

CITY OF FARMINGTON HILLS, MICHIGAN Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018



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November 5, 2018

Honorable Mayor, Members of the City Council,
and Citizens of Farmington Hills

We are pleased to submit the comprehensive annual financial report (CAFR) of the City of Farmington Hills (the "City") for the fiscal year ended June 30, 2018. This report was prepared by the Finance Department in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board. This report consists of management representations concerning the finances of the City of Farmington Hills. Therefore, responsibility for the accuracy, completeness, reliability, and fairness of the financial data herein, including all disclosures, rests with the administration and management of the City of Farmington Hills. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The statements have been audited in accordance with generally accepted auditing standards by Plante & Moran, PLLC, a certified public accounting firm licensed by the State of Michigan.

Since the report consists of management's representations concerning the finances of the City of Farmington Hills, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Farmington Hills' financial statements in conformity with GAAP has been established. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Plante & Moran, PLLC has audited the City of Farmington Hills' financial statements to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Farmington Hills' financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This report is available in the City of Farmington Hills' separately issued single audit report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Farmington Hills' MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Farmington Hills was incorporated in 1973 and is a 34-square mile suburban community with a pastoral and gently rolling terrain in Oakland County, Michigan. The City possesses an ideal location that is within an hour's drive of the Ann Arbor technology corridor, 25 minutes to downtown Detroit and Detroit Metro Airport, and is also the focal point of a freeway network for southeast Michigan to the industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system. Twelve major colleges and universities are within a 45-minute drive of the community. A broad spectrum of recreational and cultural activities is also available within the City or within a short drive. Quality health care is provided by Beaumont Hospital, a full service teaching hospital with a Level II Trauma Center and Certified Stroke Center and which is associated with Michigan State University. Many additional medical centers and hospitals are within a half-hour driving distance of the City.

The community offers a wide range of quality housing featuring homes in every style and price range. There are many premier residential areas providing housing options including more than 25,000 single-family homes and over 9,900 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$3 million, with the average home priced at approximately \$229,000.

The City operates under the City Council/city manager form of government with seven elected officials, a mayor, and six City Council members representing the citizens of the City of Farmington Hills. The mayor is elected directly by the electorate for not more than two consecutive, two-year terms. The six City Council members are elected at large for staggered terms of four years each. The mayor and City Council establish all policies for the City government. The city manager is appointed by the City Council.

The City of Farmington Hills provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and refuse collection and recycling services. Utility services for water and sanitary sewers are provided by the City, with the Oakland County Water Resources Commission administering the service for water and sanitary sewers under contract with the City. Library functions are provided by the Farmington Community Library, which serves both the City of Farmington Hills and the neighboring City of Farmington.

City Hall, which is a LEED Gold certified facility, will serve the community well through the coming decades by allowing the City to improve its energy and operational efficiencies, strengthen its community image, and provide flexibility in meeting the needs of the community.

Economic development efforts have been promoted by the City of Farmington Hills Economic Development Corporation, a component unit of the City whose financial statements are displayed in the basic financial statements.

The other component units of the City are the Brownfield Redevelopment Authority, established by the City Council to assist in the redevelopment of environmentally challenged sites within the City; and the Corridor Improvement Authority, created by the City Council to correct and prevent deterioration in business districts, encourage historic preservation, and promote economic growth. The Corridor Improvement Authority was created in collaboration with the City of Farmington in sharing a corridor to leverage investments by defraying some of the costs of redevelopment and sharing resources that can be invested in improvements. The Brownfield Redevelopment Authority and the Corridor Improvement Authority financial statements are also displayed in the basic financial statements.

The City's annual budget provides the foundation for financial planning and control. All departments funded by the City of Farmington Hills are required to submit requests for appropriations to the city manager in February of each year. The city manager utilizes these requests as the basis for developing the proposed budget submitted to City Council by the first regular council meeting in May. In conformity with *Article VII General Finance* of the City Charter and the State of Michigan Uniform Budgets Act, a public hearing on the proposed annual budget and tax rates is held by the first regular Council meeting in June, after public notice of the meeting and hearing is published at least seven days prior to the public hearing. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police department). Department heads may make transfers of appropriated funds within a department with the approval of the city manager and finance director. Transfers of appropriations between departments require approval by the City Council. Budget-to-actual comparisons are provided in this report for each governmental fund in which an appropriated annual budget has been adopted. For the General Fund and the major Special Revenue Funds (Major Road Fund, Local Road Fund, and the Public Safety Fund), the comparison is reported as part of the required supplemental information following the notes to the financial statements. For the major Capital Improvement Fund, major Special Assessment Debt Service Fund, and all nonmajor governmental funds with an appropriated annual budget, this comparison is presented in the other supplemental information subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Farmington Hills operates.

Local Economy - The City of Farmington Hills possesses a diversified property tax base with residential currently comprising 72 percent, commercial 20 percent, industrial 3 percent, and personal property (business equipment, furniture, and machinery) 5 percent. No one taxpayer exceeds 1.991 percent of the tax roll and the top 10 taxpayers combined account for approximately 7.27 percent of the total tax roll. Farmington Hills is home to approximately 3,300 businesses, 75 Fortune 500 companies, and more than 170 international firms. The City's residents are employed predominantly in management, professional sales, and related occupations. Despite its diversification, Farmington Hills does not stand alone and is impacted by the economic environment of the nation, state, and metro-Detroit area. In FY 2017-2018, the ad valorem taxable value of the City increased by 2.58 percent. The projection for FY 2018-2019 is a 3.38 percent increase in ad valorem taxable value. The City's unemployment rate of 3.7 percent at June 2018 is a slight increase from 3.2 percent in June 2017, comparable to the county unemployment rate of 2.9 percent and also lower than the state unemployment rate of 4.4 percent at June 2018.

As the economy continues to improve at a slow but uneven pace, predictions are that it will take several more years to reach the peak employment levels from the recent past. University of Michigan economists forecast that Oakland County will add 42,000 jobs from 2018 through 2020, and the county unemployment rate will decline to 2.6 percent by 2020, with an inflation rate forecast to increase to about 1.9 percent by 2020. This will replenish 100 percent of the jobs lost from the summer of 2000 to the end of 2009.

Helping to bolster Oakland County's economic growth and business sustainability is "Automation Alley," a dynamic organization of leaders from all backgrounds and business sectors that are combining talent and energy to transform southeast Michigan into a high technology workforce and business development powerhouse. Membership is made up of 1,000 technology-driven companies, governments, and educational institutions which have helped to drive the growth and image of southeast Michigan's technology economy.

Oakland County continues to embrace the "emerging sectors" initiative, an aggressive plan to attract the top new and emerging businesses to Oakland County. Over the last several years over 330 emerging sector endeavors have generated over \$3.0 billion in investment while creating over 35,000 jobs. These sectors are:

- Advanced electronics
- Advanced material
- Aerospace
- Alternative energy
- Communications and information technology
- Defense and homeland security
- Film and digital media
- Medical main street/health care
- Robotics
- Finance, insurance, and real estate

Oakland County's per capita income of \$65,759 is the highest among Michigan's 83 counties. Oakland County, as well as the City of Farmington Hills, continues to enjoy a AAA bond rating from Standard & Poor's, the highest bond rating achievable. The AAA bond rating allows the City to borrow at the lowest possible interest rate, saving City taxpayers significant dollars in future borrowing costs.

Economic development staff of the City coordinates development activity with the City's Economic Development Corporation. The City participates in a business retention program and has formed a partnership with the Oakland County Planning and Economic Development Services Division and the Michigan Economic Development Corporation. Working together, they have been successful in assisting companies in expanding their business opportunities in the City.

State-wide economists are forecasting moderate job growth of 33,700 jobs in 2018 and 42,200 in 2019 compared to 96,800 jobs added in 2017. The top job producers over the next two years are predicted to be in professional and business services, construction, private education and health services, and leisure and hospitality.

Economists predict that state-wide inflation will decrease by 2.2 percent in 2019 and remain unchanged at 2.2 percent in 2020.

Economists predict that state-wide real disposable income (personal income adjusted for taxes and inflation) will grow at a rate of 1.6 percent in 2018 and 2.2 percent in 2019.

The City Council annually reviews and accepts the updated "Six-year Capital Improvement Program," as prepared by staff and adopted by the City's Planning Commission, which directly impacts the City's infrastructure. The City Council adopts many of the projects in the first year of this program in the annual budget. In addition to road construction and utility projects, the following categories of acquisitions or improvements are planned for FY 2018-2019:

- \$3,567,000 for drainage projects
- \$315,000 for sidewalk and bike path improvements/replacements
- \$933,000 for Fire Department vehicles and equipment
- \$664,000 for Police Department vehicles and equipment
- \$859,000 for Public Services Department equipment
- \$895,000 for technology equipment, software and upgrades
- \$858,000 for public facility improvements

Financial Policies - The following financial policies of the City had a significant impact on the City's FY 2017-2018 financial statements:

Revenue Policy to Maintain a Diversified and Stable Taxable Revenue Base - Although the tax base remains diversified with approximately 72 percent residential and 28 percent nonresidential, the tax base had an increase in taxable values of approximately 2.58 percent in fiscal year 2017-2018. Taxable values are projected to increase by 3.38 percent in FY 2018-2019.

Investment Policy to Maximize Yields while Maintaining the Integrity and Safety of Principal - The City makes a serious effort to maximize investment earnings, diversification, and insurability of its investable funds. At year end, the weighted average liquidity of the City's investment portfolio was almost six months, while the average yield on the portfolio was out-performing the three-month and six-month Treasury yield (six months trailing) along with the Federal Funds rate (six months trailing).

Financial Policy to Place Emphasis on Areas of Long-term Importance Such as Employee Relations, Automation, and Technology Improvements - With a reduced workforce from the recent past, the City has continued to focus on technology improvements and process improvements to increase employee productivity and efficiency.

Long-term Financial Planning - Annually, City staff prepares a six-year Capital Improvement Plan (CIP), which is approved by the City Planning Commission and Accepted by the City Council. This program will contain projects and equipment costs in excess of \$25,000. Total project cost and sources of funding, along with project descriptions, will be outlined in the Capital Improvement Program. Areas included in the program will be drainage, sanitary sewers and water mains, public facilities, sidewalks, transportation, equipment, and parks and recreation facilities. The purpose of this six-year program is to facilitate the orderly planning and infrastructure improvements, maintain, preserve, and protect the City's existing infrastructure system, and provide for the scheduled replacement of equipment and acquisition of new equipment to insure the efficient delivery of services to the community. The first year of the adopted CIP is incorporated into the city manager's proposed budget, if funding is available. The City manages its debt by establishing debt capacity limits or guidelines to use in conjunction with its capital planning and budgeting processes.

In order to better understand the financial condition of the City, it has become increasingly important to maintain and update an ongoing Financial Forecasting model. The end result of this forecasting model is intended to communicate what is likely to happen in the future based on where the City is today and where it appears to be heading. The preparation of a reasonably complete forecast allows the City to look at its options and prudently plan and act accordingly. The Financial Forecasts are developed as part of the annual Citizens Guide and Performance Dashboard document. This document also includes performance measurements of key benchmark data related to fiscal stability and economic strength.

Accounting Changes

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB, which primarily refers to retiree healthcare). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by the employer governments that provide OPEB benefits to their employees.

Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans are now required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of OPEB liabilities for which assets have been accumulated. In addition, the City now recognizes on the face of the government-wide financial statements its net OPEB asset.

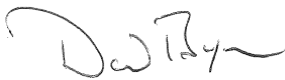
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington Hills for its CAFR for the fiscal year ended June 30, 2017. This was the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2017. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This was the 33rd consecutive year the City received this award.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department and city manager's office. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. The independent auditing firm of Plante & Moran, PLLC provided assistance for proper presentation in the form of counsel, suggestions, and direct input. Credit also must be given to the mayor and the City Council for their support in maintaining the highest standards of professionalism in the management of the City of Farmington Hills' finances.

Respectfully submitted,



Dave Boyer
City Manager



Steve Barr
Finance Director/Treasurer



Shu-Fen Lin
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Farmington Hills
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Farmington Hills, Michigan

List of Principal Officials

June 30, 2018

Title	Name
City Manager	Dave Boyer
Assistant City Manager	Gary Mekjian
Economic Development Director	vacant
City Clerk	Pamela Smith
Central Services Director	Kelly Monico
Finance Director/Treasurer	Steve Barr
Fire Chief	Jon Unruh
Human Resources Director	John Randle
Planning and Community Development Director	Edward Gardiner
Police Chief	Charles Nebus
Public Services Director	Karen Mondora
Special Services Director	Ellen Schnackel
City Attorney	Johnson, Rosati, Schultz & Joppich, P.C.
Deputy Director Special Service	Bryan Farmer
Assistant Police Chief	Michael Ciaramitaro
Assistant Police Chief	Jeff King
Assistant Police Chief	Daniel Rodriguez
Deputy Fire Chief	Lee Panoushek
Building Official	Tammy Murray
City Assessor	Matthew Dingman
City Engineer	James Cubera
City Planner	Mark Stec
Community Development Coordinator	Charmaine Keller-Schmult
Controller/Assistant Finance Director	Shu-Fen Lin
Deputy City Clerk	Carly Lindahl
Deputy Treasurer	Debbie Shires
Fire Marshal	Jason Olszewski
Public Works Superintendent	Kevin McCarthy
Zoning Division Supervisor	Dennis Randt

City Profile



Farmington Hills, incorporated in 1973, is a 34-square-mile suburban community with a pastoral and gently rolling terrain in Oakland County, located 17 miles from downtown Detroit. The City's tax base of \$3,208,788,930 is comprised of 72 percent residential property and 28 percent commercial, industrial, and personal property. The community's estimated 81,129 residents live in approximately 34,185 households with a median household income of \$67,803.

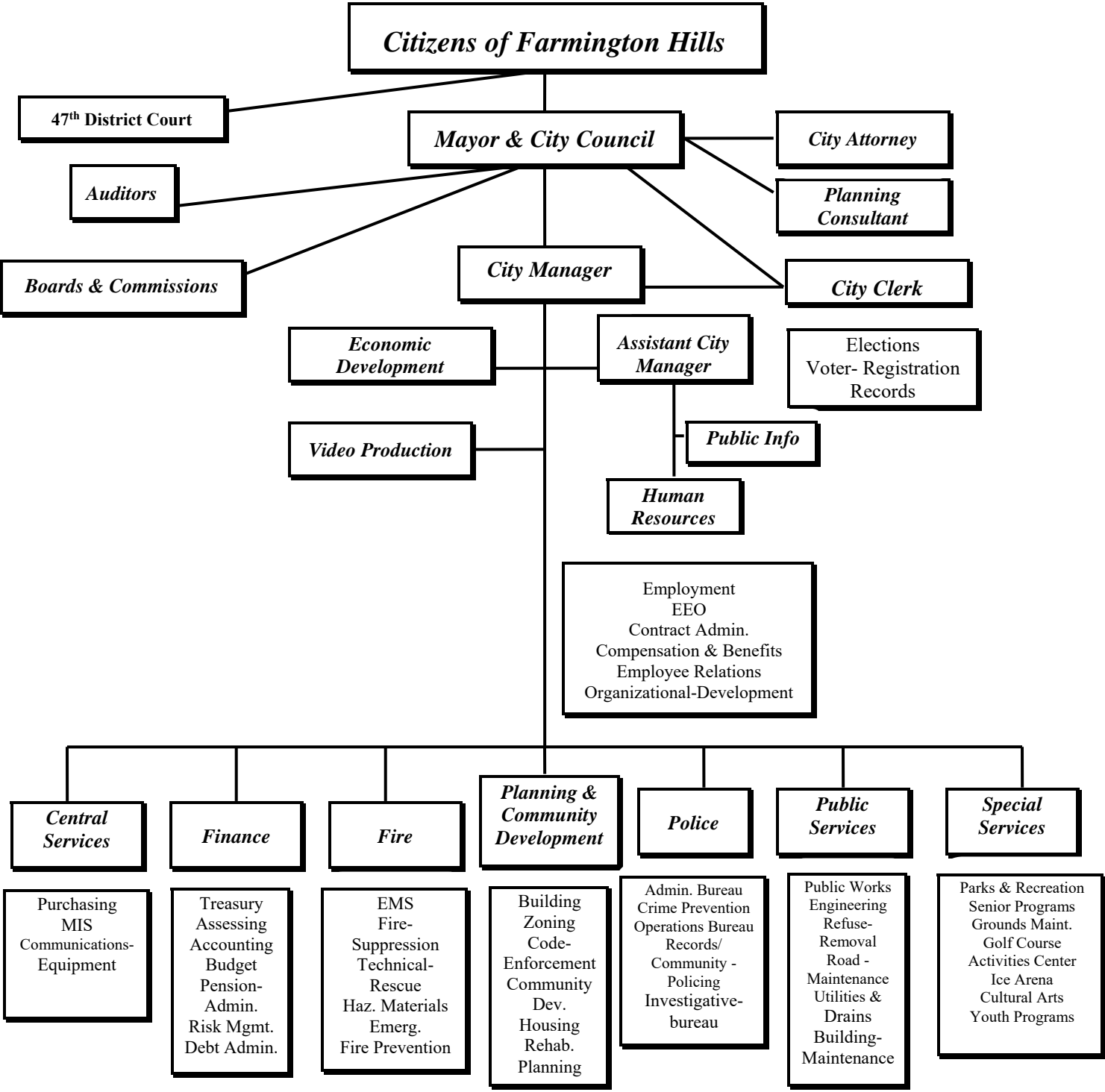
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit Metro Airport and at the focal point of a north/south and west/east freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio, as well as the Ann Arbor technology corridor, are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City. The City supports seven industrial parks totaling more than 600 acres, which provide first-rate services and facilities. In addition, the 12 Mile Road, Orchard Lake Road, and Northwestern Highway corridors host many commercial and office developments, which house many corporate headquarters and district offices of regional, national, and international prominence.

The community offers many premier residential areas providing a wide range of housing options, including approximately 25,000 single-family sites (including detached condominiums) and approximately 9,960 rental units designed to fit every lifestyle.

The City's respect for its Quaker heritage is demonstrated by its commitment to historical preservation through its Historic Commission, Historical District, and the conversion of the historic Spicer Estate House to a visitor center within the 211-acre passive Heritage Park, located in the center of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system with one of the highest annual circulation rates in the State. A broad spectrum of recreational and cultural activities is available within the City or within a short drive. A total of 12 major colleges and universities are within a 45-minute drive of the community. Quality health care is readily accessible through Beaumont Hospital, a full-service teaching hospital with a Level II Trauma Center and Certified Stroke Center and associated with Michigan State University. Twelve major medical centers and hospitals are within a half-hour driving distance of the City. Many physicians affiliated with these medical facilities maintain their offices in Farmington Hills.

CITY OF FARMINGTON HILLS



City of Farmington Hills, Michigan

Fund Organization Chart

Governmental Funds

General

General Fund

Debt Service

Building Authority
General Debt Service
Special Assessments - Local Roads

Capital Projects

Capital Improvement
Community Activity
Golf Course Capital Improvement
Revolving Special Assessment

Special Revenue

Major Roads
Local Roads
Municipal Streets
Public Safety Millage
Community Development Block Grant
(CDBG)
Nutrition Grant
Police Forfeiture
Parks and Recreation Special Millage
Deferred Special Assessment

Proprietary Funds - Enterprise

Water and Sewer

Fiduciary Funds

Pension and Other Employee Benefit Trust

Employees' (Pension) Retirement System
Postretirement Healthcare Finance Fund

Agency

Tax Collections
General Agency

Component Units

Economic Development Corporation
Corridor Improvement Authority

Brownfield Redevelopment Authority

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19, during the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

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

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplemental information, and the introductory section and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplemental information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplemental information, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



November 5, 2018

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City of Farmington Hills, Michigan (the "City") on a government-wide basis. They are designed to present a long-term view of the City's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than the government-wide financial statements.

The City of Farmington Hills as a Whole

The City's combined primary government net position increased \$7.8 million or 2.5 percent from a year ago, increasing from \$311.9 million to \$319.7 million, net of a \$4.8 million adjustment for the implementation of GASB Statement No. 75. Of that amount, \$82.8 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens/creditors. A review of the governmental activities shows an increase of approximately \$6.0 million in net position or 3.5 percent during fiscal year 2017-2018. Unrestricted net position of the governmental activities was approximately \$5.8 million as of June 30, 2018. Business-type activities net position shows an increase of approximately \$1.8 million in net position or 1.2 percent during fiscal year 2017-2018. Unrestricted net position of the business-type activities was approximately \$77.0 million as of June 30, 2018. In condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2018 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017	2018	2017*
Assets						
Current assets	\$ 74.6	\$ 68.6	\$ 81.6	\$ 78.5	\$ 156.2	\$ 147.1
Noncurrent assets:						
Noncapital assets	7.7	8.6	0.1	-	7.8	8.6
Capital assets	162.5	162.9	98.1	96.2	260.6	259.1
Total assets	244.8	240.1	179.8	174.7	424.6	414.8
Deferred Outflows of Resources	6.5	8.8	-	-	6.5	8.8
Liabilities						
Current liabilities	6.9	9.5	4.7	2.8	11.6	12.3
Long-term liabilities	65.4	65.9	31.4	30.0	96.8	95.9
Total liabilities	72.3	75.4	36.1	32.8	108.4	108.2
Deferred Inflows of Resources	3.0	3.5	-	-	3.0	3.5
Net Position						
Net investment in capital assets	142.8	140.7	66.7	66.2	209.5	206.9
Restricted	27.4	25.4	-	-	27.4	25.4
Unrestricted	5.8	3.9	77.0	75.7	82.8	79.6
Total net position	\$ 176.0	\$ 170.0	\$ 143.7	\$ 141.9	\$ 319.7	\$ 311.9

*Note that the unrestricted net position for governmental activities was restated for the implementation of GASB Statement No. 75. See Note 19 for more details.

