

# *CITY OF FARMINGTON HILLS, MICHIGAN*

## *Comprehensive Annual Financial Report*

### *Fiscal Year Ended June 30, 2015*



# **City of Farmington Hills, Michigan**

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## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015**

# City of Farmington Hills, Michigan

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# City of Farmington Hills, Michigan

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November 17, 2015

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, 2015. This report was prepared by the Finance Department in conformance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, generally accepted accounting principles (GAAP), the Treasurer of the State of Michigan, and the Government Finance Officers Association (GFOA). 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, 2015 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, 2015 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 12<sup>th</sup> 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 Botsford Hospital, a full service teaching hospital with a Level II Trauma Center and Certified Stroke Center, which is associated with Michigan State University and part of Beaumont Health. 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 \$216,000 (using a two-year sales study).

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 administrating 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 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 68 percent, commercial 21 percent, industrial 3 percent, and personal property (business equipment, furniture, and machinery) 8 percent. No one taxpayer exceeds 2.04 percent of the tax roll and the top 10 taxpayers combined account for approximately 8 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 2014-15, the ad valorem taxable value of the City increased by 0.35%. The projection for FY 2015-16 is a 2.43% increase in ad valorem taxable value. The City's unemployment rate of 3.5 percent at June 2015 is down from 6.8 percent from June 2014, and is lower than the county unemployment rate of 5.4 percent and also lower than the state unemployment rate of 5.8 percent at June 2015.

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 49,000 jobs through 2017, and the county unemployment rate will continue to decline to 4.3 percent by 2017, with an inflation rate forecast to increase to about 2% by 2017. However, this will only replenish 87% 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 \$57,035 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, 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 the creation of 89,100 jobs in 2015, up from 67,200 jobs in 2014, and then State-wide job gains of 62,200 in 2016 and 67,400 in 2017. The top job producers over the next two-and-a-half years are predicted to be in professional and business services, primarily the scientific and technical subgroups.

Economists predict that State-wide inflation will decline by 1.4 percent in 2015, and then increase by 1.5 percent and 2.3 percent in 2016 and 2017, respectively.

Economists predict that State-wide real disposable income (personal income adjusted for taxes and inflation) will grow at a rate of 4.9 percent in 2015, fall back to 2.8 percent in 2016, and slow further to 2.0 percent in 2017, with the return of modest inflation and a larger increase in federal personal taxes.

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 2015/16:

- \$355,000 for Drainage Projects;
- \$172,000 for Sidewalk and Bike Path improvements/replacements;
- \$1,089,000 for Fire Department equipment;
- \$100,000 for Police Department equipment;
- \$960,000 for Public Services Department equipment;
- \$410,000 for Special Services Department equipment;
- \$410,000 for Technology equipment and upgrades; and
- \$2,348,000 for Public Facility improvements.

**Financial Policies** - The following financial policies of the City had a significant impact on the City's FY 2014-15 financial statements:

Revenue Policy to Maintain a Diversified and Stable Taxable Revenue Base - Although the tax base remains diversified with approximately 68% residential and 32% non-residential, the tax base had only a marginal increase in taxable values of approximately 0.4% in FY 2014/15. Fortunately, taxable values are projected to increase by 2.4% in FY 2015/16. In addition, a new dedicated Road Millage was approved by the electorate in November 2014, which will levy up to 2 mills annually for 10 years, effective in FY 2015/16.

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 just over four months, while the average yield on the portfolio was outperforming the two-year Treasury yield.

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 will now be required to include in the financial statements more extensive footnote disclosures and required supplementary information related to the measurement of OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB 75, recognize on the face of the government-wide financial statements its net OPEB liability. GASB 74 is effective for FY 2016/17 and GASB 75 is effective for FY 2017/18.

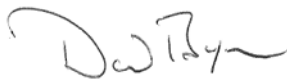
## Awards and Acknowledgements

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, 2014. This was the 16<sup>th</sup> 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, 2015. 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 is the 29<sup>th</sup> 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



