)	-	(22,998)
Net Position - Beginning of year	19,794	690,225	-	710,019
Net Position - End of year	<u>\$ 570</u>	<u>\$ 686,451</u>	<u>\$ -</u>	<u>\$ 687,021</u>