Management's Discussion and Analysis

The following table shows the changes in net position (in millions of dollars) for the years ended June 30, 2018 and 2017:

	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue:						
Charges for services	\$ 14.5	\$ 15.2	\$ 27.1	\$ 27.7	\$ 41.6	\$ 42.9
Operating grants and contributions	11.1	16.6	-	-	11.1	16.6
Capital grants and contributions	0.9	0.2	2.2	0.8	3.1	1.0
General revenue:						
Property taxes	48.6	46.5	-	-	48.6	46.5
State-shared revenue	8.1	7.8	-	-	8.1	7.8
Interest	0.9	0.5	0.9	0.6	1.8	1.1
Other	3.1	2.6	-	-	3.1	2.6
Total revenue	87.2	89.4	30.2	29.1	117.4	118.5
Program Expenses						
General government	15.5	13.0	-	-	15.5	13.0
Public safety	33.1	32.6	-	-	33.1	32.6
Public services	20.3	20.5	-	-	20.3	20.5
Community and economic development	2.0	1.9	-	-	2.0	1.9
Recreation and culture	9.8	9.0	-	-	9.8	9.0
Interest on long-term debt	0.5	0.6	-	-	0.5	0.6
Water and sewer	-	-	28.4	26.9	28.4	26.9
Total program expenses	81.2	77.6	28.4	26.9	109.6	104.5
Change in Net Position	6.0	11.8	1.8	2.2	7.8	14.0
Net Position - Beginning of year	170.0	153.4	141.9	139.7	311.9	293.1
Net Position - End of year	\$ 176.0	165.2	\$ 143.7	\$ 141.9	\$ 319.7	307.1
Net Adjustment for Implementation of GASB Statement No. 75		4.8				4.8
Restated Net Position - End of year		\$ 170.0			\$ 311.9	

Governmental Activities

The City's total governmental activities revenue decreased by \$2.2 million or 2.5 percent from a year ago. This was primarily attributed to decreases in service charges and operating grants and contributions. The City's total governmental program expenses increased by \$3.6 million or 4.6 percent from a year ago. This was attributed to increases in general government and community and public safety partially offset by decreases in public services.

The City continues to pre-fund postretirement healthcare benefits as well as retirement benefits so that future taxpayers will not have to bear the burden of currently earned benefits. During the year, the City contributed 100 percent of the actuarial required contributions for the Employees' Retirement System Pension and the Postretirement Healthcare Plan.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water distribution and sanitary sewer disposal services, which are supplied by the Great Lakes Water Authority and operated, maintained, and administered by the Oakland County Water Resources Commission. The utility system incurred a \$3.0 million operating loss during fiscal year 2017-2018 compared to an operating loss of \$1.0 million in fiscal year 2016-2017. The \$1.8 million increase in net position from the prior year is a result from the increase of the nonoperating revenue net of the \$3.0 million operating loss. During fiscal year 2017-2018, the Water and Sewer Fund reported net nonoperating revenue of \$2.5 million and capital contributions of \$2.2 million. The Water and Sewer Fund maintained a strong net position of \$143.7 million at year end, of which approximately \$77.0 million (unrestricted net position) may be used to meet the fund's ongoing obligations to citizens and creditors.

The City's Funds

An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to state legislative requirements to maintain separate funds for Act 51 major and local road money, the City Council creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by the citizens and earmarked bond proceeds. The City's major funds for fiscal year 2017-2018 include the General Fund, the Major Roads Fund, the Local Roads Fund, the Public Safety Millage Fund, the Capital Improvement Fund, and the Local Road Special Assessment (Debt Service) Fund. Capital improvements in the major funds category include major and local road reconstruction/resurfacing, drainage improvements, sidewalks/bike path replacement/construction, facility improvements and expansions, technology upgrades, and the purchase of vehicles and equipment.

General Fund:

The original fiscal year 2017-2018 General Fund budget reflected a \$1.5 million reduction to fund balance at year end. The General Fund's fund balance actually increased by \$1.9 million or 5.6 percent. The \$3.4 million increase in fund balance compared to what was reflected in the original budget is due primarily to the net of a \$1.6 million increase in actual revenue compared to the original budget and a \$1.8 million decrease in actual expenditures compared to the original budget.

Special Revenue Funds:

The Major Roads Fund fund balance increased by \$3,751,000 or 152.2 percent. Total revenue and transfers in were \$1.8 million more than the previous year, while total expenditures and transfers out were \$3.1 million less than the previous year. The Local Roads Fund fund balance increased by \$2.0 million. Total revenue and other financing sources was \$10.2 million less than the previous year, while total expenditures and transfers-out was \$8.3 million less than the previous year. The Public Safety Millage Fund fund balance decreased by \$235,000 or 9.9 percent. Total revenue was \$209,000 more than the previous year, while total expenditures were \$292,000 less than the previous year.

Debt Service Fund:

The Local Roads Special Assessment Fund fund balance decreased by \$100,000 or 4.8 percent. Total revenue and transfers in was \$266,000 less than the previous year, while total expenditures and transfers out was \$184,000 less than the previous year.

Capital Projects Fund:

The Capital Improvement Fund fund balance increased by \$2,030,000 or 115.9 percent. Total revenue and transfers in was \$27,000 less than the previous year, while total expenditures were \$3.2 million less than the previous year.

General Fund Budgetary Highlights

The city administration and City Council continuously monitor and amend the budget to reflect unanticipated events that occur during the year.

Differences between the final amended budget and year-end actual numbers can be briefly summarized as follows:

- The approximately \$1.4 million or 2.5 percent increase in total revenue from the final amended budget reflected a net of more than expected federal grants, state-shared revenue and grants, service charges, fines and forfeitures, licenses and permits, investment income, donations, equipment rentals and miscellaneous revenue. Transfers in equaled the final amended budget.
- The approximate \$978,000 million or 1.9 percent decrease in total expenditures from the final amended budget reflects a \$334,000 decrease in general government, a \$71,000 decrease in public safety, a \$403,000 decrease in public works, a \$39,000 decrease in community and economic development, and a \$131,000 decrease in recreation and culture activity budgets.
- Transfers out were \$29,000 higher than the final amended budget.

Capital Asset and Debt Administration

On June 30, 2018, the City had approximately \$260.6 million in total net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure (streets, sidewalks, drains, water, and sewer) assets included in this report, net of depreciation and exclusive of construction in progress, is approximately \$153.5 million (see Note 5 of the notes to financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net position. The City's total debt for governmental activities decreased by \$2.4 million (8 percent) during the current fiscal year. The decrease was the result of the payoff of annual maturities on pre-existing debt (see Note 7 of the notes to financial statements for additional information). The City maintained its AAA noninsured rating from Standard & Poor's and Aa1 noninsured rating from Moody's.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2017-2018 tax rate increased to 14.6569 mills due to the increase in the Operating Millage net of a Headlee rollback on the Road Millage, Parks Millage, and Public Safety Millage, as well as a small increase in the Refuse Removal Millage. The fiscal year 2018-2019 tax rate decreased to 14.5797 mills due to the Headlee rollback on the Operating Millage, Road Millage, Parks Millage, and Public Safety Millage, as well as a small increase in the Refuse Removal Millage. The City's tax base increased by 2.58 percent in fiscal year 2017-2018, and is projected to increase 3.38 percent for fiscal year 2018-2019. Our state equalized value (SEV) will be \$4.2 billion in fiscal year 2018-2019, which is \$835 million more than our taxable value. This is significant because taxes are based on taxable value, not SEV. The tax base is well diversified with residential accounting for 72 percent, commercial 20 percent, industrial 3 percent, and personal property 5 percent. Tax base diversification is further demonstrated by the fact that the top 10 taxpayers combined account for approximately 7 percent of the tax roll. Taxes account for approximately 56 percent of the fiscal year 2018-2019 General Fund budgeted revenue, while state-shared revenue accounts for approximately 14 percent of the fiscal year 2018-2019 General Fund budgeted revenue. The fiscal year 2018-2019 General Fund adopted budget reflects the use of fund balance of \$2.2 million, which includes a continued contribution to the Capital Improvement Program.

On the expense side, the City operates with a relatively small labor force and low personnel costs, while maintaining all city services, with some inflationary cost increases. The City will continue to adjust expenditures through cost savings and efficiencies in fiscal year 2018-2019 to match revenue projections as they are revised.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Steve Barr, Finance Director/Treasurer, City of Farmington Hills, Michigan, 31555 West Eleven Mile Road, Farmington Hills, MI 48336.

City of Farmington Hills, Michigan

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 59,863,123	\$ 72,178,614	\$ 132,041,737	\$ 1,683,381
Receivables:				
Special assessments receivable	10,656,947	189,579	10,846,526	-
Customer receivables	-	8,589,957	8,589,957	-
Other receivables	795,956	111,406	907,362	-
Due from other governments	2,764,126	596,066	3,360,192	-
Due from fiduciary funds	406,228	14,139	420,367	-
Due from SWOCC (Note 16)	27,438	-	27,438	-
Internal balances (Note 6)	39,447	(39,447)	-	-
Inventory	719,827	-	719,827	-
Prepaid expenses and other assets	1,180,391	103,057	1,283,448	-
Net OPEB asset (Note 14)	5,793,708	-	5,793,708	-
Capital assets: (Note 5)				
Assets not subject to depreciation	63,291,117	1,099,062	64,390,179	-
Assets subject to depreciation - Net	99,244,959	96,975,856	196,220,815	-
Total assets	244,783,267	179,818,289	424,601,556	1,683,381
Deferred Outflows of Resources				
Deferred charges on bond refunding	488,701	-	488,701	-
Deferred pension costs (Note 11)	5,988,996	-	5,988,996	-
Deferred OPEB costs (Note 14)	29,934	-	29,934	-
Total deferred outflows of resources	6,507,631	-	6,507,631	-
Liabilities				
Accounts payable	3,938,627	4,596,745	8,535,372	1,500
Due to other governmental units	18,742	126,885	145,627	-
Accrued liabilities and other	1,404,133	1,837	1,405,970	-
Unearned revenue	1,535,764	-	1,535,764	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	2,395,658	-	2,395,658	-
Provision for self-insurance claims (Note 7)	544,000	-	544,000	-
Current portion of long-term debt (Note 7)	2,355,000	1,478,670	3,833,670	-
Due in more than one year:				
Compensated absences (Note 7)	2,998,571	-	2,998,571	-
Net pension liability (Note 11)	39,249,558	-	39,249,558	-
Long-term debt (Note 7)	17,886,075	29,905,732	47,791,807	-
Total liabilities	72,326,128	36,109,869	108,435,997	1,500
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	2,350,688	-	2,350,688	-
Deferred OPEB cost reductions (Note 14)	645,143	-	645,143	-
Total deferred inflows of resources	2,995,831	-	2,995,831	-
Net Position				
Net investment in capital assets	142,783,702	66,690,516	209,474,218	-
Restricted:				
Streets and highways	20,109,174	-	20,109,174	-
Debt service	3,438,122	-	3,438,122	-
Police and fire operations	3,160,123	-	3,160,123	-
Parks and recreation	705,905	-	705,905	-
Unrestricted	5,771,913	77,017,904	82,789,817	1,681,881
Total net position	\$ 175,968,939	\$ 143,708,420	\$ 319,677,359	\$ 1,681,881

City of Farmington Hills, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 15,468,684	\$ 5,248,109	\$ 318,065	\$ 164,190
Public safety	33,101,621	2,070,345	700,704	-
Public works	20,292,975	2,174,599	9,145,726	687,048
Community and economic development	2,013,872	80,679	408,702	-
Recreation and culture	9,768,867	4,858,219	552,163	-
Interest on long-term debt	521,785	-	-	-
Total governmental activities	81,167,804	14,431,951	11,125,360	851,238
Business-type activities	28,400,248	27,029,571	-	2,204,688
Total primary government	\$ 109,568,052	\$ 41,461,522	\$ 11,125,360	\$ 3,055,926
Component units:				
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	5,733	-	9,900	-
Corridor Improvement Authority	30,813	-	-	-
Total component units	\$ 36,546	\$ -	\$ 9,900	\$ -

General revenue:
 Property taxes
 State-shared revenue
 Investment income
 Other miscellaneous income
 Total general revenue

Change in Net Position

Net Position - Beginning of year, as restated (Note 19)

Net Position - End of year

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (9,738,320)	\$ -	\$ (9,738,320)	\$ -
(30,330,572)	-	(30,330,572)	-
(8,285,602)	-	(8,285,602)	-
(1,524,491)	-	(1,524,491)	-
(4,358,485)	-	(4,358,485)	-
(521,785)	-	(521,785)	-
(54,759,255)	-	(54,759,255)	-
-	834,011	834,011	-
(54,759,255)	834,011	(53,925,244)	-
-	-	-	-
-	-	-	4,167
-	-	-	(30,813)
-	-	-	(26,646)
48,612,050	-	48,612,050	312,585
8,112,310	-	8,112,310	-
879,918	927,068	1,806,986	16,142
3,113,354	-	3,113,354	-
60,717,632	927,068	61,644,700	328,727
5,958,377	1,761,079	7,719,456	302,081
170,010,562	141,947,341	311,957,903	1,379,800
<u>\$ 175,968,939</u>	<u>\$ 143,708,420</u>	<u>\$ 319,677,359</u>	<u>\$ 1,681,881</u>

City of Farmington Hills, Michigan

	General Fund	Major Roads Fund	Local Roads Fund	Capital Improvement Fund
Assets				
Cash and investments (Note 3)	\$ 32,634,242	\$ 7,038,098	\$ 6,228,479	\$ 4,010,044
Receivables:				
Special assessments receivable	-	-	9,213,191	-
Other receivables	690,196	36	-	87,262
Due from other governments	1,245,518	1,069,814	357,217	-
Due from fiduciary funds	406,228	-	-	-
Due from SWOCC (Note 16)	27,438	-	-	-
Due from other funds (Note 6)	1,662,189	-	-	53,180
Prepays and other assets	1,101,891	-	-	28,500
	\$ 37,767,702	\$ 8,107,948	\$ 15,798,887	\$ 4,178,986
Total assets				
Liabilities				
Accounts payable	\$ 1,395,087	\$ 1,561,140	\$ 172,399	\$ 335,034
Due to other funds (Note 6)	955	323,326	246,500	2,924
Accrued liabilities and other	1,277,339	-	-	-
Unearned revenue	4,000	7,328	1,524,436	-
	2,677,381	1,891,794	1,943,335	337,958
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue				
Special assessments	-	-	7,688,757	-
Miscellaneous	64,163	-	-	59,958
	64,163	-	7,688,757	59,958
Total deferred inflows of resources				
Fund Balances				
Nonspendable - Prepays	838,111	-	-	28,500
Restricted:				
Roads	-	6,216,154	6,166,795	-
Police	44,656	-	-	-
Debt service	-	-	-	-
Grants - Fire protections	22,409	-	-	-
Parks and recreation	-	-	-	-
Committed - Special assessment projects	-	-	-	-
Assigned:				
Capital projects	-	-	-	3,752,570
Debt service	-	-	-	-
Future expenditures (Note 17)	19,224,548	-	-	-
Unassigned	14,896,434	-	-	-
	35,026,158	6,216,154	6,166,795	3,781,070
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,767,702	\$ 8,107,948	\$ 15,798,887	\$ 4,178,986

Governmental Funds
Balance Sheet

June 30, 2018

Special Assessment Fund - Local Roads	Public Safety Millage Fund	Nonmajor Funds	Total Governmental Funds
\$ 1,993,411	\$ 3,006,881	\$ 4,951,968	\$ 59,863,123
1,443,756	-	-	10,656,947
-	-	18,462	795,956
-	-	91,577	2,764,126
-	-	-	406,228
-	-	-	27,438
1,455	-	-	1,716,824
-	-	50,000	1,180,391
\$ 3,438,622	\$ 3,006,881	\$ 5,112,007	\$ 77,411,033
\$ 500	\$ -	\$ 474,467	\$ 3,938,627
-	874,559	229,113	1,677,377
-	-	-	1,277,339
-	-	-	1,535,764
500	874,559	703,580	8,429,107
1,443,756	-	3,578	9,136,091
-	-	-	124,121
1,443,756	-	3,578	9,260,212
-	-	50,000	916,611
-	-	37,468	12,420,417
-	2,132,322	957,158	3,134,136
1,994,366	-	-	1,994,366
-	-	-	22,409
-	-	705,905	705,905
-	-	2,498,262	2,498,262
-	-	18,572	3,771,142
-	-	137,484	137,484
-	-	-	19,224,548
-	-	-	14,896,434
1,994,366	2,132,322	4,404,849	59,721,714
\$ 3,438,622	\$ 3,006,881	\$ 5,112,007	\$ 77,411,033

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 59,721,714
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	162,536,076
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	9,260,212
Inventories are not recorded as assets in the governmental funds	719,827
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds	488,701
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(20,241,075)
Accrued interest is not due and payable in the current period and is not reported in the funds	(126,794)
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:	
Employee compensated absences	(5,394,229)
Pension benefits, including deferred inflows and outflows of resources	(35,611,250)
Retiree healthcare benefits, including deferred inflows and outflows of resources	5,178,499
Amounts due to Oakland County for drain projects are not included as an liability in the governmental funds	(18,742)
Other long-term liabilities, specifically general liability claims, do not present a claim on current financial resources and are not reported as fund liabilities	(544,000)
Net Position of Governmental Activities	<u>\$ 175,968,939</u>

City of Farmington Hills, Michigan

	General Fund	Major Roads Fund	Local Roads Fund	Capital Improvement Fund
Revenue				
Property taxes	\$ 30,827,101	\$ -	\$ -	\$ -
Special assessments	-	-	2,284,000	-
Intergovernmental:				
Federal grants	223,067	166,766	-	3,180
State and other sources	8,196,649	6,574,039	2,241,290	15,000
Charges for services	11,062,483	-	-	-
Fines and forfeitures	2,085,541	-	-	-
Licenses and permits	1,417,161	-	-	-
Investment income	489,900	46,590	54,421	24,553
Other revenue:				
Other grants and contributions	273,269	-	-	-
Equipment rental	1,346,762	-	-	-
Other miscellaneous income	1,124,506	247	280,462	9,180
Total revenue	57,046,439	6,787,642	4,860,173	51,913
Expenditures				
Current services:				
General government	12,700,588	-	-	-
Public safety	19,884,144	-	-	-
Public works	7,313,301	7,046,217	3,996,419	-
Community and economic development	1,598,518	-	-	-
Recreation and culture	7,967,971	-	-	-
Capital outlay	-	-	-	3,477,435
Debt service	-	-	975,655	-
Total expenditures	49,464,522	7,046,217	4,972,074	3,477,435
Excess of Revenue Over (Under) Expenditures	7,581,917	(258,575)	(111,901)	(3,425,522)
Other Financing Sources (Uses)				
Transfers in	1,307,850	4,235,125	2,280,621	5,455,122
Transfers out	(7,027,485)	(225,000)	(176,935)	-
Total other financing (uses) sources	(5,719,635)	4,010,125	2,103,686	5,455,122
Net Change in Fund Balances	1,862,282	3,751,550	1,991,785	2,029,600
Fund Balances - Beginning of year	33,163,876	2,464,604	4,175,010	1,751,470
Fund Balances - End of year	\$ 35,026,158	\$ 6,216,154	\$ 6,166,795	\$ 3,781,070

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

Special Assessment Fund - Local Roads	Public Safety Millage Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 9,975,904	\$ 7,809,045	\$ 48,612,050
687,048	-	-	2,971,048
-	-	937,640	1,330,653
-	168,361	247,681	17,443,020
-	-	-	11,062,483
-	-	-	2,085,541
-	-	-	1,417,161
107,407	88,735	68,312	879,918
-	-	-	273,269
-	-	-	1,346,762
-	-	427,277	1,841,672
794,455	10,233,000	9,489,955	89,263,577
-	-	300	12,700,888
-	10,468,222	204,509	30,556,875
8,120	-	750	18,364,807
-	-	403,891	2,002,409
-	-	520,191	8,488,162
-	-	325,282	3,802,717
295,637	-	1,672,471	2,943,763
303,757	10,468,222	3,127,394	78,859,621
490,698	(235,222)	6,362,561	10,403,956
-	-	3,470,407	16,749,125
(591,000)	-	(8,728,705)	(16,749,125)
(591,000)	-	(5,258,298)	-
(100,302)	(235,222)	1,104,263	10,403,956
2,094,668	2,367,544	3,300,586	49,317,758
\$ 1,994,366	\$ 2,132,322	\$ 4,404,849	\$ 59,721,714