Dave Gajda  
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, 2014**



Executive Director/CEO

# City of Farmington Hills, Michigan

## List of Principal Officials

as of June 30, 2015

Title	Name
City Manager	Steve Brock
Assistant City Manager	Dave Boyer
Economic Development Director	Khalfani Stephens
Assistant to the City Manager	Nathan Geinzer
City Clerk	Pamela Smith
Central Services Director	Michael Lasley
Finance Director/Treasurer	David Gajda
Fire Chief	Corey Bartsch
Human Resources Director	John Randle
Planning and Community Dev. Director	Edward Gardiner
Police Chief	Charles Nebus
Public Services Director	Gary Mekjian
Special Services Director	Ellen Schnackel
City Attorney	Johnson, Rosati, Schultz & Joppich, P.C.
Deputy Director Special Services	Bryan Farmer
Deputy Police Chief	Patrick Comini
Deputy Fire Chief	Lee Panoushek
Building Official	Robert Bliss
City Assessor	Matthew Dingman
Engineering Manager	Jim Cubera
City Planner	Vacant
Community Development Coordinator	Charmaine Keller-Schmult
Controller	Shu-Fen Lin
Deputy City Clerk	Carly Hotchkiss
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 \$3,129,873,560 is comprised of 68 percent residential property and 32 percent commercial, industrial, and personal property. The community's estimated 81,910 residents live in approximately 35,138 households with a median household income of \$67,803.

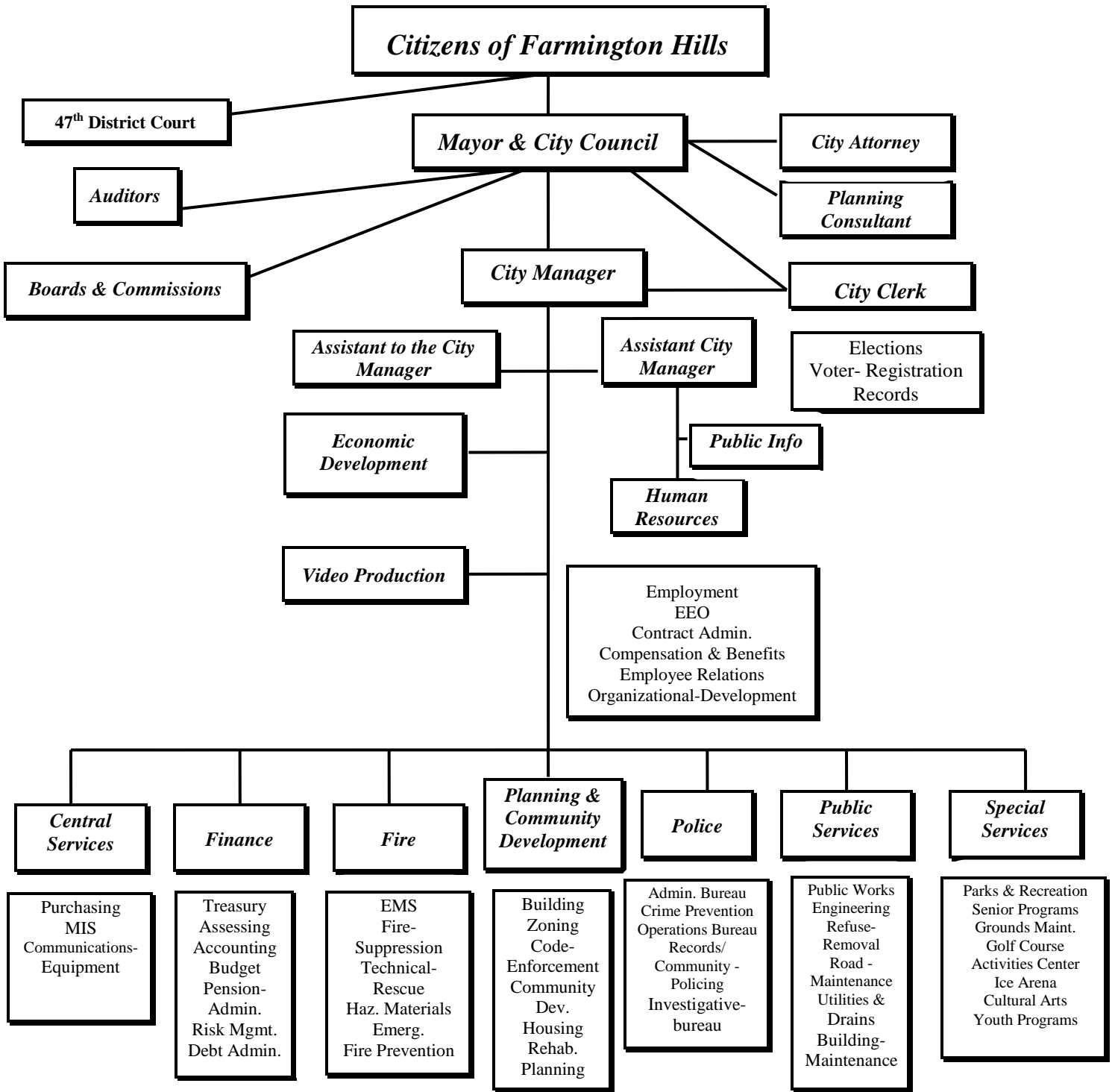
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit Metro Airport and at the focal point of a north/south and west/east freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio, as well as the Ann Arbor technology corridor, are 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. This asset 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 Botsford Hospital, a full service teaching hospital with a Level II Trauma Center and Certified Stroke Center, which is associated with Michigan State University and a part of Beaumont Health. 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

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#### General

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General Fund

#### Debt Service

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Building Authority  
General Debt Service  
Special Assessments – Local Roads

#### Capital Projects

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Capital Improvement  
Golf Course Capital Improvement  
Revolving Special Assessment

#### Special Revenue

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

### Proprietary Funds—Enterprise

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Water and Sewer

### Fiduciary Funds

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#### Pension and Other Employee Benefit Trust

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Employees' (Pension) Retirement System  
Post-Retirement Health Care 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 (the "City") as of and for the year ended June 30, 2015, 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.

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

### **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, 2015, 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 2 to the basic financial statements, in 2015, the City adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the basic financial statements, approximately \$78,295,000 or 37 percent of the Pension and Other Employee Benefit Trust Fund's net position as of June 30, 2015 is not publicly traded and therefore does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; retirement system schedules of investment returns, changes in the City's net pension liability and related ratios, and City contributions; Post-retirement Healthcare Finance Fund schedule of funding progress and employer contributions; 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other 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 purposes of additional analysis and are not a required part of the basic financial statements.

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

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 will also be issuing a report 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.

*Plante & Moran, PLLC*

November 9, 2015

# City of Farmington Hills, Michigan

## 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 decreased \$1.7 million or 0.58 percent from a year ago, decreasing from \$293.4 million to \$291.7 million, net of an \$18.6 adjustment for the implementation of GASB 68. Of that amount, \$78.4 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens/creditors. A review of the governmental activities shows a decrease of approximately \$1.0 million in net position or 0.64 percent during fiscal year 2014/2015. Unrestricted net position of the governmental activities was approximately \$6.4 million as of June 30, 2015. Business-type activities net position shows a decrease of approximately \$0.7 million in net position or 0.51 percent during fiscal year 2014/2015. Unrestricted net position of the business-type activities was approximately \$72.0 million as of June 30, 2015. In condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2015 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current assets	\$ 50.5	\$ 49.7	\$ 74.7	\$ 68.4	\$ 125.2	\$ 118.1
Noncurrent assets:						
Noncapital assets	1.1	1.2	-	-	1.1	1.2
Capital assets	148.5	151.4	82.3	79.9	230.8	231.3
Total assets	200.1	202.3	157.0	148.3	357.1	350.6
<b>Deferred Outflows of Resources</b>	10.2	0.6	-	-	10.2	0.6
<b>Liabilities</b>						
Current liabilities	5.1	5.9	2.7	3.4	7.8	9.3
Long-term liabilities	50.0	23.3	16.7	6.6	66.7	29.9
Total liabilities	55.1	29.2	19.4	10.0	74.5	39.2
<b>Deferred Inflows of Resources</b>	1.1	-	-	-	1.1	-
<b>Net Position</b>						
GASB 68 Adjustment	-	(18.6)	-	-	-	(18.6)
Net investment in						
capital assets	132.8	133.6	65.6	73.3	198.4	206.9
Restricted	14.9	16.2	-	-	14.9	16.2
Unrestricted	6.4	23.9	72.0	65.0	78.4	88.9
Total net position	<u>\$ 154.1</u>	<u>\$ 155.1</u>	<u>\$ 137.6</u>	<u>\$ 138.3</u>	<u>\$ 291.7</u>	<u>\$ 293.4</u>