City of Farmington Hills, Michigan

Governmental Funds

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

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds	\$ 10,403,956
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	8,069,908
Depreciation expense	(8,297,731)
Net book value of assets disposed of	(93,484)
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	(2,137,395)
Governmental funds report inventory purchases as expenditures; in the statement of activities, these costs are expensed as used	(82,494)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,417,948
Interest expense is recognized in the government-wide statements as it accrues	4,028
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(2,658,316)
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	(97,000)
The change in net position of drain projects maintained by Oakland County, Michigan	<u>(1,571,043)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,958,377</u></u>

**Proprietary Funds
Statement of Net Position**

June 30, 2018

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 42,496,690
Investments (Note 3)	29,681,924
Receivables	9,501,147
Prepaid expenses	103,057
Total current assets	81,782,818
Noncurrent assets -	
Capital assets: (Note 5)	
Assets not subject to depreciation	1,099,062
Assets subject to depreciation - Net	96,975,856
Total noncurrent assets	98,074,918
Total assets	179,857,736
Liabilities	
Current liabilities:	
Accounts payable	4,596,745
Due to other governmental units	126,885
Due to other funds (Note 6)	39,447
Accrued liabilities and other	1,837
Current portion of long-term debt (Note 7)	1,478,670
Total current liabilities	6,243,584
Noncurrent liabilities - Long-term debt (Note 7)	29,905,732
Total liabilities	36,149,316
Net Position	
Net investment in capital assets	66,690,516
Unrestricted	77,017,904
Total net position	\$ 143,708,420

City of Farmington Hills, Michigan

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

Year Ended June 30, 2018

	<u>Enterprise Fund - Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 13,278,145
Sewage disposal charges	11,366,815
Other operating revenue	<u>12,312</u>
Total operating revenue	24,657,272
Operating Expenses	
Cost of water	8,313,886
Cost of sewage treatment	9,406,937
Other operating and maintenance costs	4,422,871
Billing and administrative costs	916,196
Depreciation	<u>4,558,470</u>
Total operating expenses	<u>27,618,360</u>
Operating Loss	(2,961,088)
Nonoperating Revenue (Expense)	
Investment income	927,068
Interest expense	(781,888)
Debt service charge	<u>2,372,299</u>
Total nonoperating revenue	<u>2,517,479</u>
Loss - Before contributions	(443,609)
Capital Contributions	
Tap-in fees	150,200
Lines donated by developers	<u>2,054,488</u>
Total capital contributions	<u>2,204,688</u>
Change in Net Position	1,761,079
Net Position - Beginning of year	<u>141,947,341</u>
Net Position - End of year	<u><u>\$ 143,708,420</u></u>

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2018

	<u>Enterprise Fund - Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 24,434,663
Internal activity - Receipts from other funds	26,041
Payments to suppliers	(20,842,964)
Payments to employees	(402,175)
Other payments	<u>(628,888)</u>
Net cash and cash equivalents provided by operating activities	2,586,677
Cash Flows from Capital and Related Financing Activities	
Issuance of bonds	2,806,573
Special assessment collections	44,353
Tap-in fees and other	150,200
Purchase of capital assets	(5,142,078)
Principal and interest paid on capital debt	(2,184,668)
Debt service charge	2,372,299
Contributions from other entities	<u>805,238</u>
Net cash and cash equivalents used in capital and related financing activities	(1,148,083)
Cash Flows from Investing Activities	
Interest received on investments	891,824
Purchase of investment securities	<u>(23,053,329)</u>
Net cash and cash equivalents used in investing activities	<u>(22,161,505)</u>
Net Decrease in Cash and Cash Equivalents	(20,722,911)
Cash and Cash Equivalents - Beginning of year	<u>63,219,601</u>
Cash and Cash Equivalents - End of year	<u>\$ 42,496,690</u>
Classification of Cash and Cash Equivalents - Cash and cash equivalents	<u>\$ 42,496,690</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (2,961,088)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	4,558,470
Changes in assets and liabilities:	
Receivables	(851,497)
Due to and from other funds	26,041
Prepaid and other assets	(103,057)
Accounts payable	<u>1,917,808</u>
Total adjustments	<u>5,547,765</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 2,586,677</u>
Significant Noncash Transactions - Lines donated by developers	\$ 2,054,488

City of Farmington Hills, Michigan

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2018

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 19,180,592	\$ 4,897,854
Investments:		
Stocks	91,969,821	-
Pooled funds	114,429,227	-
Exchange-traded funds	7,808,076	-
Receivables	102,883	29,413
Total assets	233,490,599	<u><u>\$ 4,927,267</u></u>
Liabilities		
Accounts payable	305,445	\$ -
Other liabilities	-	1,037,711
Due to primary government	406,228	-
Refundable deposits and bonds	-	3,889,556
Total liabilities	711,673	<u><u>\$ 4,927,267</u></u>
Net Position	<u><u>\$ 232,778,926</u></u>	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (expense):	
Interest and dividends	\$ 4,270,636
Net change in fair value of investments	13,871,656
Investment-related expenses	<u>(1,921,690)</u>
Net investment income	16,220,602
Contributions:	
Employer	6,530,186
Employee	<u>1,163,602</u>
Total contributions	<u>7,693,788</u>
Total additions	23,914,390
Deductions	
Benefit payments	13,753,117
Refunds of contributions	<u>138,624</u>
Total deductions	<u>13,891,741</u>
Net Increase in Restricted Net Position	10,022,649
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	<u>222,756,277</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	<u><u>\$ 232,778,926</u></u>

City of Farmington Hills, Michigan

Component Units Statement of Net Position

June 30, 2018

	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Corridor Improvement Authority</u>	<u>Total</u>
Assets - Cash and investments	\$ 322	\$ 1,571,441	\$ 111,618	\$ 1,683,381
Liabilities - Accounts payable	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Net Position - Unrestricted	<u><u>\$ 322</u></u>	<u><u>\$ 1,571,441</u></u>	<u><u>\$ 110,118</u></u>	<u><u>\$ 1,681,881</u></u>

City of Farmington Hills, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	5,733	-	9,900	-
Corridor Improvement Authority	30,813	-	-	-
Total component units	\$ 36,546	\$ -	\$ 9,900	\$ -

General revenue:
 Property taxes
 Unrestricted 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, 2018

Net Revenue (Expense) and Changes in Net Position			
Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ -	\$ -	\$ -	\$ -
-	4,167	-	4,167
-	-	(30,813)	(30,813)
-	4,167	(30,813)	(26,646)
-	304,067	8,518	312,585
7	13,827	2,308	16,142
7	317,894	10,826	328,727
7	322,061	(19,987)	302,081
315	1,249,380	130,105	1,379,800
\$ 322	\$ 1,571,441	\$ 110,118	\$ 1,681,881

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Farmington Hills, Michigan (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:

Reporting Entity

The City is governed by an elected seven-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 below for description).

Blended Component Units

The Farmington Hills Building Authority (the "Authority") is governed by a board appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor debt service fund.

Discretely Presented Component Units

The following component units are reported within the component units column in the financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units do not issue separate financial statements. However, the City's basic financial statements include the statement of net position and the activities of the component units. For all component units, the fund-based statements are the same as the government-wide level because there are no differences resulting from the different basis of accounting. Therefore, fund-based statements are not presented.

Economic Development Corporation

The Economic Development Corporation (the "EDC") was created to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. The EDC's governing body, which consists of nine individuals, is appointed by the City Council. In certain situations, members of the EDC board of directors may be removed by a majority vote of the City Council.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority (the "BRA") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The BRA's governing board of directors, consisting of nine members, is appointed by the mayor subject to approval by the City Council. In certain situations, members of the BRA board of directors may be removed by formal action of the City Council.

Corridor Improvement Authority

The Corridor Improvement Authority (the "CIA") was established to help correct and prevent deterioration in commercial corridor business districts, encourage historical preservation, and promote the economic growth of the districts. The CIA's governing body, consisting of seven members, is appointed by the mayor, subject to approval by the City Council. In certain situations, members of the CIA board of directors may be removed by formal action of the City Council.

Note 1 - Significant Accounting Policies (Continued)

Jointly Governed Organization

Jointly governed organizations are discussed in Note 16.

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, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- Major Roads Fund - The Major Roads Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.
- Local Roads Fund - The Local Roads Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Note 1 - Significant Accounting Policies (Continued)

- Capital Improvement Fund - The Capital Improvement Fund accounts for projects and equipment acquisitions in excess of \$25,000 financed by a portion of the millage from within the City Charter millage cap, allocated for this purpose by the City Council.
- Special Assessment Fund - Local Roads - The Special Assessment Fund - Local Roads is used to accumulate special assessment collections to be used to pay debt service costs for bonds issued for specific local improvements that benefit property owners.
- Public Safety Millage Fund - The Public Safety Millage Fund accounts for police and fire department staffing and equipment needs of the City. Financing is provided by a dedicated millage adopted by the electorate of the City.

Proprietary Funds

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise fund:

- Water and Sewer Fund - The Water and Sewer Fund accounts for the activity of the water distribution and sewage collection systems administered by Oakland County, Michigan.

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:

- Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Funds account for the activities of the employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- Agency Funds - The agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. They record primarily tax collections received and remitted to other units of government (the county, community college, school districts, etc.), as well as building bonds and deposits held for temporary periods.

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 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 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.

Note 1 - Significant Accounting Policies (Continued)

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.

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

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

Proprietary funds and fiduciary funds 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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value, as determined by management.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures 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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water and sewer distribution systems, 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.

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Roads and sidewalks	20 to 50
Water and sewer distribution systems	40 to 50
Drains	50
Land improvements	15 to 30
Buildings and building improvements	30 to 50
Vehicles	3 to 5
Machinery and equipment	7 to 20
Office equipment and furniture	5 to 7

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 bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. Long-term obligations are typically liquidated by the applicable debt service funds, the Local Roads Fund, and the Water and Sewer Fund.

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.

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

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred benefit on bond refunding	✓	
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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, 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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the finance director and the city manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 are billed on July 1 and become a lien at that time. These taxes are payable at the City until August 31 without penalty. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Significant Accounting Policies (Continued)

The 2017 final amended taxable valuation of the City totaled \$3,193,173,890, on which ad valorem taxes levied consisted of 8.3151 mills for operating purposes, 0.4817 mills for parks and recreation, 0.7359 mills for refuse, 0.0156 mills for public information, 1.9738 for roads, and 3.1348 mills for public safety. This resulted in approximately \$26,461,000 for operations, \$1,533,000 for parks and recreation, \$2,342,000 for refuse, \$50,000 for public information, \$6,304,000 for roads, and \$9,976,000 for public safety. These amounts are recognized in the respective General Fund, special revenue fund, and debt service fund financial statements as tax revenue, subsequent to Brownfield captures.

Pension

The City offers pension benefits to retirees. 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. The contributions made to the pensions to fund the liability will be made by the fund from which the employee's salary and wage was earned. Investments are reported at fair value.

Other Postemployment Benefits

The City offers retiree healthcare benefits to retirees. The City records a net OPEB asset or liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The contributions made to the pensions to fund the liability will be made by the fund from which the employee's salary and wage was earned. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation, sick, and personal pay as it is earned. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements. In prior years, the General Fund has been used to liquidate the liability for compensated absences.

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 is charges to customers for sales or 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. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Significant Accounting Policies (Continued)

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.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City adopts a formal budget for the General Fund and all special revenue funds, debt service funds, and capital projects funds. By February 1 of each year, all department heads submit spending requests to the finance director so that a budget may be prepared. The proposed budget is adopted no later than the first regular council meeting in June. The City Council must approve any budget amendments. During the year, the budget was amended in a legally permissible manner.

The budget is adopted on a departmental and activity total basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2018 for all funds is not significant.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

The budget information for revenue and expenditures presented for the General Fund, special revenue funds, debt service funds, and capital projects funds is a summarization of the actual adopted budget. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. A comparison of the adopted budget with the actual revenue and expenditures for the year is presented as required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures that were in excess of the amounts budgeted for the General Fund, Local Roads, Nutrition Grant Fund, Building Authority, and General Debt Service Fund. The General Fund incurred actual transfers out of \$7,027,485, while the City budgeted \$6,998,236 for transfers out. This resulted in an unfavorable variance of \$29,249. This unfavorable variance in the General Fund was caused by a transfer to the Nutrition Grant Fund that was underbudgeted. The Local Roads fund incurred actual expenditures of \$975,655 for debt service expenditures, while the City budgeted \$975,155 for debt service expenditures. This resulted in an unfavorable variance of \$500. This unfavorable variance in the Local Roads was caused by a higher paying agent fee than budgeted. The Nutrition Grant Fund incurred actual expenditures of \$520,191, while the City budgeted \$478,529 for expenditures. This resulted in an unfavorable variance of \$41,662. This unfavorable variance in the Nutrition Grant Fund was caused by higher than anticipated expenditures for supplies. The Building Authority debt service fund incurred actual expenditures of \$1,130,108, while the City budgeted \$1,130,059. This resulted in an unfavorable variance of \$49. This unfavorable variance in the Building Authority service debt fund was caused by higher than anticipated paying agent fee. The General Debt Service Fund incurred actual expenditures of \$543,263 for debt service expenditures, while the City budgeted \$543,213. This resulted in an unfavorable variance of \$50. The unfavorable variance was caused by higher than anticipated paying agent fee. The General Debt Service Fund incurred other financing uses of \$1,130,109, while the City budgeted \$1,129,934. This resulted in an unfavorable variance of \$175. The unfavorable variance was caused by a higher than anticipated transfer to the Building Authority debt service fund.

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 shortfall generated since July 1, 2000 is as follows:

Shortfall at July 1, 2017		\$ (2,215,775)
Current year permit revenue		1,330,631
Related expenses:		
Direct costs	\$ 912,896	
Estimated indirect costs	193,860	<u>1,106,756</u>
Current year surplus		<u>223,875</u>
Cumulative shortfall at June 30, 2018		<u><u>\$ (1,991,900)</u></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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree healthcare fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six banks/advisors for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all investments allowable under the state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority. As noted below, the City participates in the Oakland County, Michigan local government investment pool. This investment pool is not subject to regulatory oversight, is not registered with the SEC, and does not issue a separate financial report.

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's investment policy strives to minimize custodial credit risk by prequalifying the financial institutions, brokers/dealers, and intermediaries with which the City does business. At year end, the City had \$23,847,693 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At June 30, 2018, the component units of the City did not have any bank deposits as all amounts were maintained in investment pools.

Interest Rate Risk

City Policy

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.

Retirement and Healthcare System Policy

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The retirement system's investment policy does not restrict investment maturities. The retirement system allows for actively managed investments in domestic large-cap equities, domestic small/mid-cap equities, domestic fixed income, and international equities. At year end, the retirement system did not hold any investments subject to interest rate risk.

At year end, the City had the following investments:

Investment	Fair Value	Weighted- average Maturity
Primary Government		
U.S. Treasury and U.S. agency notes	\$ 28,356,428	287 days
Bank investment pool - Oakland County, Michigan	<u>29,771,907</u>	389 days
Total	<u>\$ 58,128,335</u>	

Note 3 - Deposits and Investments (Continued)

Credit Risk

City Policy

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.

Retirement and Healthcare System Policy

The retirement system and healthcare systems' domestic equity investments must be common stocks, real estate investment trusts, and securities convertible into the common stock of U.S.-based companies. Domestic fixed-income investments must be securities issued by the U.S. government and its agencies, U.S. corporations, Yankee bonds, notes, and securitized mortgages. Fixed-income securities must be rated BBB- or higher at time of purchase, except for collateralized mortgage obligations (CMOs), asset-backed securities, and mortgage-backed securities that shall be rated AAA at time of purchase. International securities must be in American Depositary Receipts (ADRs) or American Depositary Shares (ADSs) or depository securities of non-U.S.-based companies traded in the United States. These investments are deemed allowable by the retirement and healthcare system investment policy.

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

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Bank investment pool	\$ 15,696,797	AAAm	S&P
Bank investment pool	28,200,496	Not rated	N/A
Commercial paper	29,953,756	A-1	S&P
Total	<u>\$ 73,851,049</u>		
Retirement System			
Pooled investments/Mutual funds	\$ 9,175,122	Not rated	N/A
Health Care Fund			
Pooled investments/Mutual funds	14,009,310	Not rated	N/A
Total	<u>\$ 23,184,432</u>		
Component Units			
Pooled investments	\$ 111,940	AAAm	S&P
Pooled investments	1,571,411	Not rated	N/A
Total	<u>\$ 1,683,351</u>		

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

Retirement System

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. As of year end, the plan had multiple investments, which consisted mostly of pooled investments that exceeded 5.00 percent of the total portfolio. The plan had 12.25 percent invested in Loomis Core Plus, 5.62 percent in Vanguard FTSE Developed Markets Fund, and 8.22 percent in Edgewood Growth Institutional Fund.

Healthcare System

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. As of year end, the plan had multiple investments, which consisted mostly of pooled investments that exceeded 5.00 percent of the total portfolio. The plan had 8.13 percent invested in Edgewood Growth Fund, 5.07 percent invested in Vanguard FTSE Developed Markets Fund, and 9.29 percent invested in Loomis Sayles Investment Grade Bond Fund.

Risks and Uncertainties

The City invests in various securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

Note 4 - 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 assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the 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, 2018

Note 4 - Fair Value Measurements (Continued)

The City has the following recurring fair value measurements as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities:				
U.S. Treasury securities	\$ 4,977,350	\$ 11,650,274	\$ -	\$ 16,627,624
Agency bonds	-	11,728,804	-	11,728,804
Mutual funds - Fixed income	21,126,396	-	-	21,126,396
ETF - Fixed income	2,058,036	-	-	2,058,036
Total debt securities	28,161,782	23,379,078	-	51,540,860
Equity securities:				
Common stock	78,025,854	-	-	78,025,854
ETF - Equity	5,750,040	-	-	5,750,040
Mutual funds - Equity	31,345,504	-	-	31,345,504
ADR and U.S.-held foreign stock	-	13,943,967	-	13,943,967
Total equity securities	115,121,398	13,943,967	-	129,065,365
Private equity funds	-	-	23,078,499	23,078,499
Total investments by fair value level	\$ 143,283,180	\$ 37,323,045	\$ 23,078,499	203,684,724
Investments measured at net asset value (NAV):				
Pooled equity funds				38,878,828
External investment pools				45,580,644
Total investments measured at NAV				84,459,472
Total investments measured at fair value				\$ 288,144,196

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

The fair value of U.S. Treasury securities and agency bonds at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of ADRs and U.S.-held foreign stocks at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as the underlying security "best" price and exchange rate for the underlying security's currency against the U.S. dollar.

The fair value of private equity funds and partnership interests at June 30, 2018 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the fund's fair value, which would be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unfunded commitments on the private equity funds total \$21,966,485. There are no redemption restrictions associated with any of the Level 3 investments.

Note 4 - Fair Value Measurements (Continued)

The City has investments in commercial paper in the amount of \$29,953,756 that meet the criteria to be valued at cost or amortized cost at June 30, 2018.

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

Investments in Entities that Calculate Net Asset Value per Share

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

As of June 30, 2018, 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
Pooled equity funds	\$ 38,878,828	\$ -	None	N/A
External investment pools	45,580,644	-	None	N/A
Total investments measured at NAV	<u>\$ 84,459,472</u>	<u>\$ -</u>		

The pooled equity funds includes funds that invest in equity long/short hedge fund class, event-driven hedge fund class, global opportunities hedge fund class, and multistrategy hedge funds class. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The external investment pools include funds that invest in debt securities that include high-quality government, mortgage-backed, commercial mortgage-backed, and asset-backed securities. The fair value of the investments in this class has been estimated using the net asset value per share of the investments. There are no unfunded commitments or redemption restrictions.

The private equity funds class includes several private equity funds that invest in infrastructure, energy, shipping, real estate, and corporate debt securities.