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in millions of dollars) for the years ended June 30, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 13.8	\$ 13.6	\$ 25.4	\$ 24.8	\$ 39.2	\$ 38.4
Operating grants and contributions	8.9	7.9	-	-	8.9	7.9
Capital grants and contributions	0.3	0.2	0.4	0.3	0.7	0.5
General revenue:						
Property taxes	39.0	38.9	-	-	39.0	38.9
State-shared revenues	6.5	6.4	-	-	6.5	6.4
Interest	0.4	0.4	0.6	0.9	1.0	1.3
Other	3.4	2.1	-	-	3.4	2.1
Total revenue	72.3	69.5	26.4	26.0	98.7	95.5
<b>Program Expenses</b>						
General government	13.8	14.3	-	-	13.8	14.3
Public safety	30.7	26.8	-	-	30.7	26.8
Public services	17.7	18.2	-	-	17.7	18.2
Community and economic development	1.6	1.4	-	-	1.6	1.4
Recreation and culture	8.8	8.5	-	-	8.8	8.5
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7
Water and sewer	-	-	27.1	26.5	27.1	26.5
Total program expenses	73.3	69.9	27.1	26.5	100.4	96.4
<b>Change in Net Position</b>	(1.0)	(0.4)	(0.7)	(0.5)	(1.7)	(0.9)
<b>Net Position - Beginning of year</b>	155.1	174.1	138.3	138.8	293.4	294.3
<b>Net Position - End of year</b>	<u>\$ 154.1</u>	173.7	<u>\$ 137.6</u>	<u>\$ 138.3</u>	<u>\$ 291.7</u>	<u>\$ 293.4</u>
<b>Adjustment for the Implementaiton of GASB 68</b>		(18.6)				
<b>Adjusted Net Position - End of year</b>		<u>\$ 155.1</u>				

### Governmental Activities

The City's total governmental activities revenue increased by \$2.8 million or 4.03 percent from a year ago. This was primarily attributed to an increase in operating grants and contributions, and miscellaneous income. The City's total governmental program expenses increased by \$3.4 million or 4.86 percent from a year ago. This was primarily attributed to an increase in public safety, partially offset by a decrease in general government and 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 Post-Retirement Healthcare Plan.

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis (Continued)

### 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 City of Detroit and operated, maintained and administered by the Oakland County Water Resources Commission. The utility system incurred a \$1.4 million operating loss during fiscal year 2014/2015, compared to a \$1.6 million operating loss in fiscal year 2013/2014. This \$0.2 million increase in operating position from the prior year resulted from the net of a \$0.7 million increase in operating revenue and a \$0.5 million increase in operating expenses. The operating loss was partially offset by \$0.7 million during fiscal year 2014/2015 from a net of capital contributions, transfers in and nonoperating items. Overall, in fiscal year 2014/2015, the water and sewer activities net position decreased \$0.7 million or 0.5 percent. Nevertheless, the Water and Sewer Fund maintained a strong net position of \$137.6 million at year end, of which approximately \$72 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 2014/2015 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 2014/2015 General Fund budget reflected a \$1.1 million reduction to fund balance at yearend. The General Fund's fund balance actually increased by \$2.9 million or 11.9 percent. The \$4.0 million increase in fund balance compared to what was reflected in the original budget is due primarily to the net of a \$2.1 million increase in actual revenue compared to the original budget and a \$1.9 million decrease in actual expenditures compared to the original budget.

### **Special Revenue Funds:**

The Major Road Fund fund balance increased by \$219,000 or 8 percent. Total revenue and transfers in was \$302,000 more than the previous year, while total expenditures and transfers out were \$93,000 less than the previous year. The Local Road Fund fund balance increased by \$411,000 or 45 percent. Total revenue and transfers in was \$49,000 more than the previous year, while total expenditures and transfers out was \$187,000 less than the previous year. The Public Safety Millage Fund - fund balance decreased by \$258,000 or 8 percent. Total revenue was \$22,000 more than the previous year, while total expenditures were \$1.0 million more than the previous year.

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis (Continued)

### Debt Service Fund:

The Local Road Special Assessment Fund - fund balance increased by \$199,000 or 10 percent. Total revenue and transfers in was \$737,000 less than the previous year, while total expenditures and transfers out was \$1.1 million less than the previous year.

### Capital Projects Fund:

The Capital Improvement Fund fund balance decreased by \$291,000 or 12 percent. Total revenue and transfers in was \$753,000 more than the previous year, while total expenditures were \$1.2 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 2.7 percent increase in total revenue from the final amended budget reflected a net of more than expected property taxes, licenses and permits, state-shared revenue, service charges, fines and forfeitures, donations, and miscellaneous revenue, partially offset by less than expected grants, and investment income.
- Transfers in equaled the final amended budget.
- The approximate \$1.5 million or 3.2 percent decrease in total expenditures from the final amended budget reflects a \$1.1 million decrease in general government, a \$0.2 million decrease in public safety, a \$0.2 million decrease in public works, and actuals nearly equal to the budget for both the community and economic development, and recreation and culture activity budgets.
- Transfers out decreased by \$1.0 million from the final amended budget due to the accounting treatment of an interfund loan from the General Fund to the Major and Local Road Funds.

### Capital Asset and Debt Administration

On June 30, 2015, the City had approximately \$231 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, net of depreciation, included in this report is approximately \$134 million (see Note 5 of the notes to financial statements for additional information).



# City of Farmington Hills, Michigan

## Management's Discussion and Analysis (Continued)

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 increased by \$8 million (33 percent) during the current fiscal year. The increase was the result of the issuance of \$10.4 million in new water and sewer debt, partially offset by 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 2014/2015 tax rate increased to 12.3806 mills, due to a 0.0268 increase in the Refuse Removal Millage. The fiscal year 2015/2016 tax rate increased to 14.3908 mills, due primarily to a new voter approved 2.00 mill Road Millage, a 0.0106 increase in the Refuse Removal Millage, and a 0.0004 decrease in the Economic Development Millage. The City's tax base increased by 0.35% in fiscal year 2014/2015, and is projected to increase by 2.43% for fiscal year 2015/2016. Our state equalized value (SEV) will be \$3.56 billion in fiscal year 2015/2016, which is \$425 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 68 percent, commercial 21 percent, industrial 3 percent, and personal property 8 percent. Tax base diversification is further demonstrated by the fact that the top 10 taxpayers combined account for approximately 8 percent of the tax roll. Taxes account for approximately 53 percent of the FY 2015/2016 General Fund budgeted revenue, while State-shared revenue accounts for approximately 13 percent of the FY 2015/2016 General Fund budgeted revenue. The fiscal year 2015/2016 General Fund adopted budget reflects the use of fund balance for increased contributions 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 2015/2016 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 Dave Gajda, 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, 2015

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 40,991,500	\$ 66,244,479	\$ 107,235,979	\$ 1,033,694
Receivables:				
Receivables from sales to customers on account	-	8,335,160	8,335,160	-
Other receivables	964,440	260,485	1,224,925	4,264
Due from other governmental units	2,736,302	210	2,736,512	-
Due from fiduciary funds	115,514	-	115,514	-
Special assessments receivable	4,419,567	39,014	4,458,581	-
Internal balances (Note 6)	140,176	(140,176)	-	-
Inventories	653,333	-	653,333	-
Prepaid expenses and other assets	474,269	-	474,269	-
Restricted assets	78,891	-	78,891	-
Advances due from SWOCC (Note 16)	367,669	-	367,669	-
Investment in SWOCC (Note 16)	667,616	-	667,616	-
Net retiree healthcare asset (Note 13)	19,981	-	19,981	-
Noncurrent assets - Capital assets (Note 5):				
Assets not subject to depreciation	52,375,966	8,921,348	61,297,314	-
Assets subject to depreciation	96,070,938	73,338,603	169,409,541	-
<b>Total assets</b>	<b>200,076,162</b>	<b>156,999,123</b>	<b>357,075,285</b>	<b>1,037,958</b>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	538,664	-	538,664	-
Deferred outflows related to pensions	9,635,588	-	9,635,588	-
<b>Total deferred outflows of resources</b>	<b>10,174,252</b>	<b>-</b>	<b>10,174,252</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	2,701,649	2,682,097	5,383,746	49,487
Due to other governmental units	-	4,933	4,933	-
Accrued liabilities and other	2,195,418	-	2,195,418	-
Unearned revenue	168,683	-	168,683	-
Noncurrent liabilities (Note 7):				
Due within one year:				
Compensated absences	2,286,204	-	2,286,204	-
Provision for self-insurance claims	386,000	-	386,000	-
Current portion of long-term debt	1,525,000	550,000	2,075,000	-
Due in more than one year:				
Compensated absences	2,879,121	-	2,879,121	-
Net pension liability (Note 11)	28,834,315	-	28,834,315	-
Long-term debt	14,107,393	16,162,242	30,269,635	-
<b>Total liabilities</b>	<b>55,083,783</b>	<b>19,399,272</b>	<b>74,483,055</b>	<b>49,487</b>
<b>Deferred Inflows of Resources - Deferred inflows related to pensions</b>	<b>1,117,421</b>	<b>-</b>	<b>1,117,421</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	132,814,511	65,547,709	198,362,220	-
Restricted for:				
Streets and highways	4,881,575	-	4,881,575	-
Debt service	5,789,832	-	5,789,832	-
Police and fire operations	3,670,585	-	3,670,585	-
Parks and recreation	414,673	-	414,673	-
County drains	78,891	-	78,891	-
Unrestricted	6,399,143	72,052,142	78,451,285	988,471
<b>Total net position</b>	<b>\$ 154,049,210</b>	<b>\$ 137,599,851</b>	<b>\$ 291,649,061</b>	<b>\$ 988,471</b>