June 30, 2018

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Transfers/ Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 16,797,017	\$ -	\$ -	\$ -	\$ 16,797,017
Construction in progress	20,903,973	(10,658,333)	4,702,647	(16,117)	14,932,170
Right of way	31,561,930	-	-	-	31,561,930
Subtotal	69,262,920	(10,658,333)	4,702,647	(16,117)	63,291,117
Capital assets being depreciated:					
Sidewalks	14,181,318	824,766	-	-	15,006,084
Drain rights	17,206,941	-	1,428,137	-	18,635,078
Buildings and improvements	64,819,988	-	-	(9,759)	64,810,229
Machinery and equipment	16,877,373	-	696,826	(1,447,069)	16,127,130
Vehicles	16,526,942	-	858,477	(726,176)	16,659,243
Office furnishings	4,216,150	-	27,256	(144,927)	4,098,479
Land improvements	20,249,610	163,955	356,565	(15,933)	20,754,197
Major roads	64,664,164	5,755,446	-	-	70,419,610
Local roads	84,229,397	3,914,166	-	-	88,143,563
Subtotal	302,971,883	10,658,333	3,367,261	(2,343,864)	314,653,613
Accumulated depreciation:					
Sidewalks	9,994,851	-	309,029	-	10,303,880
Drain rights	8,765,180	-	372,702	-	9,137,882
Buildings and improvements	36,263,476	-	1,593,719	(9,759)	37,847,436
Machinery and equipment	12,876,658	-	714,397	(1,447,069)	12,143,986
Vehicles	8,777,569	-	1,421,813	(648,809)	9,550,573
Office furnishings	3,788,638	-	149,592	(144,927)	3,793,303
Land improvements	15,831,391	-	597,412	(15,933)	16,412,870
Major roads	41,819,231	-	1,812,274	-	43,631,505
Local roads	71,260,426	-	1,326,793	-	72,587,219
Subtotal	209,377,420	-	8,297,731	(2,266,497)	215,408,654
Net capital assets being depreciated	93,594,463	10,658,333	(4,930,470)	(77,367)	99,244,959
Net governmental activities capital assets	<u>\$ 162,857,383</u>	<u>\$ -</u>	<u>\$ (227,823)</u>	<u>\$ (93,484)</u>	<u>\$ 162,536,076</u>

June 30, 2018

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Transfers/ Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated - Construction in progress	\$ 17,934,751	\$ (17,884,615)	\$ 1,048,926	\$ -	\$ 1,099,062
Capital assets being depreciated:					
Sewage disposal system	96,089,596	-	692,750	-	96,782,346
Water and sewer lines	91,436,722	17,884,615	4,649,652	-	113,970,989
Subtotal	187,526,318	17,884,615	5,342,402	-	210,753,335
Accumulated depreciation:					
Sewage disposal system	61,548,004	-	1,783,912	-	63,331,916
Water and sewer lines	47,671,005	-	2,774,558	-	50,445,563
Subtotal	109,219,009	-	4,558,470	-	113,777,479
Net capital assets being depreciated	78,307,309	17,884,615	783,932	-	96,975,856
Net business-type activity capital assets	<u>\$ 96,242,060</u>	<u>\$ -</u>	<u>\$ 1,832,858</u>	<u>\$ -</u>	<u>\$ 98,074,918</u>

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

Governmental activities:	
General government	\$ 1,208,239
Public safety	1,364,028
Public services	4,455,048
Community and economic development	154
Recreation and culture	1,270,262
Total governmental activities	<u>\$ 8,297,731</u>
Business-type activities - Water and sewer	<u>\$ 4,558,470</u>

Construction and Capital Asset Commitments

The City has active construction projects at year end. The projects include road improvements, water main improvements, and property purchases that were budgeted for and planned. At year end, the City's commitments are as follows:

	Spent to Date	Remaining Commitment
Road improvements	\$ 2,926,180	\$ 3,593,323
Water main improvements	795,545	103,683
Harrison High School property purchase	50,000	450,000
William Grace Elementary property purchase	-	256,500
Total	<u>\$ 3,771,725</u>	<u>\$ 4,403,506</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Roads Fund	\$ 323,326
	Local Roads Fund	246,000
	Public Safety Millage Fund	874,559
	Capital Improvement Fund	2,924
	Water and Sewer Fund	39,447
	Nonmajor governmental funds	175,933
	Total General Fund	1,662,189
Capital Improvement Fund	Nonmajor governmental funds	53,180
Special Assessment Fund	General Fund	955
	Local Roads Fund	500
	Total Special Assessment Fund	1,455
	Total	<u>\$ 1,716,824</u>

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Improvement Fund	\$ 5,455,122
	Nonmajor governmental funds	1,572,363
	Total General Fund	7,027,485
Major Roads Fund	Local Roads Fund	225,000
Local Roads Fund	Nonmajor governmental funds	176,935
Special Assessment Fund - Local Road	Nonmajor governmental funds	591,000
Nonmajor governmental funds	General Fund	1,307,850
	Major Roads Fund	4,235,125
	Local Roads Fund	2,055,621
	Nonmajor governmental funds	1,130,109
	Total nonmajor governmental funds	8,728,705
	Total	<u>\$ 16,749,125</u>

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

The transfers from the General Fund to the Capital Improvement Fund represent the movement of resources for capital improvements. The transfer from the General Fund to the nonmajor governmental funds represents the transfer of resources for debt service payments. The transfer from the Major Roads Fund to the Local Roads Fund represents the movement of resources for road improvements. The transfer from the Local Roads Fund to the nonmajor governmental funds represents the transfer of resources for debt service payments. The transfer from Special Assessment Fund - Local Roads to the nonmajor governmental funds represents the transfer of resources for debt service payments. The transfer from the nonmajor governmental funds to the Local Roads Fund and the Major Roads Fund represents the movement of resources for road improvements. The transfer from nonmajor governmental funds to the General Fund represents the movement of restricted funds to be used for restricted purposes in the General Fund. The transfers from nonmajor governmental funds to the other nonmajor governmental funds represent the transfer of resources for debt service payments.

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 that 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.

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds -							
2012 General Obligation Bonds:							
Amount of issue: \$970,000		\$65,000 -					
Maturing through 2026	2.00% - 3.00%	\$85,000	\$ 740,000	\$ -	\$ (65,000)	\$ 675,000	\$ 65,000
Building authority bonds:							
District Court Refunding Bonds, Series 2017:							
Amount of issue: \$3,805,000		\$940,000 -					
Maturing through 2021	1.05% - 1.90%	\$1,000,000	3,805,000	-	(870,000)	2,935,000	940,000
Building Authority Refunding Bonds, Series 2003:							
Amount of issue: \$2,910,000							
Maturing through 2018	4.00%	\$195,000	195,000	-	(195,000)	-	-
County contractual obligations:							
2013 Refunding Bonds - Golf Course:							
Amount of issue: \$6,545,000		\$315,000 -					
Maturing through 2031	2.00% - 3.50%	\$530,000	6,130,000	-	(360,000)	5,770,000	360,000
Less deferred amount - Bond premium			346,930	-	(25,231)	321,699	-
Districts 333, 334, 335, and 336 - Public improvements:							
Amount of issue: \$2,470,000		\$255,000 -					
Maturing through 2022	2.00% - 2.50%	\$265,000	1,320,000	-	(270,000)	1,050,000	265,000
Districts 345, 346 and 347 - 2016 Capital Improvement Bonds:							
Amount of issue: \$8,475,000		\$510,000 -					
Maturing through 2030	2.00% - 5.00%	\$655,000	8,475,000	-	(650,000)	7,825,000	655,000
Less deferred amount - Bond premium			439,327	-	(34,211)	405,116	-

June 30, 2018

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
District 349 - 2017 Capital Improvement Bonds:							
Amount of issue: \$1,225,000		\$70,000 -					
Maturing through 2031	2.00% - 3.00%	\$90,000	\$ 1,225,000	\$ -	\$ -	\$ 1,225,000	\$ 70,000
Less deferred amount - Bond premium			36,707	-	(2,447)	34,260	-
Total bonds payable			22,712,964	-	(2,471,889)	20,241,075	2,355,000
Other long-term obligations:							
Accumulated compensated absences			5,380,199	2,395,165	(2,381,135)	5,394,229	2,395,658
Estimated self-insurance claims			447,000	97,000	-	544,000	544,000
Total governmental activities long-term debt			\$ 28,540,163	\$ 2,492,165	\$ (4,853,024)	\$ 26,179,304	\$ 5,294,658

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Limited tax general obligation bonds:							
2013 Water Supply System Bonds:							
Amount of issue: \$6,800,000		\$295,000 -					
Maturing through 2032	2.00% - 3.13%	\$460,000	\$ 5,745,000	\$ -	\$ (285,000)	\$ 5,460,000	\$ 295,000
2014 Water Supply System Improvement Bonds:							
Amount of issue: \$8,800,000		\$275,000 -					
Maturing through 2034	2.00% - 3.00%	\$600,000	8,175,000	-	(350,000)	7,825,000	350,000
2014 Evergreen and Middlebelt Transport and Storage Tunnel Bonds:							
Amount of issue: \$19,570,005*		\$59,067 -					
Maturing through 2036	2.50%	\$785,880	16,060,124	2,278,228	(767,295)	17,571,057	785,880
2017 Evergreen and Farmington Sewage Disposal Systems Middlebelt Transport and Storage Tunnel Project Bond:							
Amount of issue: \$528,345		\$47,790 -					
Maturing through 2027	2.14%	\$61,065	-	528,345	-	528,345	47,790
Total business-type activities long-term debt			\$ 29,980,124	\$ 2,806,573	\$ (1,402,295)	\$ 31,384,402	\$ 1,478,670

* Issue of \$19,750,005 but only \$18,338,352 was drawn down in total as of June 30, 2018.

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 7 - Long-term Debt (Continued)

Total interest expense for the year was \$1,302,773. Annual debt service requirements to maturity for the above bonds and note obligations, excluding \$761,075 of unamortized premiums, are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 2,355,000	\$ 487,951	\$ 2,842,951	\$ 1,478,670	\$ 785,018	\$ 2,263,688
2020	2,445,000	436,831	2,881,831	1,527,255	751,151	2,278,406
2021	2,455,000	380,594	2,835,594	1,558,495	716,151	2,274,646
2022	1,500,000	321,826	1,821,826	1,609,735	680,225	2,289,960
2023	1,240,000	279,507	1,519,507	1,640,975	643,372	2,284,347
2024-2028	6,030,000	873,540	6,903,540	8,914,230	2,584,550	11,498,780
2029-2033	3,455,000	151,783	3,606,783	9,991,105	1,316,789	11,307,894
2034-2036	-	-	-	4,663,937	168,845	4,832,782
Total	\$ 19,480,000	\$ 2,932,032	\$ 22,412,032	\$ 31,384,402	\$ 7,646,101	\$ 39,030,503

Debt Issuance

The Evergreen and Middlebelt Sanitary Sewer Transport and Storage Tunnel Bonds are State Revolving Fund bonds, and the county has drawn down an additional \$4,290,448, of which 53.10 percent, or \$2,278,228, is the City's share. The bond interest rate is 2.50 percent. The proceeds were used for the construction on the sanitary sewer system.

During the year, Oakland County, Michigan, on the behalf of the City, issued the 2017 Evergreen and Farmington Sewage Disposal Systems Middlebelt Transport and Storage Tunnel Project Bond. The debt issuance was for \$995,000, of which 53.10 percent, or \$528,345, is the City's share. The bond interest rate is 2.14 percent. The proceeds were used for the construction on the sanitary sewer system.

Defeased Refundings

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2018, the City's portion of bonds outstanding that are considered defeased approximates \$8,600,000.

No Commitment Debt

The City has issued Variable Rate Demand Hospital Revenue and Refunding Bonds under state law, which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of June 30, 2018, there is approximately \$21,765,000 of no commitment debt outstanding.

Note 8 - Pension Plan Description

Plan Administration

The City of Farmington Hills Employees' Retirement System Pension Board administers the City of Farmington Hills Employees' Retirement System Pension Board - a cost-sharing defined benefit pension plan that provides retirement, disability, and death benefits for all eligible general, court, police, and fire plan members and their beneficiaries. Benefit terms have been established by employer policy and contractual agreements authorized by city ordinance, which may be amended by City Council actions.

Management of the plan is vested in the pension board, which consists of seven members - four elected by plan members, two appointed by City Council, and the city finance director/treasurer, who serves as an ex-officio member.

Plan Membership

At June 30, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	307
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	269
Total plan members	589

The general group was closed to new hires as follows:

- Nonunion and AFSCME Union - Effective July 1, 2006
- Dispatcher Union - Effective January 1, 2007
- Teamsters Union - Effective January 1, 2008
- District Court - Effective September 1, 2015

The general group consists of union employees from AFSCME and Teamsters, nonunion employees, court employees, executive employees, and dispatch employees. The general group does not include firefighters, police officers, and police command employees.

Benefits Provided

The pension plan provides retirement, disability, and death benefits to eligible plan members. Retirement benefits are calculated by multiplying the plan member's final average compensation (FAC) times the member's years of service times the multiplier applicable to the member's employee group. FAC is final average compensation consisting of the three highest consecutive years out of the last 10 years. FAC includes longevity on base pay for all employees plus lump-sum holiday pay for police, fire, and dispatch members. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed with plan net position. The multipliers per employee group are as follows:

General - AFSCME employees are eligible to retire if the sum of the plan member's age and years of service equals 80 (minimum age 55) or at the age of 60 with eight years of service. The multiplier for this group is 2.8 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 75 percent.

General - Nonunion, court, and Teamsters employees are eligible to retire if the sum of the plan member's age and years of service equals 80 (minimum age 55) or at the age of 60 with eight years of service. The multiplier for this group is 2.8 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 80 percent.

Note 8 - Pension Plan Description (Continued)

General - Executive employees are eligible to retire if the sum of the plan member's age and years of service equals 80 (minimum age 55) or at the age of 60 with eight years of service. The multiplier for this group is 3.0 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 80 percent.

General - Dispatch employees are eligible to retire if the sum of the plan member's age and years of service equals 80 (minimum age 55) or at the age of 60 with eight years of service. The multiplier for this group is 2.65 percent up to 25 years of service (until age 67) or 2.375 percent up to 25 years of service (at age 67) and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 70 percent.

Firefighters hired prior to July 1, 2008 are eligible to retire with 25 years of service, regardless of age. The multiplier for this group is 2.8 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 75 percent. Firefighters hired subsequent to July 1, 2008 are eligible to retire at the age of 50, with 25 years of service. The multiplier for this group is 2.25 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 60 percent.

Police command employees are eligible to retire at the age of 50 with 25 years of service, or 30 years of service regardless of age with a minimum of 25 years as a sworn police officer. The multiplier for this group is 3.0 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 80 percent.

Police officers hired prior to January 1, 2008 are eligible to retire with 25 years of service, regardless of age. The multiplier for this group is 2.8 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 75 percent. Police officers hired subsequent to January 1, 2008 are eligible to retire at the age of 50, with 25 years of service. The multiplier for this group is 2.25 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 60 percent.

An early retirement benefit is available and actuarially reduced from normal retirement age as follows:

- General employee - Age 57 with eight years of service
- Patrol/Fire employee - Age 50 with 20 years of service
- Police command employee - Age 50 with 15 years of service or under age 50 with 25 years of service as a sworn police officer

Plan members are eligible for deferred (vested) retirement benefits if a general employee has eight or more years of service (benefit begins at age 60) or a police/fire employee has 15 or more years of service (benefits generally begin at age 55).

In addition to the normal, early, and deferred retirement provisions, the system provides nonduty death benefits to qualifying members. A nonduty death benefit is computed as a regular retirement pension reduced in accordance with a 100 percent joint and survivor option and shall be paid for life to a surviving spouse of an employee provided the member attained age 57 and has eight years of service or the member has 10 or more years of credited service regardless of age and died while an employee of the City. The system also provides duty death benefits to qualifying members, which is computed as a duty disability retirement with no age or service requirements. A duty death pension shall be paid for life to a surviving spouse of an employee who dies in service. A duty disability benefit is also available in accordance with an established formula and has no age or service requirements.

Note 8 - Pension Plan Description (Continued)

Prior to retirement, but not thereafter, a member may elect to receive a retirement benefit by one of the following three methods:

1) *Straight-life Retirement Benefits*

This allowance is a benefit payable to the member throughout his or her life. This is a nonsurvivor benefit and terminates upon the death of the member.

2) *Survivor Allowance Options*

Under three available options, a retiree receives a reduced straight-life benefit, payable for life. Upon death, the reduced pension benefit will continue to be paid throughout the beneficiary's life at the percentage option selected. The reduction of straight-life benefit is actuarially determined based on the ages of the member and his or her beneficiary at the time of retirement and the percentage option of primary benefit chosen. A greater reduction of straight-life benefit will be made to provide 100 percent of the primary pension benefit rather than 75 percent or 50 percent.

The survivor allowance options are:

Option A - 100 percent of primary pension benefit

Option B - 75 percent of primary pension benefit

Option C - 50 percent of primary pension benefit

Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight-life benefit.

3) *Annuity Option*

All city and court employees are eligible for the annuity option.

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, the pension board retains an independent actuary to determine the annual contribution. 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. Contribution requirements of plan members are established and may be amended by the pension board in accordance with the city ordinance, union contracts, and plan provisions. For the year ended June 30, 2018, the average active member contribution rate was 4.50 percent of annual pay. The City's average contribution was 23.68 percent of annual payroll for police members and 20.57 percent of annual payroll for fire members. For general and court members, the City's contribution was \$2,462,813 and \$262,918, respectively.

Note 9 - Pension Plan Reserves

City of Farmington Hills Employees' Retirement System

In accordance with city ordinance, the following reserves are required to be set aside within the pension plan:

The retiree reserve is held in the retirement reserve fund and is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. Actuarially computed unfunded liabilities are to be covered by a transfer from the employer reserve. The amounts reserved may be used solely to pay monthly retiree benefit payments.

June 30, 2018

Note 9 - Pension Plan Reserves (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 5 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is held in the pension reserve fund and is used to account for the residual net position balance in the pension plan after funding the retiree reserve.

The balances of the reserve accounts at June 30, 2018 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 98,149,676	\$ 98,149,676
Employee reserve	17,375,659	17,375,659
Employer reserve	-	40,100,581

Note 10 - Pension Plan Investments - Policy and Rate of Return

City of Farmington Hills Employees' Retirement System

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board's adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
Domestic equity	36.50 %
International equity	22.50
Domestic bonds	14.50
International bonds	3.50
Real estate	3.50
Alternative assets	14.50
Cash or cash equivalents	5.00
Total	<u>100.00 %</u>

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.26 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2018

Note 11 - Net Pension Liability of the City

The components of the net pension liability of the City and the 47th District Court at June 30, 2018 were as follows:

Total pension liability	\$ 196,754,972
Plan fiduciary net position	<u>155,625,916</u>
Net pension liability	<u>\$ 41,129,056</u>

Plan fiduciary net position as a percentage of the total pension liability 79.10 %

The net pension liability of \$41,129,056 has been allocated separately to the City and to the 47th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 68 and, therefore, the City has not recorded the court's proportionate share of the net pension liability. The City's proportionate share of the net pension liability is \$39,249,558 at June 30, 2018.

The City has chosen to use June 30, 2018 as its measurement date for the net pension liability. The June 30, 2018 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2018. The June 30, 2018 total pension liability was determined by an actuarial valuation performed as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018.

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

Change in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2017	\$ 188,838,977	\$ 149,579,950	\$ 39,259,027
Service cost	3,357,565	-	3,357,565
Interest	13,858,941	-	13,858,941
Difference between expected and actual experience	77,423	-	77,423
Changes in actuarial assumption	2,085,820	-	2,085,820
Contributions - Employer	-	5,753,424	(5,753,424)
Contributions - Employee	-	914,277	(914,277)
Net investment income	-	10,968,769	(10,968,769)
Benefit payments, including refunds	(11,463,754)	(11,463,754)	-
Administrative expenses	-	(289,010)	289,010
Other	-	162,260	(162,260)
Net changes	<u>7,915,995</u>	<u>6,045,966</u>	<u>1,870,029</u>
Balance at June 30, 2018	<u>\$ 196,754,972</u>	<u>\$ 155,625,916</u>	<u>\$ 41,129,056</u>

June 30, 2018

Note 11 - Net Pension Liability of the City (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$8,375,617. At June 30, 2018, 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	\$ 58,338	\$ 1,180,593
Changes in assumptions	1,571,670	1,170,095
Net difference between projected and actual earnings on pension plan investments	<u>4,358,988</u>	<u>-</u>
Total	<u>\$ 5,988,996</u>	<u>\$ 2,350,688</u>

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

Years Ending June 30	Amount
2019	\$ 3,227,070
2020	1,018,311
2021	(946,373)
2022	<u>339,300</u>
Total	<u>\$ 3,638,308</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, which used update procedures to roll forward the estimated liability to June 30, 2018. The valuation used the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	4.50 - 23.50%	Average, including inflation
Investment rate of return	7.40%	Net of pension plan investment expense, including inflation

Mortality rates were based on the 2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB.

Discount Rate

The discount rate used to measure the total pension liability was 7.40 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.

Note 11 - Net Pension Liability of the City (Continued)

Projected Cash Flows

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.

The long-term expected rate of return on pension 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 pension 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 by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2018 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 table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.50 %
International equity	8.50
Domestic bonds	2.50
International bonds	3.50
Real estate	4.50
Alternative assets	5.30
Cash or cash equivalents	-

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

The following presents the net pension liability of the City and the 47th District Court, calculated using the discount rate of 7.40 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

	1 Percent Decrease (6.40%)	Current Discount Rate (7.40%)	1 Percent Increase (8.40%)
Net pension liability of the City	\$ 64,024,172	\$ 41,129,056	\$ 27,731,300

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

Note 12 - Defined Contribution Pension Plan

The City provides retirement benefits through a defined contribution plan to all of its full-time employees in the AFSCME, executive, and general employee groups hired on or after July 1, 2006; in the dispatcher group hired on or after January 1, 2007; and in the Teamster group hired on or after January 1, 2008. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by city ordinance and collective bargaining agreements, the City contributes 10 percent of the employees' base salary or wages plus longevity pay, and employees contribute 5 percent of their base salary or wage plus longevity pay. All contributions plus interest allocated to the employee's account are fully vested after seven years of service.