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

# City of Farmington Hills, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 13,799,558	\$ 4,982,503	\$ 344,016	\$ 331,999
Public safety	30,663,569	2,115,647	396,031	-
Public services	17,710,227	1,929,655	7,435,887	-
Community and economic development	1,582,677	352,890	-	-
Recreation and culture	8,774,076	4,450,090	682,908	-
Interest on long-term debt	734,698	-	-	-
Total governmental activities	73,264,805	13,830,785	8,858,842	331,999
Business-type activities	27,092,143	25,401,057	-	352,150
Total primary government	<u>\$ 100,356,948</u>	<u>\$ 39,231,842</u>	<u>\$ 8,858,842</u>	<u>\$ 684,149</u>
Component units:				
Economic Development Corporation	\$ 8,585	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	309,642	-	4,800	-
Corridor Improvement Authority	16,600	-	4,264	-
Total component units	<u>\$ 334,827</u>	<u>\$ -</u>	<u>\$ 9,064</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Total general revenue				
<b>Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year - As restated (Note 2)</b>				
<b>Net Position - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,141,040)	\$ -	\$ (8,141,040)	\$ -
(28,151,891)	-	(28,151,891)	-
(8,344,685)	-	(8,344,685)	-
(1,229,787)	-	(1,229,787)	-
(3,641,078)	-	(3,641,078)	-
(734,698)	-	(734,698)	-
(50,243,179)	-	(50,243,179)	-
-	(1,338,936)	(1,338,936)	-
(50,243,179)	(1,338,936)	(51,582,115)	-
-	-	-	(8,585)
-	-	-	(304,842)
-	-	-	(12,336)
-	-	-	(325,763)
39,015,386	-	39,015,386	269,369
6,477,230	-	6,477,230	-
396,972	605,710	1,002,682	6,282
3,401,950	-	3,401,950	31,100
49,291,538	605,710	49,897,248	306,751
(59,369)	59,369	-	-
(1,011,010)	(673,857)	(1,684,867)	(19,012)
155,060,220	138,273,708	293,333,928	1,007,483
<b>\$ 154,049,210</b>	<b>\$ 137,599,851</b>	<b>\$ 291,649,061</b>	<b>\$ 988,471</b>

# City of Farmington Hills, Michigan

	General Fund	Major Roads Fund	Local Roads Fund	Capital Improvement Fund	Special Assessment Fund - Local Roads
<b>Assets</b>					
Cash and cash equivalents (Note 4)	\$ 26,235,356	\$ 2,740,569	\$ 621,656	\$ 2,310,845	\$ 2,098,191
Receivables:					
Special assessments receivable	-	-	726,998	-	3,692,569
Other receivables	870,541	-	-	93,841	-
Due from other governmental units	1,317,316	1,072,375	261,992	-	-
Due from fiduciary funds	111,727	3,787	-	-	-
Due from other funds (Note 6)	1,763,392	-	1,507,505	500	-
Prepays and other assets	471,832	32	-	2,405	-
Advances due from SWOCC (Note 16)	367,669	-	-	-	-
<b>Total assets</b>	<b>\$ 31,137,833</b>	<b>\$ 3,816,763</b>	<b>\$ 3,118,151</b>	<b>\$ 2,407,591</b>	<b>\$ 5,790,760</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,211,426	\$ 321,726	\$ 564,186	\$ 277,645	\$ -
Due to other funds (Note 6)	-	510,660	506,767	53,441	928
Accrued liabilities and other	2,068,220	-	-	-	-
Unearned revenue	56,871	-	-	-	-
<b>Total liabilities</b>	<b>3,336,517</b>	<b>832,386</b>	<b>1,070,953</b>	<b>331,086</b>	<b>928</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - Special assessments	-	-	726,998	-	3,692,569
Unavailable revenue - Miscellaneous	63,409	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>63,409</b>	<b>-</b>	<b>726,998</b>	<b>-</b>	<b>3,692,569</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepays	471,832	32	-	2,405	-
Long-term receivable	367,669	-	-	-	-
Restricted:					
Roads	-	2,909,345	1,245,200	-	-
Police and fire	-	-	-	-	-
Debt service	-	-	-	-	2,097,263
Grants - Fire protection	22,408	-	-	-	-
Parks and recreation	-	-	-	-	-
Committed - Special assessment projects	-	-	-	-	-
Assigned:					
Capital projects	-	75,000	75,000	2,074,100	-
Debt service	-	-	-	-	-
Future expenditures (Note 17)	12,888,638	-	-	-	-
Unassigned	13,987,360	-	-	-	-
<b>Total fund balances</b>	<b>27,737,907</b>	<b>2,984,377</b>	<b>1,320,200</b>	<b>2,076,505</b>	<b>2,097,263</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 31,137,833</b>	<b>\$ 3,816,763</b>	<b>\$ 3,118,151</b>	<b>\$ 2,407,591</b>	<b>\$ 5,790,760</b>

**Governmental Funds  
Balance Sheet  
June 30, 2015**

Public Safety		
Millage Fund	Nonmajor Funds	Total
\$ 3,573,081	\$ 3,411,802	\$ 40,991,500
-	-	4,419,567
-	58	964,440
-	84,619	2,736,302
-	-	115,514
-	999,500	4,270,897
-	-	474,269
-	-	367,669
<b>\$ 3,573,081</b>	<b>\$ 4,495,979</b>	<b>\$ 54,340,158</b>
\$ -	\$ 326,666	\$ 2,701,649
431,313	2,627,612	4,130,721
-	-	2,068,220
-	111,812	168,683
431,313	3,066,090	9,069,273
-	-	4,419,567
-	-	63,409
-	-	4,482,976
-	-	474,269
-	-	367,669
-	-	4,154,545
3,141,768	506,409	3,648,177
-	-	2,097,263
-	-	22,408
-	414,673	414,673
-	294,231	294,231
-	52,279	2,276,379
-	162,297	162,297
-	-	12,888,638
-	-	13,987,360
3,141,768	1,429,889	40,787,909
<b>\$ 3,573,081</b>	<b>\$ 4,495,979</b>	<b>\$ 54,340,158</b>

# City of Farmington Hills, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$	40,787,909
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		148,446,904
Investments in joint ventures are not financial resources and are not reported in the funds		667,616
Special assessment receivables and other receivables are expected to be collected over several years and are not available to pay for current year expenditures		4,482,976
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds		538,664
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(15,632,393)
Accrued interest is not due and payable in the current period and is not reported in the funds		(127,198)
Employee compensated absences 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		(5,165,325)
Other long-term liabilities, specifically general liability claims, do not present a claim on current financial resources and are not reported as fund liabilities		(386,000)
Cash held by Oakland County for drain projects is not included as an asset in the governmental funds		78,891
Inventories are not recorded as assets in the governmental funds		653,333
Other postemployment assets for employee health benefits are not current financial resources and are not reported as fund assets		19,981
Net pension liabilities are not due and payable in the current period and are not reported in the funds		(28,834,315)
Certain changes in pension plan net position are reported as deferred inflows and deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds		8,518,167
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>154,049,210</u></b>

# City of Farmington Hills, Michigan

	General Fund	Major Roads Fund	Local Roads Fund	Capital Improvement Fund	Special Assessment Fund - Local Roads
<b>Revenue</b>					
Property taxes	\$ 28,164,968	\$ -	\$ -	\$ -	\$ -
Licenses and permits	1,224,287	-	-	-	-
Federal grants	196,035	300,725	-	1,684	-
State-shared revenue and grants	7,083,229	4,616,508	1,563,978	-	-
Charges for services	10,228,020	-	-	-	-
Fines and forfeitures	2,132,226	-	47,500	-	-
Investment income	204,059	680	204	854	171,650
Other revenue:					
Special assessments	-	-	-	-	954,676
Other grants and contributions	270,500	-	-	10,000	-
Equipment rental	1,073,200	-	-	-	-
Other miscellaneous income	1,827,144	134	2,136	80,375	-
Total revenue	52,403,668	4,918,047	1,613,818	92,913	1,126,326
<b>Expenditures</b>					
Current:					
General government	12,087,390	-	-	-	-
Public safety	18,372,150	-	-	-	-
Public services	7,294,453	4,549,012	3,021,800	-	9,075
Community and economic development	1,381,797	-	-	-	-
Recreation and culture	7,075,084	-	-	-	-
Capital outlay	-	-	-	2,994,003	-
Debt service	-	-	-	-	467,422
Total expenditures	46,210,874	4,549,012	3,021,800	2,994,003	476,497
<b>Excess of Revenue Over (Under) Expenditures</b>	6,192,794	369,035	(1,407,982)	(2,901,090)	649,829
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,307,850	75,000	1,819,479	2,610,029	358,000
Transfers out	(4,559,764)	(225,000)	-	-	(808,674)
Total other financing (uses) sources	(3,251,914)	(150,000)	1,819,479	2,610,029	(450,674)
<b>Net Change in Fund Balances</b>	2,940,880	219,035	411,497	(291,061)	199,155
<b>Fund Balances - Beginning of year</b>	24,797,027	2,765,342	908,703	2,367,566	1,898,108
<b>Fund Balances - End of year</b>	<u>\$ 27,737,907</u>	<u>\$ 2,984,377</u>	<u>\$ 1,320,200</u>	<u>\$ 2,076,505</u>	<u>\$ 2,097,263</u>