The current year contribution was calculated based on covered payroll of \$5,311,192, resulting in an employer contribution of \$531,119 and employee contributions of \$265,561. The City has recorded a payable to the defined contribution plan in the amount of \$10,609 at June 30, 2018.

Note 13 - Other Postemployment Benefits - Defined Contribution Plan

The City provides a Retirement Health Savings (RHS) account for eligible employees and their dependents. The plan covers AFSCME, executive, and general employees hired on or after July 1, 2006; dispatch employees hired on or after January 1, 2007; Teamster and POAM employees hired on or after January 1, 2008; and IAFF employees hired on or after July 1, 2008. This is a defined contribution plan administered by the City. The collective bargaining agreements and/or city ordinance require all employees to contribute 1.5 percent of their base salary or wage plus longevity pay. The City contributes \$100 per month for the dispatch employees, \$208 per month for police employees, and \$146 per month for all other participating employee groups. All contributions plus interest allocated to the employees' accounts are fully vested after seven years of service. Once plan members terminate employment, they are eligible to use all vested contributions for allowable medical related expenses.

During the year ended June 30, 2018, the City made contributions of \$277,915, and the plan members contributed \$135,094 to the plan.

Note 14 - Other Postemployment Benefit Plan

Plan Description

The City of Farmington Hills Employees' Retirement System Pension Board administers the City of Farmington Hills Post-Retirement Healthcare Finance Fund - a cost-sharing defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible general, court, police, and fire plan members and their beneficiaries.

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 in the pension board, which consists of seven members - four elected by plan members, two appointed by the City, and the City finance/treasurer, who serves as an ex-officio member.

Benefits Provided

The fund provides healthcare and prescription benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. Benefits terms have been established by employer policy and contractual agreements authorized by city ordinance, which may be amended by City Council actions.

Note 14 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	168
Active plan members	233
	<hr/>
Total plan members	401
	<hr/> <hr/>

Contributions

Contribution requirements of plan members are established and may be amended by the pension board in accordance with city ordinance, union contracts, and plan provisions. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2018, the City's contribution was \$776,762. Plan members are required to contribute at 1.50 percent of pay.

Net OPEB Asset

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB asset. The June 30, 2018 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, 2018 measurement date. The June 30, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2016.

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

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at July 1, 2017	\$ 68,092,266	\$ 73,176,327	\$ (5,084,061)
Changes for the year:			
Service cost	1,037,884	-	1,037,884
Interest	5,054,791	-	5,054,791
Differences between expected and actual experience	(866,514)	-	(866,514)
Contributions - Employer	-	776,762	(776,762)
Contributions - Employee	-	249,325	(249,325)
Net investment income	-	5,394,607	(5,394,607)
Benefit payments, including refunds	(2,427,987)	(2,427,987)	-
Administrative expenses	-	(19,643)	19,643
Miscellaneous other charges	-	3,619	(3,619)
	<hr/>	<hr/>	<hr/>
Net changes	2,798,174	3,976,683	(1,178,509)
	<hr/>	<hr/>	<hr/>
Balance at June 30, 2018	\$ 70,890,440	\$ 77,153,010	\$ (6,262,570)

The plan's fiduciary net position represents 108.83 percent of the total OPEB liability.

The net OPEB asset of \$6,262,570 has been allocated separately to the City and to the 47th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 75 and, therefore, the City has not recorded the court's proportionate share of the net OPEB asset. The City's proportionate share of the net OPEB asset is \$5,793,708 at June 30, 2018.

Note 14 - Other Postemployment Benefit Plan (Continued)

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$243,540.

At June 30, 2018, 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	\$ -	\$ 645,143
Net difference between projected and actual earnings on OPEB plan investments	29,934	-
Total	\$ 29,934	\$ 645,143

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
2019	\$ (149,013)
2020	(149,013)
2021	(149,013)
2022	(149,013)
2023	(19,157)
Total	\$ (615,209)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, which used updated procedures to roll forward the estimated liability to June 30, 2018. The valuation used the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%	
Healthcare cost trend rate	9.00%	Graded down to 3.50 percent
Salary increases	4.50 - 23.50%	Average, including inflation
Investment rate of return	7.50%	Net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50 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 14 - 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, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.50 %
International equity	8.50
Domestic bonds	2.50
International bonds	3.50
Real estate	4.50
Alternative assets	4.18
Cash or cash equivalents	-

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

The following presents the net OPEB asset of the City and the 47th District Court, calculated using the discount rate of 7.50 percent, as well as what the employers' 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 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability (asset)	\$ 2,341,608	\$ (6,262,570)	\$ (13,507,722)

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

The following presents the net OPEB asset of the City and the 47th District Court, calculated using the healthcare cost trend rate of 9.00 percent, as well as what the employers' net OPEB (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.00%) Decreasing to 2.50%)	Current Healthcare Cost Trend Rate (9.00%) Decreasing to 3.50%)	1 Percent Increase (10.00%) Decreasing to 4.50%)
Net OPEB (asset) liability	\$ (15,290,251)	\$ (6,262,570)	\$ 4,715,013

Note 14 - Other Postemployment Benefit Plan (Continued)

Investment Policy

The OPEB plan’s policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board’s adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
Domestic equity	25.00 %
International equity	18.00
Domestic bonds	19.00
International bonds	2.00
Real estate	5.00
Alternative assets	29.00
Cash or cash equivalents	2.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.16 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Plan Reserves

In accordance with city ordinance, the following reserves are required to be set aside within the OPEB plan:

The healthcare benefits reserve is held in a healthcare reserve fund and the amounts reserved may be used solely to pay retiree healthcare payments. The amount in the healthcare benefit reserve at June 30, 2018 was \$50,611,246.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record amount contributed by each employee and credits interest annually at a rate of 5 percent. For any employee who terminates before vesting in the healthcare plan, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the healthcare benefits reserve. The amount in the employee reserve at June 30, 2018 was \$5,471,479.

The employer reserve is used to account for the residual net position balance in the healthcare plan after funding the healthcare benefits reserve. The amount in the employer reserve at June 30, 2018 was \$21,070,285.

Note 15 - 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 participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims. As of September 2005, the City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations, including \$50,000 per specific claim and approximately \$2.5 million in aggregate claims (prior to September 2005, the City purchased commercial insurance for medical claims). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

The City estimates the liability for medical and general 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, which includes estimates of both future payments of losses and related claim adjustments expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the General Fund and within the governmental activities column in the statement of net position. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	
	2018	2017
Estimated liability - Beginning of year	\$ 562,690	\$ 1,301,887
Estimated claims incurred, including changes in estimates	3,336,865	2,527,600
Claim payments	<u>(3,239,865)</u>	<u>(3,266,797)</u>
Estimated liability - End of year	<u>\$ 659,690</u>	<u>\$ 562,690</u>

A total of \$544,000 of the estimated liability for claims incurred but not reported is included as a general long-term liability in the governmental activities. Included in the June 30, 2018 unpaid claims liability is \$115,690, which represents the accrual for claims incurred for medical costs, which is reported in accrued and other liabilities in the General Fund.

Note 16 - Joint Ventures

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington, Michigan. The City provides approximately 82.69 percent of the funding for the Michigan 47th District Court Administration Fund.

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission (the "Cable Commission") for the acquisition of equipment and improvements to a new facility to be used in its operation. As of June 30, 2017, the advance was repaid. The City historically has participated in the Southwest Oakland Cable Commission as a joint venture with the cities of Farmington and Novi, Michigan. Effective March 31, 2016, the Cable Commission was dissolved and liquidated by board resolution. The dissolution date was the last day of cable production and operating activities. After the dissolution date, the municipal corporations will assume any further responsibility for activities previously assigned to the Cable Commission. As of June 30, 2018, the Cable Commission's remaining assets include a transfer out to member communities for their share of the Cable Commission's net position. The City recorded a receivable of approximately \$27,000, which represents the City's portion of the net position as of June 30, 2018. Financial information for the joint venture can be obtained from the City of Farmington, Michigan at 23600 Liberty Street, Farmington, Michigan 48335.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Recycling Authority"). The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan and the Charter Township of Lyon. The joint venture receives its operating revenue from member contributions and miscellaneous income.

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

Complete financial statements for the 47th District Court Administration Fund and Resource Recovery and Recycling Authority of Southwest Oakland County can be obtained from the administrative offices at 31555 W. 11 Mile Road, Farmington Hills, MI 48336.

Note 17 - Fund Balance Constraints

The General Fund fund balance assignment for future expenditures of \$19,224,548 includes \$395,595 for subsequent year expenditures, \$920,000 for the corridor improvement authority, \$5,000,000 for the retirement system, \$355,000 for the activities center, \$400,000 for buses, \$200,000 for future inspections, \$500,000 for sidewalks/bike paths, \$1,000,000 for information technology, \$5,900,000 for storm water, \$400,000 for police patrol cars, \$300,000 public safety equipment, \$200,000 for communications, \$1,455,784 for citywide facilities improvement, and \$2,198,169 for subsequent years' budget requests.

Note 18 - Tax Abatements

The City receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974). Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 10 years.

For the fiscal year ended June 30, 2018, the City abated \$6,811 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 19 - Change in Accounting Principle

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements now include an asset for the overfunded portion of the City's retiree healthcare costs. Some of the change in this net OPEB asset will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund, other governmental funds, and any business-type/proprietary funds.

As a result of implementing this statement, the beginning net position of the governmental activities has been restated. The effect of this new standard was an increase in net position to record the net OPEB asset at June 30, 2017. Additionally, the net OPEB asset previously recorded in the government-wide statements in accordance with GASB Statement No. 45 has been eliminated.

The net effect of this change is as follows:

	<u>Net Position</u> <u>Governmental</u> <u>Activities</u>
Net position - June 30, 2017 - As previously reported	\$ 165,151,050
Adjustment for GASB Statement No. 75 - To record the net OPEB asset	4,878,208
Adjustment for GASB Statement No. 75 - To eliminate the net OPEB asset under GASB Statement No. 45	<u>(18,696)</u>
Net position - June 30, 2017 - As restated	<u>\$ 170,010,562</u>

The impact on the prior year changes in net position could not be determined.

Required Supplemental Information

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 30,742,979	\$ 30,828,702	\$ 30,827,101	\$ (1,601)
Intergovernmental:				
Federal grants	218,000	212,513	223,067	10,554
State-shared revenue and grants	7,412,427	8,121,395	8,196,649	75,254
Charges for services	10,685,145	10,628,037	11,062,483	434,446
Fines and forfeitures	2,205,438	1,946,000	2,085,541	139,541
Licenses and permits	1,475,215	1,138,749	1,417,161	278,412
Investment income	319,000	400,000	489,900	89,900
Other revenue:				
Local donations	263,000	261,500	273,269	11,769
Equipment rental	1,089,925	1,100,000	1,346,762	246,762
Other miscellaneous income	1,028,149	1,023,885	1,124,506	100,621
Total revenue	55,439,278	55,660,781	57,046,439	1,385,658
Expenditures				
Current services:				
General government:				
City Council	102,737	93,049	89,733	3,316
Board and commissions	2,725,501	2,739,363	2,717,647	21,716
City administration	645,130	621,238	625,065	(3,827)
Public information	464,805	394,560	376,235	18,325
Finance department	1,981,609	1,932,205	1,839,559	92,646
Clerk	651,182	633,161	605,963	27,198
Attorney	640,500	663,000	665,047	(2,047)
Human resources/personnel	392,471	409,955	407,872	2,083
Central services	1,253,772	1,213,345	1,188,027	25,318
Support services	4,341,961	4,334,762	4,185,440	149,322
Public safety:				
Police	14,853,293	14,411,426	14,250,428	160,998
Fire	5,589,932	5,543,468	5,633,716	(90,248)
Public services:				
Road maintenance	2,459,355	2,413,275	2,354,464	58,811
Administration	441,034	505,528	354,905	150,623
General refuse removal	3,817,985	3,888,872	3,839,842	49,030
Building maintenance	516,622	511,881	482,651	29,230
Maintenance facility	1,468,710	1,369,257	1,284,216	85,041
Engineering	1,249,197	1,145,251	1,043,607	101,644
Public service reimbursement from road fund	(2,111,790)	(2,117,341)	(2,046,384)	(70,957)
Community and economic development	1,779,959	1,637,202	1,598,518	38,684
Recreation and culture	8,014,436	8,099,435	7,967,971	131,464
Total expenditures	51,278,401	50,442,892	49,464,522	978,370
Excess of Revenue Over Expenditures	4,160,877	5,217,889	7,581,917	2,364,028
Other Financing Sources (Uses)				
Transfers in	1,307,850	1,307,850	1,307,850	-
Transfers out	(6,957,236)	(6,998,236)	(7,027,485)	(29,249)
Total other financing uses	(5,649,386)	(5,690,386)	(5,719,635)	(29,249)
Net Change in Fund Balance	(1,488,509)	(472,497)	1,862,282	2,334,779
Fund Balance - Beginning of year	33,163,876	33,163,876	33,163,876	-
Fund Balance - End of year	\$ 31,675,367	\$ 32,691,379	\$ 35,026,158	\$ 2,334,779

City of Farmington Hills, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Roads

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental:				
Federal grants	\$ 741,072	\$ 99,878	\$ 166,766	\$ 66,888
State and other sources	5,938,700	6,414,938	6,574,039	159,101
Investment income	23,000	30,000	46,590	16,590
Other revenue	129	185	247	62
Total revenue	6,702,901	6,545,001	6,787,642	242,641
Expenditures - Public works	11,430,965	8,132,199	7,046,217	1,085,982
Excess of Expenditures Over Revenue	(4,728,064)	(1,587,198)	(258,575)	1,328,623
Other Financing Sources (Uses)				
Transfers in	4,235,125	4,235,125	4,235,125	-
Transfers out	(225,000)	(225,000)	(225,000)	-
Total other financing sources	4,010,125	4,010,125	4,010,125	-
Net Change in Fund Balance	(717,939)	2,422,927	3,751,550	1,328,623
Fund Balance - Beginning of year	2,464,604	2,464,604	2,464,604	-
Fund Balance - End of year	\$ 1,746,665	\$ 4,887,531	\$ 6,216,154	\$ 1,328,623

City of Farmington Hills, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Local Roads

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 861,629	\$ 2,237,975	\$ 2,284,000	\$ 46,025
State-shared revenue and grants	2,050,275	2,237,367	2,241,290	3,923
Investment income	12,000	40,000	54,421	14,421
Other revenue	338,861	279,790	280,462	672
Total revenue	3,262,765	4,795,132	4,860,173	65,041
Expenditures				
Public works	8,847,868	6,125,750	3,996,419	2,129,331
Debt service	1,077,553	975,155	975,655	(500)
Total expenditures	9,925,421	7,100,905	4,972,074	2,128,831
Excess of Expenditures Over Revenue	(6,662,656)	(2,305,773)	(111,901)	2,193,872
Other Financing Sources (Uses)				
Transfers in	4,044,056	2,280,621	2,280,621	-
Transfers out	(176,935)	(176,935)	(176,935)	-
Face value of debt issue	2,400,000	-	-	-
Total other financing sources	6,267,121	2,103,686	2,103,686	-
Net Change in Fund Balance	(395,535)	(202,087)	1,991,785	2,193,872
Fund Balance - Beginning of year	4,175,010	4,175,010	4,175,010	-
Fund Balance - End of year	<u>\$ 3,779,475</u>	<u>\$ 3,972,923</u>	<u>\$ 6,166,795</u>	<u>\$ 2,193,872</u>

City of Farmington Hills, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Public Safety

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 9,960,389	\$ 9,942,712	\$ 9,975,904	\$ 33,192
State-shared revenue and grants	172,427	168,361	168,361	-
Investment income	40,000	80,000	88,735	8,735
Total revenue	10,172,816	10,191,073	10,233,000	41,927
Expenditures - Public safety	10,511,130	10,511,130	10,468,222	42,908
Net Change in Fund Balance	(338,314)	(320,057)	(235,222)	84,835
Fund Balance - Beginning of year	2,367,544	2,367,544	2,367,544	-
Fund Balance - End of year	<u><u>\$ 2,029,230</u></u>	<u><u>\$ 2,047,487</u></u>	<u><u>\$ 2,132,322</u></u>	<u><u>\$ 84,835</u></u>

City of Farmington Hills, Michigan

Required Supplemental Information Schedule of Pension Investment Returns Employees' Retirement System

**Last Ten Fiscal Years
Years Ended June 30**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return - Net of investment expense	7.26 %	12.30 %	(1.80)%	(0.40)%	16.50 %	10.70 %	(1.70)%	20.70 %	15.50 %	(15.30)%

Required Supplemental Information
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
Employees' Retirement System

Last Ten Fiscal Years

	2018	2017**	2016	2015	2014	2013*	2012*	2011*	2010*	2009*
Total Pension Liability										
Service cost	\$ 3,357,565	\$ 3,373,013	\$ 3,389,831	\$ 3,345,050	\$ 3,412,039	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	13,858,941	13,507,444	12,897,603	12,530,511	12,050,921	-	-	-	-	-
Changes in benefit terms	-	-	122,932	-	-	-	-	-	-	-
Differences between expected and actual experience	77,423	(1,021,725)	(677,524)	(1,437,308)	-	-	-	-	-	-
Changes in assumptions	2,085,820	-	(2,974,074)	-	-	-	-	-	-	-
Benefit payments, including refunds	(11,463,754)	(10,865,001)	(10,148,144)	(8,984,021)	(9,085,912)	-	-	-	-	-
Net Change in Total Pension Liability	7,915,995	4,993,731	2,610,624	5,454,232	6,377,048	-	-	-	-	-
Total Pension Liability - Beginning of year	188,838,977	183,845,246	175,347,196	169,892,964	163,515,916	-	-	-	-	-
Total Pension Liability - End of year	\$ 196,754,972	\$ 188,838,977	\$ 177,957,820	\$ 175,347,196	\$ 169,892,964	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - Employer	\$ 5,753,424	\$ 4,710,485	\$ 4,710,931	\$ 4,882,377	\$ 4,557,473	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	914,277	914,378	907,655	896,588	892,150	-	-	-	-	-
Net investment income (loss)	10,968,769	16,113,238	(3,173,808)	(1,418,620)	22,334,550	-	-	-	-	-
Administrative expenses	(289,010)	(289,700)	(284,222)	(409,172)	(304,659)	-	-	-	-	-
Benefit payments, including refunds	(11,463,754)	(10,865,001)	(10,148,142)	(8,984,023)	(9,085,912)	-	-	-	-	-
Other	162,260	1,055,743	641,977	6,212	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	6,045,966	11,639,143	(7,345,609)	(5,026,638)	18,393,602	-	-	-	-	-
Plan Fiduciary Net Position - Beginning of year	149,579,950	137,940,807	145,286,416	150,313,054	131,919,452	-	-	-	-	-
Plan Fiduciary Net Position - End of year	\$ 155,625,916	\$ 149,579,950	\$ 137,940,807	\$ 145,286,416	\$ 150,313,054	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability - Ending	\$ 41,129,056	\$ 39,259,027	\$ 40,017,013	\$ 30,060,780	\$ 19,579,910	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.10 %	79.21 %	77.51 %	82.86 %	88.48 %	- %	- %	- %	- %	- %
Covered Employee Payroll	\$ 20,036,687	\$ 19,980,215	\$ 19,857,814	\$ 20,213,039	\$ 21,343,777	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	205.27 %	196.49 %	201.52 %	148.72 %	91.74 %	- %	- %	- %	- %	- %

* GASB Statement No. 67 was implemented for fiscal year ended June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

** The June 30, 2016 total pension liability was restated in the June 30, 2017 actuarial valuation to include the retiree healthcare opt-out stipend payments.

City of Farmington Hills, Michigan

Required Supplemental Information Schedule of Investment Returns OPEB Plan

**Last Ten Fiscal Years
Years Ended June 30**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return - Net of investment expense	7.16 %	11.90 %	(1.70)%	(0.50)%	16.20 %	9.30 %	(0.10)%	19.40 %	12.10 %	(16.80)%

City of Farmington Hills, Michigan

Required Supplemental Information Schedule of Changes in the Net OPEB Asset and Related Ratios Postretirement Healthcare Finance Fund

Last Ten Fiscal Years

	2018	2017	2016*	2015*	2014*	2013*	2012*	2011*	2010*	2009*
Total OPEB Liability										
Service cost	\$ 1,037,884	\$ 1,051,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	5,054,791	4,851,673	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(866,514)	(826,276)	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(2,427,987)	(2,295,896)	-	-	-	-	-	-	-	-
Net Change in Total OPEB Liability	2,798,174	2,781,179	-	-	-	-	-	-	-	-
Total OPEB Liability - Beginning of year	68,092,266	65,311,087	-	-	-	-	-	-	-	-
Total OPEB Liability - End of year	\$ 70,890,440	\$ 68,092,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - Employer	\$ 776,762	\$ 1,794,724	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Active and inactive plan members not yet receiving benefits	249,325	255,459	-	-	-	-	-	-	-	-
Net investment income	5,394,607	8,093,512	-	-	-	-	-	-	-	-
Administrative expenses	(19,643)	(28,778)	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(2,427,987)	(2,295,896)	-	-	-	-	-	-	-	-
Other	3,619	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	3,976,683	7,819,021	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning of year	73,176,327	65,357,306	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - End of year	\$ 77,153,010	\$ 73,176,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Asset - Ending	\$ (6,262,570)	\$ (5,084,061)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	108.83 %	107.47 %	- %	- %	- %	- %	- %	- %	- %	- %

* GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Note: OPEB contributions are not based on a measure of pay and, therefore, covered employee payroll information has been omitted in accordance with GASB Statement No. 85.

Other Supplemental Information

City of Farmington Hills, Michigan

**Other Supplemental Information
Budgetary Comparison Schedules - Major Governmental Funds
Capital Improvement**

Year Ended June 30, 2018

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	(Under) Over Final Budget
Revenue				
Intergovernmental - Federal and other grants	\$ 200,000	\$ 488,495	\$ 18,180	\$ (470,315)
Investment income	3,000	21,000	24,553	3,553
Other revenue	-	9,000	9,180	180
Total revenue	203,000	518,495	51,913	(466,582)
Expenditures - Capital outlay	5,948,148	5,811,022	3,477,435	(2,333,587)
Excess of Expenditures Over Revenue	(5,745,148)	(5,292,527)	(3,425,522)	1,867,005
Other Financing Sources - Transfers in	5,505,122	5,475,122	5,455,122	(20,000)
Net Change in Fund Balance	(240,026)	182,595	2,029,600	1,847,005
Fund Balance - Beginning of year	1,751,470	1,751,470	1,751,470	-
Fund Balance - End of year	<u>\$ 1,511,444</u>	<u>\$ 1,934,065</u>	<u>\$ 3,781,070</u>	<u>\$ 1,847,005</u>

City of Farmington Hills, Michigan

Other Supplemental Information

Budgetary Comparison Schedules - Major Governmental Funds (Continued)

Special Assessments Fund - Local Roads Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Over (Under) Final Budget
Revenue				
Special assessments	\$ -	\$ -	\$ 687,048	\$ 687,048
Investment income	85,962	109,962	107,407	(2,555)
Other revenue	621,806	666,040	-	(666,040)
Total revenue	707,768	776,002	794,455	18,453
Expenditures				
Public services	9,302	9,075	8,120	(955)
Debt service	1,289,390	1,186,993	295,637	(891,356)
Total expenditures	1,298,692	1,196,068	303,757	(892,311)
Excess of Revenue (Under) Over Expenditures	(590,924)	(420,066)	490,698	910,764
Other Financing Sources (Uses)				
Transfers in	993,753	891,355	-	(891,355)
Transfers out	(591,000)	(591,000)	(591,000)	-
Total other financing sources (uses)	402,753	300,355	(591,000)	(891,355)
Net Change in Fund Balance	(188,171)	(119,711)	(100,302)	19,409
Fund Balance - Beginning of year	2,094,668	2,094,668	2,094,668	-
Fund Balance - End of year	\$ 1,906,497	\$ 1,974,957	\$ 1,994,366	\$ 19,409

City of Farmington Hills, Michigan

	Special Revenue Funds					
	Community Development Block Grant	Nutrition Grant	Forfeiture Funds	Municipal Street Fund	Parks and Recreation Special Millage	Deferred Special Assessment
Assets						
Cash and investments	\$ 9,431	\$ 142,548	\$ 1,245,701	\$ 37,468	\$ 756,634	\$ 53,159
Receivables	63,855	27,722	18,462	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-
Total assets	\$ 73,286	\$ 170,270	\$ 1,264,163	\$ 37,468	\$ 756,634	\$ 53,159
Liabilities						
Accounts payable	\$ 66,472	\$ 1,151	\$ 300,247	\$ -	\$ 50,729	\$ -
Due to other funds	6,814	169,119	3,180	-	-	-
Total liabilities	73,286	170,270	303,427	-	50,729	-
Deferred Inflows of Resources -						
Unavailable revenue	-	-	3,578	-	-	-
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted:						
Roads	-	-	-	37,468	-	-
Police	-	-	957,158	-	-	-
Parks and recreation	-	-	-	-	705,905	-
Committed - Special assessment projects	-	-	-	-	-	53,159
Assigned:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total fund balances	-	-	957,158	37,468	705,905	53,159
Total liabilities, deferred inflows of resources, and fund balances	\$ 73,286	\$ 170,270	\$ 1,264,163	\$ 37,468	\$ 756,634	\$ 53,159

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Debt Service Funds		Capital Project Funds			Total
Building Authority	General Debt Service	Golf Course Capital Improvement	Revolving Special Assessment	Community Center Renovation	
\$ 154	\$ 137,330	\$ 74,240	\$ 2,445,103	\$ 50,200	\$ 4,951,968
-	-	-	-	-	110,039
-	-	-	-	50,000	50,000
\$ 154	\$ 137,330	\$ 74,240	\$ 2,445,103	\$ 100,200	\$ 5,112,007
\$ -	\$ -	\$ 55,868	\$ -	\$ -	\$ 474,467
-	-	-	-	50,000	229,113
-	-	55,868	-	50,000	703,580
-	-	-	-	-	3,578
-	-	-	-	50,000	50,000
-	-	-	-	-	37,468
-	-	-	-	-	957,158
-	-	-	-	-	705,905
-	-	-	2,445,103	-	2,498,262
-	-	18,372	-	200	18,572
154	137,330	-	-	-	137,484
154	137,330	18,372	2,445,103	50,200	4,404,849
\$ 154	\$ 137,330	\$ 74,240	\$ 2,445,103	\$ 100,200	\$ 5,112,007

City of Farmington Hills, Michigan

	Special Revenue Funds					
	Community Development Block Grant	Nutrition Grant	Forfeiture Funds	Municipal Street Fund	Parks and Recreation Special Millage	Deferred Special Assessment
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 6,274,246	\$ 1,534,799	\$ -
Intergovernmental:						
Federal grants	401,696	187,124	348,820	-	-	-
State and other sources	-	124,620	56,781	-	66,280	-
Investment income	-	138	10,000	33,448	12,365	462
Other revenue	-	138,060	11,638	-	-	-
Total revenue	401,696	449,942	427,239	6,307,694	1,613,444	462
Expenditures						
Current services:						
General government	-	-	-	-	-	300
Public safety	-	-	204,509	-	-	-
Public works	-	-	-	750	-	-
Community and economic development	401,696	-	-	-	-	-
Recreation and culture	-	520,191	-	-	-	-
Capital outlay	-	-	-	-	250,186	-
Debt service	-	-	-	-	-	-
Total expenditures	401,696	520,191	204,509	750	250,186	300
Excess of Revenue (Under) Over Expenditures	-	(70,249)	222,730	6,306,944	1,363,258	162
Other Financing Sources (Uses)						
Transfers in	-	70,249	-	-	-	-
Transfers out	-	-	-	(6,290,746)	(1,307,850)	-
Total other financing sources (uses)	-	70,249	-	(6,290,746)	(1,307,850)	-
Net Change in Fund Balances	-	-	222,730	16,198	55,408	162
Fund Balances - Beginning of year	-	-	734,428	21,270	650,497	52,997
Fund Balances - End of year	\$ -	\$ -	\$ 957,158	\$ 37,468	\$ 705,905	\$ 53,159

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

Year Ended June 30, 2018

Debt Service Funds		Capital Project Funds			Total
Building Authority	General Debt Service	Golf Course Capital Improvement	Revolving Special Assessment	Community Center Renovation	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,809,045
-	-	-	-	-	937,640
-	-	-	-	-	247,681
1	3,280	398	8,020	200	68,312
-	241,119	36,460	-	-	427,277
1	244,399	36,858	8,020	200	9,489,955
-	-	-	-	-	300
-	-	-	-	-	204,509
-	-	-	-	-	750
900	-	-	1,295	-	403,891
-	-	-	-	-	520,191
-	-	75,096	-	-	325,282
1,129,208	543,263	-	-	-	1,672,471
1,130,108	543,263	75,096	1,295	-	3,127,394
(1,130,107)	(298,864)	(38,238)	6,725	200	6,362,561
1,130,109	1,422,162	29,952	767,935	50,000	3,470,407
-	(1,130,109)	-	-	-	(8,728,705)
1,130,109	292,053	29,952	767,935	50,000	(5,258,298)
2	(6,811)	(8,286)	774,660	50,200	1,104,263
152	144,141	26,658	1,670,443	-	3,300,586
\$ 154	\$ 137,330	\$ 18,372	\$ 2,445,103	\$ 50,200	\$ 4,404,849

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 Community Development Block Grant

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 342,503	\$ 430,400	\$ 401,696	\$ (28,704)
Expenditures - Community and economic development	342,503	410,400	401,696	8,704
Excess of Revenue Over Expenditures	-	20,000	-	(20,000)
Other Financing Uses - Transfers out	-	(20,000)	-	20,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ -	\$ -	\$ -	\$ -

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Nutrition Grant

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Intergovernmental:				
Federal grants	\$ 298,503	\$ 298,503	\$ 187,124	\$ (111,379)
State and other sources	-	-	124,620	124,620
Investment income	310	500	138	(362)
Other revenue	168,526	138,526	138,060	(466)
Total revenue	467,339	437,529	449,942	12,413
Expenditures - Recreation and culture	467,339	478,529	520,191	(41,662)
Excess of Expenditures Over Revenue	-	(41,000)	(70,249)	(29,249)
Other Financing Sources - Transfer in	-	41,000	70,249	29,249
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Forfeiture Funds

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Intergovernmental:				
Federal grants	\$ -	\$ 250,000	\$ 348,820	\$ 98,820
State and other sources	-	25,000	56,781	31,781
Investment income	-	7,300	10,000	2,700
Other revenue	-	11,638	11,638	-
Total revenue	-	293,938	427,239	133,301
Expenditures - Public safety	320,845	355,806	204,509	151,297
Net Change in Fund Balance	(320,845)	(61,868)	222,730	284,598
Fund Balance - Beginning of year	734,428	734,428	734,428	-
Fund Balance - End of year	\$ 413,583	\$ 672,560	\$ 957,158	\$ 284,598

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Municipal Street Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,271,496	\$ 6,260,343	\$ 6,274,246	\$ 13,903
Investment income	20,000	40,000	33,448	(6,552)
Total revenue	6,291,496	6,300,343	6,307,694	7,351
Expenditures - Public services	750	750	750	-
Excess of Revenue Over Expenditures	6,290,746	6,299,593	6,306,944	7,351
Other Financing Uses - Transfers out	(6,290,746)	(6,290,746)	(6,290,746)	-
Net Change in Fund Balance	-	8,847	16,198	7,351
Fund Balance - Beginning of year	21,270	21,270	21,270	-
Fund Balance - End of year	<u>\$ 21,270</u>	<u>\$ 30,117</u>	<u>\$ 37,468</u>	<u>\$ 7,351</u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Parks and Recreation Special Millage

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,531,113	\$ 1,527,818	\$ 1,534,799	\$ 6,981
Intergovernmental - State sources	26,499	66,279	66,280	1
Investment income	6,500	13,000	12,365	(635)
Total revenue	1,564,112	1,607,097	1,613,444	6,347
Expenditures - Capital outlay	486,730	486,350	250,186	236,164
Excess of Revenue Over Expenditures	1,077,382	1,120,747	1,363,258	242,511
Other Financing Uses - Transfers out	(1,307,850)	(1,307,850)	(1,307,850)	-
Net Change in Fund Balance	(230,468)	(187,103)	55,408	242,511
Fund Balance - Beginning of year	650,497	650,497	650,497	-
Fund Balance - End of year	<u>\$ 420,029</u>	<u>\$ 463,394</u>	<u>\$ 705,905</u>	<u>\$ 242,511</u>

City of Farmington Hills, Michigan

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Deferred Special Assessment

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 500	\$ 500	\$ 462	\$ (38)
Expenditures - General government	310	300	300	-
Net Change in Fund Balance	190	200	162	(38)
Fund Balance - Beginning of year	52,997	52,997	52,997	-
Fund Balance - End of year	<u>\$ 53,187</u>	<u>\$ 53,197</u>	<u>\$ 53,159</u>	<u>\$ (38)</u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Building Authority

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ -	\$ -	\$ 1	\$ 1
Expenditures				
General government	925	900	900	-
Debt service	1,129,159	1,129,159	1,129,208	(49)
Total expenditures	<u>1,130,084</u>	<u>1,130,059</u>	<u>1,130,108</u>	<u>(49)</u>
Excess of Expenditures Over Revenue	(1,130,084)	(1,130,059)	(1,130,107)	(48)
Other Financing Sources - Transfer in	<u>1,129,934</u>	<u>1,129,934</u>	<u>1,130,109</u>	<u>175</u>
Net Change in Fund Balance	(150)	(125)	2	127
Fund Balance - Beginning of year	<u>152</u>	<u>152</u>	<u>152</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 154</u></u>	<u><u>\$ 127</u></u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 General Debt Service

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 1,000	\$ 3,000	\$ 3,280	\$ 280
Other revenue	250,010	242,010	241,119	(891)
Total revenue	251,010	245,010	244,399	(611)
Expenditures - Debt service	627,038	543,213	543,263	(50)
Excess of Expenditures Over Revenue	(376,028)	(298,203)	(298,864)	(661)
Other Financing Sources (Uses)				
Transfers in	1,505,962	1,422,162	1,422,162	-
Transfers out	(1,129,934)	(1,129,934)	(1,130,109)	(175)
Total other financing sources	376,028	292,228	292,053	(175)
Net Change in Fund Balance	-	(5,975)	(6,811)	(836)
Fund Balance - Beginning of year	144,141	144,141	144,141	-
Fund Balance - End of year	<u>\$ 144,141</u>	<u>\$ 138,166</u>	<u>\$ 137,330</u>	<u>\$ (836)</u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Golf Course Capital Improvement

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 350	\$ 350	\$ 398	\$ 48
Other revenue	31,500	32,000	36,460	4,460
Total revenue	31,850	32,350	36,858	4,508
Expenditures - Capital outlay	67,205	76,734	75,096	1,638
Excess of Expenditures Over Revenue	(35,355)	(44,384)	(38,238)	6,146
Other Financing Sources - Transfers in	29,952	29,952	29,952	-
Net Change in Fund Balance	(5,403)	(14,432)	(8,286)	6,146
Fund Balance - Beginning of year	26,658	26,658	26,658	-
Fund Balance - End of year	<u>\$ 21,255</u>	<u>\$ 12,226</u>	<u>\$ 18,372</u>	<u>\$ 6,146</u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Revolving Special Assessment

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 3,000	\$ 9,500	\$ 8,020	\$ (1,480)
Expenditures - Public services	1,330	1,295	1,295	-
Excess of Revenue Over Expenditures	1,670	8,205	6,725	(1,480)
Other Financing Sources (Uses)				
Transfers in	767,935	767,935	767,935	-
Transfers out	(1,763,435)	-	-	-
Total other financing (uses) sources	(995,500)	767,935	767,935	-
Net Change in Fund Balance	(993,830)	776,140	774,660	(1,480)
Fund Balance - Beginning of year	1,670,443	1,670,443	1,670,443	-
Fund Balance - End of year	<u>\$ 676,613</u>	<u>\$ 2,446,583</u>	<u>\$ 2,445,103</u>	<u>\$ (1,480)</u>

City of Farmington Hills, Michigan

Other Supplemental Information
 Budgetary Comparison Schedules - Nonmajor Governmental Funds
 (Continued)
 Community Center Renovation Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ -	\$ -	\$ 200	\$ 200
Expenditures	-	-	-	-
Excess of Revenue Over Expenditures	-	-	200	200
Other Financing Sources (Uses)				
Transfers in	-	50,000	50,000	-
Transfers out	-	(50,000)	-	50,000
Total other financing sources	-	-	50,000	50,000
Net Change in Fund Balance	-	-	50,200	50,200
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,200</u>	<u>\$ 50,200</u>

City of Farmington Hills, Michigan

**Other Supplemental Information
Statement of Assets and Liabilities
Fiduciary Funds**

June 30, 2018

	Employees' Retirement System	Postretirement Healthcare Finance Fund	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 12,677,736	\$ 6,502,856	\$ 19,180,592
Investments:			
Pooled funds	83,978,645	30,450,582	114,429,227
Common stock	59,095,058	32,874,763	91,969,821
Exchange-traded funds	-	7,808,076	7,808,076
Receivables	93,203	9,680	102,883
Due from other funds	31,756	-	31,756
Total assets	155,876,398	77,645,957	233,522,355
Liabilities			
Accounts payable	230,896	74,549	305,445
Due to primary government	19,586	386,642	406,228
Due to other funds	-	31,756	31,756
Total liabilities	250,482	492,947	743,429
Net Position Restricted for Pension and Other Employee Benefits	\$ 155,625,916	\$ 77,153,010	\$ 232,778,926

City of Farmington Hills, Michigan

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

Year Ended June 30, 2018

	Employees' Retirement System	Postretirement Healthcare Finance Fund	Total
Additions			
Investment income (expense):			
Interest and dividends	\$ 2,546,976	\$ 1,723,660	\$ 4,270,636
Net change in fair value of investments	9,664,134	4,207,522	13,871,656
Investment-related expenses	(1,369,091)	(552,599)	(1,921,690)
Net investment income	10,842,019	5,378,583	16,220,602
Contributions:			
Employer	5,753,424	776,762	6,530,186
Employee	914,277	249,325	1,163,602
Total additions	17,509,720	6,404,670	23,914,390
Deductions			
Benefit payments	11,364,103	2,389,014	13,753,117
Refunds of contributions	99,651	38,973	138,624
Total deductions	11,463,754	2,427,987	13,891,741
Net Increase in Net Position Held in Trust	6,045,966	3,976,683	10,022,649
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	149,579,950	73,176,327	222,756,277
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 155,625,916	\$ 77,153,010	\$ 232,778,926

City of Farmington Hills, Michigan

**Other Supplemental Information
Statement of Assets and Liabilities
Agency Funds**

June 30, 2018

	<u>Tax Collections</u>	<u>General Agency</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 60,337	\$ 4,837,517	\$ 4,897,854
Receivables	-	29,413	29,413
Total assets	<u>\$ 60,337</u>	<u>\$ 4,866,930</u>	<u>\$ 4,927,267</u>
Liabilities			
Other liabilities	\$ 40,945	\$ 996,766	\$ 1,037,711
Refundable deposits and bonds	19,392	3,870,164	3,889,556
Total liabilities	<u>\$ 60,337</u>	<u>\$ 4,866,930</u>	<u>\$ 4,927,267</u>

City of Farmington Hills, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds

Year Ended June 30, 2018

	Tax Collections			
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets				
Cash and cash equivalents	\$ 74,694	\$ 104,497,674	\$(104,512,031)	\$ 60,337
Due from other funds	-	1,934	(1,934)	-
Total assets	\$ 74,694	\$ 104,499,608	\$(104,513,965)	\$ 60,337
Liabilities				
Tax collections distributable	\$ -	\$ 105,134,408	\$(105,134,408)	\$ -
Other liabilities	50,455	40,945	(50,455)	40,945
Refundable deposits and bonds	24,239	19,392	(24,239)	19,392
Total liabilities	\$ 74,694	\$ 105,194,745	\$(105,209,102)	\$ 60,337
	General Agency			
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets				
Cash and cash equivalents	\$ 4,722,555	\$ 2,891,207	\$ (2,776,245)	\$ 4,837,517
Receivables	-	29,413	-	29,413
Total assets	\$ 4,722,555	\$ 2,920,620	\$ (2,776,245)	\$ 4,866,930
Liabilities				
Other liabilities	\$ 927,169	\$ 1,595,354	\$ (1,525,757)	\$ 996,766
Refundable deposits and bonds	3,795,386	1,325,266	(1,250,488)	3,870,164
Total liabilities	\$ 4,722,555	\$ 2,920,620	\$ (2,776,245)	\$ 4,866,930
	Total Agency Funds			
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets				
Cash and cash equivalents	\$ 4,797,249	\$ 107,388,881	\$(107,288,276)	\$ 4,897,854
Receivables	-	29,413	-	29,413
Due from other funds	-	1,934	(1,934)	-
Total assets	\$ 4,797,249	\$ 107,420,228	\$(107,290,210)	\$ 4,927,267
Liabilities				
Tax collections distributable	\$ -	\$ 105,134,408	\$(105,134,408)	\$ -
Other liabilities	977,624	1,636,299	(1,576,212)	1,037,711
Refundable deposits and bonds	3,819,625	1,344,658	(1,274,727)	3,889,556
Total liabilities	\$ 4,797,249	\$ 108,115,365	\$(107,985,347)	\$ 4,927,267

Statistical Section

This part of the City of Farmington Hills' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statements.

Contents

Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity:

These schedules contain information to help the reader assess the locally levied taxes including the property tax collected by the city treasurer, which represents the City's largest revenue source.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

Demographic Information:

These schedules offer demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information:

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Position by Component Unit

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net investment in capital assets	\$ 128,237,651	\$ 140,816,579	\$ 144,671,857	\$ 139,887,283	\$ 134,600,611
Restricted	16,711,375	12,389,692	12,908,263	14,068,925	16,437,051
Unrestricted	<u>24,924,231</u>	<u>17,849,645</u>	<u>13,872,733</u>	<u>16,988,436</u>	<u>23,076,629</u>
Total net position	<u>\$ 169,873,257</u>	<u>\$ 171,055,916</u>	<u>\$ 171,452,853</u>	<u>\$ 170,944,644</u>	<u>\$ 174,114,291</u>
Business-type Activities:					
Net investment in capital assets	\$ 82,314,724	\$ 80,875,970	\$ 77,009,256	\$ 75,525,323	\$ 73,672,425
Restricted	-	-	-	-	-
Unrestricted	<u>56,555,093</u>	<u>59,332,378</u>	<u>60,957,980</u>	<u>61,849,983</u>	<u>65,142,322</u>
Total net position	<u>\$ 138,869,817</u>	<u>\$ 140,208,348</u>	<u>\$ 137,967,236</u>	<u>\$ 137,375,306</u>	<u>\$ 138,814,747</u>
Primary Government in Total:					
Net investment in capital assets	\$ 210,552,375	\$ 221,692,549	\$ 221,681,113	\$ 215,412,606	\$ 208,273,036
Restricted	16,711,375	12,389,692	12,908,263	14,068,925	16,437,051
Unrestricted	<u>81,479,324</u>	<u>77,182,023</u>	<u>74,830,713</u>	<u>78,838,419</u>	<u>88,218,951</u>
Total net position	<u>\$ 308,743,074</u>	<u>\$ 311,264,264</u>	<u>\$ 309,420,089</u>	<u>\$ 308,319,950</u>	<u>\$ 312,929,038</u>

City of Farmington Hills, Michigan

Net Position by Component Unit

Last Ten Fiscal Years

(Unaudited)

		Fiscal Year							
		2014	2015	2016	2017	2018			
\$	133,625,640	\$	132,814,511	\$	136,304,301	\$	140,687,061	\$	142,783,702
	16,177,067		14,835,556		17,383,179		25,378,243		27,413,324
	23,858,724		6,399,143		5,341,244		(914,254)		5,771,913
\$	173,661,431	\$	154,049,210	\$	159,028,724	\$	165,151,050	\$	175,968,939
\$	73,322,194	\$	65,547,709	\$	72,467,388	\$	66,261,936	\$	66,690,516
	-		-		-		-		-
	64,951,514		72,052,142		67,206,707		75,685,405		77,017,904
\$	138,273,708	\$	137,599,851	\$	139,674,095	\$	141,947,341	\$	143,708,420
\$	206,947,834	\$	198,362,220	\$	208,771,689	\$	206,948,997	\$	209,474,218
	16,177,067		14,835,556		17,383,179		25,378,243		27,413,324
	88,810,238		78,451,285		72,547,951		74,771,151		82,789,817
\$	311,935,139	\$	291,649,061	\$	298,702,819	\$	307,098,391	\$	319,677,359

Changes in Governmental Net Position

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Expenses:					
General government	\$ 12,594,812	\$ 11,834,878	\$ 11,447,146	\$ 11,860,089	\$ 11,601,249
Public safety	31,276,618	29,303,406	28,145,708	27,907,504	27,976,966
Public services	15,339,315	15,012,680	14,050,633	16,618,458	17,153,100
Community and economic development	2,557,494	2,627,503	2,551,394	2,127,764	2,221,027
Recreation and culture	8,952,811	8,660,742	8,292,558	9,656,597	9,423,101
Interest on long-term debt	<u>1,026,617</u>	<u>1,542,089</u>	<u>820,126</u>	<u>826,341</u>	<u>852,817</u>
Total expenses	71,747,667	68,981,298	65,307,565	68,996,753	69,228,260
Program revenues:					
Charges for services					
General government	3,973,987	4,290,538	4,454,832	4,266,458	4,881,804
Public safety	1,722,334	1,609,738	1,998,642	1,785,872	1,839,403
Public services	3,147,925	2,381,587	606,504	3,732,813	3,425,246
Community & economic development	1,063,207	521,998	320,955	339,168	684,312
Recreation and culture	<u>3,558,097</u>	<u>3,287,044</u>	<u>3,259,108</u>	<u>4,733,470</u>	<u>4,502,148</u>
Total charges for services	13,465,550	12,090,905	10,640,041	14,857,781	15,332,913
Operating grants and contributions	6,961,336	8,331,014	7,329,185	7,622,017	7,302,716
Capital grants and contributions	<u>5,216,521</u>	<u>2,509,096</u>	<u>2,171,050</u>	<u>952,324</u>	<u>141,774</u>
Total program revenue	25,643,407	22,931,015	20,140,276	23,432,122	22,777,403
Excess of Expenses Over Program Revenue	(46,104,260)	(46,050,283)	(45,167,289)	(45,564,631)	(46,450,857)
General revenues:					
Property taxes	44,515,945	41,422,186	37,311,396	36,296,428	40,043,211
State-shared revenues	6,359,311	5,655,971	5,668,550	6,162,235	6,164,601
Investment earnings	1,514,504	433,574	281,532	329,190	352,239
Gain (loss) on disposal	101,777	(109,127)	-	-	1,266
Miscellaneous	<u>440,413</u>	<u>520,769</u>	<u>1,171,166</u>	<u>2,282,454</u>	<u>3,048,777</u>
Total general revenues	52,931,950	47,923,373	44,432,644	45,070,307	49,610,094
Transfers	<u>(754,700)</u>	<u>(690,431)</u>	<u>1,131,582</u>	<u>(13,885)</u>	<u>10,410</u>
Change in net position	<u>\$ 6,072,990</u>	<u>\$ 1,182,659</u>	<u>\$ 396,937</u>	<u>\$ (508,209)</u>	<u>\$ 3,169,647</u>

Source: Annual financial statements

City of Farmington Hills, Michigan

Changes in Governmental Net Position

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ 14,315,814	\$ 13,799,558	\$ 16,208,153	\$ 12,966,197	\$ 15,468,684
26,778,223	30,663,569	31,598,884	32,569,828	33,101,621
18,265,922	17,710,227	19,333,197	20,560,119	20,292,975
1,383,537	1,582,677	2,175,213	1,938,615	2,013,872
8,470,535	8,774,076	9,000,976	8,990,365	9,768,867
704,688	734,698	499,969	571,203	521,785
69,918,719	73,264,805	78,816,392	77,596,327	81,167,804
4,952,419	4,982,503	5,623,842	5,825,246	5,248,109
1,858,740	2,115,647	2,098,423	2,170,085	2,070,345
2,162,983	1,929,655	2,135,470	2,046,939	2,174,599
226,124	352,890	561,734	368,733	80,679
4,403,579	4,450,090	4,638,028	4,744,048	4,858,219
13,603,845	13,830,785	15,057,497	15,155,051	14,431,951
7,938,020	8,858,842	11,345,832	16,625,862	11,125,360
209,289	331,999	148,957	175,637	851,238
21,751,154	23,021,626	26,552,286	31,956,550	26,408,549
(48,167,565)	(50,243,179)	(52,264,106)	(45,639,777)	(54,759,255)
38,910,074	39,015,386	46,644,560	46,432,310	48,612,050
6,359,066	6,477,230	6,773,437	7,824,407	8,112,310
414,038	396,972	718,517	518,714	879,918
-	-	-	-	-
2,083,279	3,401,950	3,107,106	2,625,365	3,113,354
47,766,457	49,291,538	57,243,620	57,400,796	60,717,632
(51,752)	(59,369)	-	-	-
\$ (452,860)	\$ (1,011,010)	\$ 4,979,514	\$ 11,761,019	\$ 5,958,377

Changes in Business-type Net Position

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Program Revenue					
Water and sewer	\$ 22,141,498	\$ 23,908,712	\$ 24,279,215	\$ 26,095,005	\$ 27,328,342
Ice arena	1,396,199	1,219,251	1,184,769	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	851,445	598,881	271,651	89,998	184,920
Capital and debt service charges	-	-	-	-	-
Total program revenue	<u>24,389,142</u>	<u>25,726,844</u>	<u>25,735,635</u>	<u>26,185,003</u>	<u>27,513,262</u>
Operating Expenses					
Water and sewer	24,687,573	24,571,599	26,181,647	27,121,031	26,084,669
Ice arena	1,421,484	1,272,895	1,229,841	-	-
Interest expense	185,705	142,699	120,815	-	164,044
Other	7,637	5,950	34,972	36,645	39,405
Total operating expenses	<u>26,302,399</u>	<u>25,993,143</u>	<u>27,567,275</u>	<u>27,157,676</u>	<u>26,288,118</u>
Net (Expenses) Revenue	(1,913,257)	(266,299)	(1,831,640)	(972,673)	1,225,144
General Revenue - Investment and other	1,526,290	914,399	722,110	366,858	231,707
Transfers	754,700	690,431	(1,131,582)	13,885	(10,410)
Total Change in Net Position	<u>\$ 367,733</u>	<u>\$ 1,338,531</u>	<u>\$ (2,241,112)</u>	<u>\$ (591,930)</u>	<u>\$ 1,446,441</u>
Change in Net Position - Primary Government	<u>\$ 6,440,723</u>	<u>\$ 2,521,190</u>	<u>\$ (1,844,175)</u>	<u>\$ (1,100,139)</u>	<u>\$ 4,616,088</u>

City of Farmington Hills, Michigan

Changes in Business-type Net Position

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ 24,749,466	\$ 25,401,057	\$ 26,460,743	\$ 27,747,324	\$ 27,029,571
-	-	-	-	-
-	-	-	-	-
281,559	352,150	265,413	847,316	2,204,688
-	-	-	-	-
<u>25,031,025</u>	<u>25,753,207</u>	<u>26,726,156</u>	<u>28,594,640</u>	<u>29,234,259</u>
26,344,508	26,769,838	24,962,971	26,340,919	27,618,360
-	-	-	-	-
166,488	322,305	426,514	556,588	781,888
40,745	-	-	-	-
<u>26,551,741</u>	<u>27,092,143</u>	<u>25,389,485</u>	<u>26,897,507</u>	<u>28,400,248</u>
(1,520,716)	(1,338,936)	1,336,671	1,697,133	834,011
920,925	605,710	737,573	576,113	927,068
51,752	59,369	-	-	-
<u>\$ (548,039)</u>	<u>\$ (673,857)</u>	<u>\$ 2,074,244</u>	<u>\$ 2,273,246</u>	<u>\$ 1,761,079</u>
<u>\$ (1,000,899)</u>	<u>\$ (1,684,867)</u>	<u>\$ 7,053,758</u>	<u>\$ 14,034,265</u>	<u>\$ 7,719,456</u>

City of Farmington Hills, Michigan

Fund Balances – Governmental Funds

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 1,619,626	\$ 1,417,815	\$ -	\$ -	\$ -
Unreserved	16,044,583	12,307,283	-	-	-
Nonspendable	-	-	1,117,317	945,439	893,952
Restricted	-	-	-	-	-
Assigned	-	-	4,155,457	7,017,349	11,577,446
Unassigned	-	-	9,437,112	10,048,155	10,704,367
Total general fund	17,664,209	13,725,098	14,709,886	18,010,943	23,175,765
All other governmental funds:					
Reserved	-	-	-	-	-
Unreserved reported in:					
Special revenue funds	9,186,589	8,767,426	-	-	-
Capital project funds	12,687,844	5,742,432	-	-	-
Debt service funds	3,127,737	1,941,551	-	-	-
Nonspendable					
Special revenue funds	-	-	-	122,063	-
Capital project funds	-	-	-	-	-
Restricted					
Special revenue funds	-	-	7,161,071	6,696,348	8,125,155
Capital project funds	-	-	2,308	-	-
Debt service funds	-	-	1,620,018	910,852	2,090,379
Committed					
Special revenue funds	-	-	53,029	52,953	52,673
Capital project funds	-	-	500,606	1,125,361	1,937,953
Debt service funds	-	-	-	-	-
Assigned					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	3,678,552	3,745,413	4,599,724
Debt service funds	-	-	165,439	186,844	9,549
Total all other governmental funds	<u>\$ 25,002,170</u>	<u>\$ 16,451,409</u>	<u>\$ 13,181,023</u>	<u>\$ 12,839,834</u>	<u>\$ 16,815,433</u>

Note: Fund balance classifications were changed as a result of implementation of GASB Statement No. 54.
 Source: Annual Financial Statements

City of Farmington Hills, Michigan

Fund Balances – Governmental Funds

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
996,654	839,501	1,032,308	983,364	838,111
22,408	22,408	22,409	22,409	67,065
12,178,626	12,888,638	16,409,880	17,599,194	19,224,548
<u>11,599,339</u>	<u>13,987,360</u>	<u>13,418,341</u>	<u>14,558,909</u>	<u>14,896,434</u>
24,797,027	27,737,907	30,882,938	33,163,876	35,026,158
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(279,629)	-	-	-	-
-	32	-	199,698	-
-	2,405	-	-	78,500
8,532,419	8,217,395	9,301,626	10,213,655	16,215,802
796,306	-	-	-	-
2,177,737	2,097,263	2,113,034	2,094,668	1,994,366
52,534	52,536	52,986	52,997	53,159
643,726	241,695	874,876	1,670,443	2,445,103
-	-	-	-	-
-	150,000	-	-	-
2,386,920	2,126,379	2,902,057	1,778,128	3,771,142
<u>164,698</u>	<u>162,297</u>	<u>162,344</u>	<u>144,293</u>	<u>137,484</u>
\$ 14,474,711	\$ 13,050,002	\$ 15,406,923	\$ 16,153,882	\$ 24,695,556

City of Farmington Hills, Michigan

Change in Fund Balances – Governmental Funds

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Revenue					
Property taxes	\$ 44,515,945	\$ 41,422,186	\$ 37,310,917	\$ 36,296,428	\$ 40,042,754
Licenses and permits	716,955	696,238	959,129	828,944	1,392,631
Federal grants	2,864,889	1,657,364	1,570,264	1,553,090	1,574,646
State-shared revenue and grants	12,378,168	11,261,806	11,403,975	12,065,581	12,070,546
Other grants and contributions	224,610	1,244,571	78,239	9,442	167,114
Special assessments	1,100,546	1,371,632	1,180,232	825,939	1,522,384
Charges for services	7,402,985	8,009,200	8,296,569	10,094,367	10,391,874
Fines and forfeitures	2,706,691	2,490,154	2,264,792	2,149,847	2,113,071
Investment income	1,514,504	433,574	281,532	329,190	352,239
Other and equipment rental	1,426,202	1,091,066	1,542,806	2,704,835	2,771,017
Total revenue	74,851,495	69,677,791	64,888,455	66,857,663	72,398,276
Expenditures					
Current:					
General government	11,352,739	11,168,240	9,944,032	9,927,183	9,786,890
Public safety	30,110,010	28,579,181	26,678,671	26,872,083	26,737,217
Public services	8,579,318	9,627,908	8,842,900	12,120,024	12,114,741
Community and economic development	2,491,450	2,678,034	2,544,986	2,049,923	2,173,913
Recreation and culture	7,620,314	7,071,455	7,000,012	7,869,482	7,697,595
Other	10,194	-	-	-	-
Capital outlay	8,574,340	18,219,667	8,672,572	2,347,706	5,571,436
Debt service principal	2,709,552	2,510,789	2,492,362	1,886,273	1,823,071
Debt service interest and fees	1,087,476	1,621,958	840,828	811,236	886,949
Total expenditures	72,535,393	81,477,232	67,016,363	63,883,910	66,791,812
Excess of Revenue Over (Under) Expenditures	2,316,102	(11,799,441)	(2,127,908)	2,973,753	5,606,464
Other Financing Sources (Uses)					
Debt issuance	-	-	-	-	3,523,547
Transfers in	9,478,961	9,612,220	6,637,322	6,644,366	10,143,304
Transfers out	(10,233,661)	(10,302,651)	(6,795,012)	(6,658,251)	(10,132,894)
Debt defeasance	-	-	-	-	-
Total other financing sources (uses)	(754,700)	(690,431)	(157,690)	(13,885)	3,533,957
Net change in fund balances	1,561,402	(12,489,872)	(2,285,598)	2,959,868	9,140,421
Fund Balances - Beginning of year	41,104,977	42,666,379	30,176,507	27,890,909	30,850,777
Fund Balances - End of year	\$ 42,666,379	\$ 30,176,507	\$ 27,890,909	\$ 30,850,777	\$ 39,991,198
Ratio of Total Debt Service to Noncapital Expenditures	5.94%	6.53%	5.71%	4.38%	4.43%

Source: Annual Financial Statements

City of Farmington Hills, Michigan

Change in Fund Balances – Governmental Funds

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30				
2014	2015	2016	2017	2018
\$ 38,909,350	\$ 39,244,016	\$ 46,644,560	\$ 46,432,310	\$ 48,612,050
1,357,184	1,224,287	1,558,094	1,913,682	1,417,161
1,250,376	1,187,938	1,321,952	1,528,952	1,345,653
12,822,738	13,441,669	14,284,441	15,546,926	17,428,020
255,452	280,500	254,787	259,606	273,269
1,103,197	954,676	1,267,377	2,102,178	2,284,000
9,598,537	10,228,020	11,020,824	10,939,531	11,062,483
2,141,689	2,179,726	2,145,354	2,006,801	2,085,541
414,038	396,972	718,517	518,714	879,918
<u>2,300,826</u>	<u>3,340,370</u>	<u>2,778,508</u>	<u>2,995,515</u>	<u>3,875,482</u>
70,153,387	72,478,174	81,994,414	84,244,215	89,263,577
13,584,599	12,087,690	11,924,336	12,354,442	12,700,888
26,920,590	28,781,433	28,583,053	29,916,423	30,556,875
12,863,648	12,388,557	14,299,423	15,523,489	18,382,622
1,542,280	1,559,679	2,141,207	2,024,943	1,984,459
7,102,151	7,521,804	7,789,813	7,862,950	8,488,297
-	-	-	-	-
5,980,088	5,695,657	9,723,407	21,574,339	3,802,717
2,120,284	2,130,512	1,550,231	1,640,000	2,410,000
707,455	737,302	480,992	571,018	533,763
<u>70,821,095</u>	<u>70,902,634</u>	<u>76,492,462</u>	<u>91,467,604</u>	<u>78,859,621</u>
(667,708)	1,575,540	5,501,952	(7,223,389)	10,403,956
-	-	-	14,015,246	-
10,402,521	10,291,938	14,270,227	17,870,989	16,749,125
(10,454,273)	(10,351,307)	(14,270,227)	(17,870,989)	(16,749,125)
-	-	-	(3,763,960)	-
<u>(51,752)</u>	<u>(59,369)</u>	<u>-</u>	<u>10,251,286</u>	<u>-</u>
(719,460)	1,516,171	5,501,952	3,027,897	10,403,956
<u>39,991,198</u>	<u>39,271,738</u>	<u>40,787,909</u>	<u>46,289,861</u>	<u>49,317,758</u>
<u>\$ 39,271,738</u>	<u>\$ 40,787,909</u>	<u>\$ 46,289,861</u>	<u>\$ 49,317,758</u>	<u>\$ 59,721,714</u>
4.36%	4.40%	3.04%	3.16%	3.92%

City of Farmington Hills, Michigan

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

Taxable Value by Property Type (1)

Real Property

Tax Year	Residential	Commercial	Industrial	Personal Property
2009	2,678,367,510	922,563,600	287,879,390	276,198,070
2010	2,265,145,125	842,383,500	246,302,990	259,823,290
2011	2,070,714,280	814,312,450	146,524,070	252,232,440
2012	1,998,603,460	734,201,260	102,233,330	245,166,290
2013	2,019,538,140	683,545,680	92,935,440	247,268,750
2014	2,071,108,470	654,855,950	92,381,530	235,714,160
2015	2,140,673,280	647,245,830	94,923,440	245,515,980
2016	2,181,346,960	649,105,680	93,312,600	203,299,780
2017	2,244,198,190	666,176,630	94,984,180	202,500,580
2018	2,328,645,800	686,193,840	105,437,480	195,872,700

(1) Under Michigan law, the revenue base is taxable value. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Source: City Assessing Department records

Tax Year	Millage			Total Direct Taxes	Overlapping			Oakland Community College	Schoolcraft Community College
	General Operating	Debt	Voted Special Purpose		County	OCPTA	Library		
2008	7.0368	0.5402	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844	1.7467
2009	7.5301	0.5269	1.9646	10.0216	4.6461	0.5900	1.5856	1.5844	1.7967
2010	7.4089	0.6481	1.9646	10.0216	4.6461	0.5900	1.5856	1.5844	1.7967
2011	8.1522	0.5012	1.9646	10.6180	4.6461	0.5900	1.5856	1.5844	1.7967
2012	8.1163	0.5697	3.6646	12.3506	4.6461	0.5900	1.5856	1.5844	1.7967
2013	8.0579	0.6313	3.6646	12.3538	4.6461	0.5900	1.5856	1.5844	1.7967
2014	8.0792	0.6368	3.6646	12.3806	4.6461	1.0000	1.5856	1.5844	1.7967
2015	8.2774	0.4488	5.6646	14.3908	4.5456	0.9998	1.5856	1.5819	1.7967
2016	8.2218	0.4671	5.6384	14.3273	4.4938	0.9941	1.5781	1.5707	1.7880
2017	8.6232	0.4434	5.5903	14.6569	4.4908	0.9863	1.5644	1.5555	1.7766

* Includes Capital, Refuse Removal and Economic Development Millages

Source: City Assessing Department records

City of Farmington Hills, Michigan

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

IFT	Total Value	Tax Rate (mills)	Estimated Actual Value	Taxable Value as a % of Actual
2,954,480	4,167,963,050	10.0216	4,300,702,530	96.91%
1,962,820	3,615,617,725	10.0216	3,681,476,945	98.21%
2,145,600	3,285,928,840	10.6180	3,316,262,400	99.09%
1,871,620	3,082,075,960	12.3506	3,109,995,440	99.10%
2,557,680	3,045,845,690	12.3538	3,087,553,500	98.65%
2,101,850	3,056,161,960	12.3806	3,260,293,240	93.74%
1,515,030	3,129,873,560	14.3908	3,555,094,530	88.04%
1,036,930	3,128,101,950	14.3273	3,752,944,510	83.35%
929,350	3,208,788,930	14.6569	3,975,835,450	80.71%
846,360	3,316,996,180	14.5797	4,151,773,160	79.89%

Direct and Overlapping Property Tax Rates

Overlapping Taxes									
Intermediate School District	State Education	School: Homestead Farmington	School: Homestead Clarenceville	School: Homestead Walled Lake	School: Non-Homestead Farmington	School: Non-Homestead Clarenceville	School: Non-Homestead Walled Lake	Zoo Authority	Art Institute
3.3690	6.0000	9.6915	5.0892	6.5722	19.8000	22.5000	22.7900	-	-
3.3690	6.0000	10.1442	5.1146	6.4793	19.8000	22.5000	22.5000	0.1000	-
3.3690	6.0000	12.0278	5.1922	6.7508	20.1000	22.5000	22.5000	0.1000	-
3.3690	6.0000	12.3334	4.5000	6.8812	20.1800	22.5000	22.5000	0.1000	-
3.3690	6.0000	13.3810	4.5000	7.0254	20.5600	22.5000	22.5600	0.1000	0.2000
3.3690	6.0000	13.0140	4.5000	7.4730	20.5600	22.5000	23.1445	0.1000	0.2000
3.3690	6.0000	11.7472	4.5000	7.6843	20.2600	22.5000	23.4872	0.1000	0.2000
3.3633	6.0000	12.4418	4.5000	7.2841	21.4400	22.5000	23.1180	0.0998	0.1996
3.3398	6.0000	12.1482	4.5000	7.0150	21.4400	22.5000	22.9279	0.0990	0.1981
3.3079	6.0000	11.4268	4.5000	6.9458	21.3000	22.5000	20.4179	0.0980	0.1961

Principal Property Taxpayers

Last Ten Fiscal Years

(Unaudited)

Taxpayer	2018 Taxable Value	Percentage of Total	2009 Taxable Value	Percentage of Total	2009 Rank
1 Oakland Management Co.	65,858,000	1.99	78,608,630	1.89	1
2 Detroit Edison	36,221,340	1.09	25,658,740	0.62	5
3 FH Corporate Investors (Kojaian)	21,439,510	0.65	57,656,390	1.38	2
4 Independence Green Apts	19,988,820	0.60	19,347,590	0.46	8
5 Green Hill Apartments	18,059,430	0.54	16,152,380	0.39	13
6 Nissan Corp	15,715,560	0.47	38,874,520	0.93	4
7 Robert Bosch Corp	14,435,670	0.44	42,661,390	1.02	3
8 Ramco/Lion Venture LP	14,352,560	0.43	19,668,870	0.47	7
9 Consumers Energy	13,735,030	0.41	N/A		
10 Finsilver Friedman	13,247,030	0.40	N/A		

Source: City Assessing Department Records

City of Farmington Hills, Michigan

Property Tax Levies and Collections

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Levy (1)	Collections	Percent Collected	Delinquent Collections (Real)	Total Tax Collections	Percent of Levy Collected
2009	44,006,766	42,669,852	96.96%	964,304	43,634,156	99.15%
2010	41,425,383	40,166,471	96.96%	987,383	41,153,854	99.34%
2011	35,915,797	34,911,860	97.20%	915,419	35,827,279	99.75%
2012	34,427,859	33,549,142	97.45%	854,721	34,403,863	99.93%
2013	37,762,324	36,966,855	97.89%	670,497	37,637,352	99.67%
2014	37,629,773	36,922,255	98.12%	650,236	37,572,491	99.85%
2015	37,756,272	37,247,698	98.65%	464,793	37,712,491	99.88%
2016	44,773,169	44,164,096	98.64%	563,701	44,727,797	99.90%
2017	44,753,190	44,190,157	98.74%	525,565	44,715,722	99.92%
2018	46,939,639	46,311,617	98.66%	585,082	46,896,699	99.91%

(1) Does not include penalty and interest on late payment of taxes.

Source: City Treasurer's Office records

Ratios of Outstanding Debt

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Governmental Activities:					
General obligation bonds	\$ 18,105,000	\$ 17,280,000	\$ 18,246,250	\$ 16,953,750	\$ 16,574,800
County contractual obligations	2,691,610	1,590,821	483,459	372,186	245,565
Special assessment bonds	1,880,000	1,295,000	750,000	300,000	2,495,000
Total governmental activities	<u>22,676,610</u>	<u>20,165,821</u>	<u>19,479,709</u>	<u>17,625,936</u>	<u>19,315,365</u>
Business-type Activities:					
General obligation bonds	2,775,000	2,345,000	-	-	-
County contractual obligations	209,656	-	-	-	6,800,000
Total business-type activities	<u>2,984,656</u>	<u>2,345,000</u>	<u>-</u>	<u>-</u>	<u>6,800,000</u>
Total Debt of the Government	\$ 25,661,266	\$ 22,510,821	\$ 19,479,709	\$ 17,625,936	\$ 26,115,365
Total Taxable Value	\$ 4,411,543,260	\$ 4,165,008,570	\$ 3,619,696,470	\$ 3,283,783,240	\$ 3,080,204,340
Ratio of Total Debt to Taxable Value	0.58%	0.54%	0.54%	0.54%	0.85%
Total Population	79,152	79,740	79,740	79,777	80,895
Total Debt per Capita	\$ 324	\$ 282	\$ 244	\$ 221	\$ 323
Per Capita Personal Income	\$ 2,255,818,539	\$ 2,251,971,438	\$ 2,275,400,877	\$ 2,277,570,573	\$ 2,322,591,765
Ratio of Debt to Personal Income	1.14%	1.00%	0.86%	0.77%	1.12%

Source: City Annual Financial Statements: Population data reported from demographics data.

Ratios of Outstanding Debt

Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30					
2014	2015	2016	2017	2018	
\$ 15,521,374	\$ 13,772,393	\$ 12,492,161	\$ 11,216,930	\$ 9,701,699	
122,781	-	-	-	-	
<u>2,135,000</u>	<u>1,860,000</u>	<u>1,590,000</u>	<u>11,496,034</u>	<u>10,539,376</u>	
17,779,155	15,632,393	14,082,161	22,712,964	20,241,075	
-	-	-	-	-	
<u>6,570,000</u>	<u>16,712,242</u>	<u>18,974,676</u>	<u>29,980,124</u>	<u>31,384,402</u>	
<u>6,570,000</u>	<u>16,712,242</u>	<u>18,974,676</u>	<u>29,980,124</u>	<u>31,384,402</u>	
\$ 24,349,155	\$ 32,344,635	\$ 33,056,837	\$ 52,693,088	\$ 51,625,477	
\$ 3,043,288,010	\$ 3,054,060,110	\$ 3,128,358,530	\$ 3,127,065,020	\$ 3,207,859,580	
0.80%	1.06%	1.06%	1.69%	1.61%	
81,798	81,910	81,412	81,803	81,129	
\$ 298	\$ 395	\$ 406	\$ 644	\$ 636	
\$ 2,356,493,265	\$ 2,382,461,814	\$ 2,370,596,289	\$ 2,367,002,730	\$ 2,317,845,555	
1.03%	1.36%	1.39%	2.23%	2.23%	

City of Farmington Hills, Michigan

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30	Advalorem + IFT Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
2009	4,757,901,480	79,152	18,105,000	0.38%	\$ 228.74
2010	4,300,702,530	79,740	17,280,000	0.40%	\$ 216.70
2011 *	3,681,476,945	79,740	18,246,250	0.50%	\$ 228.82
2012 *	3,316,262,400	79,777	16,953,750	0.51%	\$ 212.51
2013 *	3,109,995,440	80,895	16,574,800	0.53%	\$ 204.89
2014 *	3,087,553,500	81,798	15,521,374	0.50%	\$ 189.75
2015 *	3,260,293,240	81,910	13,772,393	0.42%	\$ 168.14
2016 *	3,555,094,530	81,412	12,492,161	0.35%	\$ 153.44
2017 *	3,752,944,510	81,803	11,216,930	0.30%	\$ 137.12
2018 *	3,975,835,450	81,129	9,701,699	0.24%	\$ 119.58

Note: General bonded debt - Includes General Obligation and Building Authority Bonds.

* As of 2011 General Bonded Debt now also includes General Obligation Bonds for the Ice Arena.

The debt service requirements of all remaining debt are currently funded through revenue sources other than property taxes.

City of Farmington Hills, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2018

(Unaudited)

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct Debt - City of Farmington Hills	\$ 20,241,075	100.00%	\$ 20,241,075
Overlapping debt:			
Farmington School District	122,745,000	86.97%	106,751,327
Walled Lake School District	111,970,000	3.16%	3,538,252
Oakland County at Large	340,795,795	5.86%	19,970,634
Oakland County Intermediate School District	44,695,000	5.88%	2,628,066
Schoolcraft Community College	19,880,000	66.00%	13,120,800
Total overlapping debt	640,085,795		146,009,079
Total direct and overlapping debt	<u>\$ 660,326,870</u>		<u>\$ 166,250,154</u>

Note: Direct debt - For the purpose of this schedule, direct debt is defined as all Governmental Activities bonded debt less deferred amounts.

Source: City Records and the Municipal Advisory Council of Michigan. The percentages for each entity are calculated by dividing the City's 2017 taxable value by the taxable value for each entity.

Legal Debt Margins

Last Ten Fiscal Years

(Unaudited)

	2009	2010	2011	2012	2013
Debt Limit (Fiscal Year Ended) (1)					
State equalized valuation (previous year)	\$4,757,901,480	\$4,300,702,530	\$3,681,476,945	\$3,316,262,400	\$3,109,995,440
Debt limit (10 percent of SEV) (2)	475,790,148	430,070,253	368,147,695	331,626,240	310,999,544
Debt Applicable to Debt Limit					
Total bonded debt	25,661,266	22,510,821	19,479,709	17,625,936	26,115,365
Less deductions allowed by law:					
Special Assessment Bonds	1,880,000	1,295,000	750,000	300,000	2,495,000
Michigan Transportation Bonds	-	-	-	-	-
Total amount of debt applicable to debt limit	<u>23,781,266</u>	<u>21,215,821</u>	<u>18,729,709</u>	<u>17,325,936</u>	<u>23,620,365</u>
Legal Debt Margin	<u>\$ 452,008,882</u>	<u>\$ 408,854,432</u>	<u>\$ 349,417,986</u>	<u>\$ 314,300,304</u>	<u>\$ 287,379,179</u>
Net Debt Subject to Limit as Percentage of Debt Limit	5.00%	4.93%	5.09%	5.22%	7.59%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV).

(2) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960

Source: City budget and financial statements

Legal Debt Margins

Last Ten Fiscal Years
(Unaudited)

2014	2015	2016	2017	2018
<u>\$3,087,553,500</u>	<u>\$3,260,293,240</u>	<u>\$3,555,094,530</u>	<u>\$3,751,907,580</u>	<u>\$ 3,974,906,100</u>
308,755,350	326,029,324	355,509,453	375,190,758	397,490,610
24,349,155	32,344,635	33,056,837	52,693,088	51,625,477
2,135,000	1,860,000	1,590,000	11,496,034	10,539,376
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>22,214,155</u>	<u>30,484,635</u>	<u>31,466,837</u>	<u>41,197,054</u>	<u>41,086,101</u>
<u>\$ 286,541,195</u>	<u>\$ 295,544,689</u>	<u>\$ 324,042,616</u>	<u>\$ 333,993,704</u>	<u>\$ 356,404,509</u>
7.19%	9.35%	8.85%	10.98%	10.34%

City of Farmington Hills, Michigan

Demographic and Economic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal year	Population		Median Personal		Unemployment Rate	Number of Occupied Households	Total Personal Income
			Income Per Household	Median Per Capita Personal Income			
2009	79,152	(1)	67,493	28,500	11.7%	33,423	2,255,818,539
2010	79,740	(1)	67,493	28,241	10.8%	33,366	2,251,971,438
2011	79,740	(1)	67,803	28,535	9.2%	33,559	2,275,400,877
2012	79,777	(1)	67,803	28,549	8.0%	33,591	2,277,570,573
2013	80,895	(1)	67,803	28,711	7.6%	34,255	2,322,591,765
2014	81,798	(1)	67,803	28,809	6.8%	34,755	2,356,493,265
2015	81,910	(1)	67,803	29,086	5.8%	35,138	2,382,461,814
2016	81,412	(1)	67,803	29,119	5.1%	34,963	2,370,596,289
2017	81,803	(1)	67,803	28,935	3.2%	34,910	2,367,002,730
2018	81,129	(1)	67,803	28,570	3.7%	34,185	2,317,845,555

Note: Personal income is equal to the median household income and only available per the decennial census data/American Factfinder/ SEMCOG

(1) U.S. Department of Commerce/Labor, Bureau of Labor Statistics/SEMCOG

Principal Employers

June 30, 2018

(Unaudited)

Employer	2018		2009		2009 Rank
	Employees	Percentage of Total	Employees	Percentage of Total	
1 Beaumont Hospital - Farmington Hills (2)	2,500	4.85%	2,000	3.81%	1
2 Robert Bosch Corporation	1,400	2.72%	1,600	3.05%	3
3 Nissan Technical Center North America	1,200	2.33%	500	0.95%	10
4 Hitachi	1,200	2.33%	400	0.76%	(1)
5 Farmington Public Schools	1,100	2.14%	1,700	3.24%	2
6 TRW Automotive Electronics	650	1.26%	600	1.14%	8
7 Mercedes-Benz Financial Services (4)	650	1.26%	800	1.53%	6
8 Concentrix (3)	550	1.07%	700	1.34%	7
9 Cengage Learning Gale	500	0.97%	850	1.62%	5
10 Mahle	500	0.97%	279	0.53%	(1)

Source: City Records, Individual Employers and United States Census Bureau

(1) Not available

(2) In 2009, was Botsford Hospital

(3) In 2009, was Aditya Birla Minacs

(4) In 2009, was Chrysler Financial Services

City of Farmington Hills, Michigan

Full-time Equivalent Government Employees

Last Ten Fiscal Years

(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government (1)										
City administration	6.00	6.10	5.00	5.00	5.50	5.50	6.00	6.00	6.00	5.10
Finance	23.07	22.38	18.94	18.79	19.00	19.00	20.00	20.00	20.00	20.09
City clerk	8.86	7.58	6.84	6.36	6.62	6.65	6.31	6.34	6.35	6.20
Human resources	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.14	4.14
Central services	9.50	9.50	9.40	9.26	9.40	9.40	9.40	9.40	9.40	9.90
Public Safety (2)										
Police	175.73	168.54	145.87	144.84	152.72	152.88	153.88	154.14	153.79	153.74
Fire and EMS	85.95	84.95	81.95	81.95	84.95	93.63	93.63	93.63	91.70	93.92
Public Services (3)										
Administration	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Road maintenance	27.25	23.83	21.12	21.12	22.46	22.46	23.46	26.92	26.92	27.92
Building maintenance	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Engineering	18.60	17.50	14.00	13.00	14.28	15.31	15.31	15.31	15.39	15.32
D.P.W. garage	11.00	10.50	10.50	11.00	11.00	11.00	12.00	13.00	13.00	12.00
Waste collection/recycling	1.00	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Planning and Community Development (4)										
Development (4)	25.00	24.20	19.00	18.60	18.60	18.60	18.00	19.00	19.04	19.37
Special Services (5)										
Administration	22.00	20.32	18.90	19.96	19.90	20.95	20.98	21.15	20.55	22.25
Public information	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	6.10	6.10
Youth and families	10.40	8.90	8.00	8.00	8.00	8.00	8.00	9.56	9.73	9.73
Senior adults	26.74	26.44	25.63	27.53	27.53	27.53	27.53	26.13	26.13	26.16
Parks division	26.21	23.62	22.73	24.52	24.10	24.87	24.87	25.83	25.70	25.59
Cultural arts	3.32	3.32	2.47	2.47	2.65	2.75	3.40	3.47	3.47	3.47
Golf course division	13.11	13.80	12.71	12.32	12.50	13.17	13.01	13.57	13.46	13.41
Recreation	-	-	-	-	-	-	10.32	11.81	11.69	12.05
Ice arena	16.93	17.34	15.16	15.19	14.13	14.13	14.13	12.66	13.16	13.41
Total (6)	<u>526.67</u>	<u>505.82</u>	<u>455.22</u>	<u>456.91</u>	<u>470.34</u>	<u>482.83</u>	<u>497.23</u>	<u>504.92</u>	<u>504.72</u>	<u>508.87</u>

(1) General Government FTE's decreased by 0.46 or 1.00% in 2018.

(2) Public Safety FTE's increased by 2.17 or 0.88% in 2018.

(3) Public Services FTE's decreased by 0.07 or 0.11% in 2018.

(4) Planning and Community Development FTE's increased by 0.33 or 1.73% in 2018.

(5) Special Services FTE's increased by 2.18 or 1.68% in 2018.

(6) City-wide FTE's increased by 4.15 or 0.82% in 2018.

Source: City personnel/budget records

Last Ten Fiscal Years

(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Physical Arrests	3,543	2,627	2,248	3,050	3,435	3,002	3,016	2,486	2,805	2,830
Traffic violations	20,423	17,295	16,377	12,207	12,207	10,441	9,305	7,606	8,861	9,000
Fire:										
Total incidents	7,026	7,060	7,278	7,696	8,003	8,539	8,763	9,027	9,208	9,524
Public education programs	205	196	26	39	43	98	104	112	112	140
Fire loss	4,469,795	4,909,621	4,837,303	2,172,105	10,994,335	3,901,800	4,200,900	2,719,603	2,830,913	8,577,000
Public works:										
refuse service	23,131	23,145	23,160	23,163	23,178	23,227	23,320	23,329	23,343	23,356
stream recycled	35.60	36.00	36.00	46.00	44.00	44.20	43.40	44.00	39.40	42.00
Parks and recreation:										
Recreation programs	2,521	2,535	2,570	2,590	2,610	2,630	2,640	2,660	2,670	2,690
Water:										
Water customers	22,742	22,734	22,707	22,698	22,698	22,768	22,838	22,910	22,982	22,966
Water main breaks	63	60	56	59	56	81	52	40	53	47
Total consumption (mcf)	471,985	431,059	427,336	396,125	390,000	400,658	351,872	370,493	391,749	371,701
Average consumption per user (mcf/year)	20.75	18.96	18.82	17.45	17.18	17.60	15.41	16.17	17.05	16.18
Sewer:										
Average consumption per user (mcf/year)	17.90	17.77	19.65	17.41	14.75	15.69	17.01	17.06	18.36	18.12
Metered Volume (mcf)	401,318	398,189	439,761	389,528	330,161	352,562	383,701	385,851	416,257	410,961
Sewer customers	22,420	22,407	22,383	22,379	22,379	22,473	22,553	22,618	22,667	22,684

Source: City records, Department annual reports, and Oakland County Water Resources Commissioner's Office

Last Ten Fiscal Years

(Unaudited)

Function/ program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fleet vehicles	82	73	64	64	67	67	67	68	69	69
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks (4)	16	16	16	16	17	17	18	18	17	16
Public Works - Streets (miles)										
Major	58.00	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36
Local	245.00	245.71	245.71	245.79	246.38	246.38	246.38	246.38	246.38	246.38
Parks and recreation:										
Acreage	629	633	636	636	636	636	636	636	636	636
Playgrounds	4	3	3	4	4	4	4	4	6	6
Football/Soccer fields (2)	15	17	17	19	19	19	19	19	19	19
Baseball/Softball diamonds (10	12	12	12	12	12	12	12	12	12
Pools/Splash pads	1	2	2	2	2	2	2	2	2	2
Ice arena	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Mains (miles)	454	471	471	472	472	449	456	456	457	459
Fire hydrants	5,090	5,045	5,047	5,127	5,127	5,103	5,115	5,126	5,156	5,169
Storage capacity (gallons)	(1)	(1)	(1)	(1)	(1)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Sewer:										
Miles of sanitary sewers	327	327	327	329	329	328	328	329	329	329
Treatment capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

Source: City records, department annual reports, and Oakland County Drain Commission

(1) Information not available

(2) Plus the City maintains 31 football/soccer fields for other entities.

(3) Plus the City maintains 30 baseball/softball diamonds for other entities.

(4) Plus 18 other vehicles and equipment.