**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2015**

Public Safety Millage Fund	Nonmajor Funds	Total
\$ 9,601,463	\$ 1,477,585	\$ 39,244,016
-	-	1,224,287
-	689,494	1,187,938
-	177,954	13,441,669
-	-	10,228,020
-	-	2,179,726
6,525	13,000	396,972
-	-	954,676
-	-	280,500
-	-	1,073,200
-	357,381	2,267,170
<u>9,607,988</u>	<u>2,715,414</u>	<u>72,478,174</u>
-	300	12,087,690
9,865,595	543,688	28,781,433
-	-	14,874,340
-	177,882	1,559,679
-	446,720	7,521,804
-	215,871	3,209,874
-	2,400,392	2,867,814
<u>9,865,595</u>	<u>3,784,853</u>	<u>70,902,634</u>
(257,607)	(1,069,439)	1,575,540
-	4,121,580	10,291,938
-	(4,757,869)	(10,351,307)
<u>-</u>	<u>(636,289)</u>	<u>(59,369)</u>
(257,607)	(1,705,728)	1,516,171
<u>3,399,375</u>	<u>3,135,617</u>	<u>39,271,738</u>
<u><b>\$ 3,141,768</b></u>	<u><b>\$ 1,429,889</b></u>	<u><b>\$ 40,787,909</b></u>

# City of Farmington Hills, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,516,171
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		5,695,657
Depreciation expense		(8,648,485)
Net book value of assets disposed of		(5,063)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		(202,168)
Governmental funds report inventory purchases as expenditures; in the statement of activities, these costs are expensed as used		30,005
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		2,137,784
Change in accrued interest payable and other		(4,668)
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment		(361,130)
The changes in liabilities for general claims and amounts due to the 47th District Court are recorded when incurred in the statement of activities		508,748
Income from joint venture is not reported in the funds		37,158
Increases in other postemployment healthcare benefits liability reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the fund statements until they come due for payment		(82)
The change in the net pension liability does not require the use of current resources and is not reported in the governmental funds		(1,714,937)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(1,011,010)</u></b>

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	<u>Enterprise Fund - Water and Sewer</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 4)	\$ 66,244,479
Receivables	8,634,869
Total current assets	<u>74,879,348</u>
Noncurrent assets - Capital assets (Note 5)	<u>82,259,951</u>
Total assets	<u>157,139,299</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	2,682,097
Due to other governmental units	4,933
Due to other funds (Note 6)	140,176
Current portion of long-term debt (Note 7)	550,000
Total current liabilities	<u>3,377,206</u>
Noncurrent liabilities - Long-term debt (Note 7)	<u>16,162,242</u>
Total liabilities	<u>19,539,448</u>
<b>Net Position</b>	
Net investment in capital assets	65,547,709
Unrestricted	72,052,142
Total net position	<u><u>\$ 137,599,851</u></u>

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Fund - Water and Sewer
<b>Operating Revenue</b>	
Sale of water	\$ 13,510,498
Sewage disposal charges	10,142,239
Other operating revenue	1,748,320
Total operating revenue	25,401,057
<b>Operating Expenses</b>	
Cost of water	9,809,798
Cost of sewage treatment	8,423,785
Other operation and maintenance	4,071,261
Billing and administrative costs	951,872
Depreciation	3,513,122
Total operating expenses	26,769,838
<b>Operating Loss</b>	(1,368,781)
<b>Nonoperating Revenue (Expenses)</b>	
Investment income	605,710
Interest expense	(322,305)
Total nonoperating revenue	283,405
<b>Loss - Before contributions</b>	(1,085,376)
<b>Capital Contributions</b>	
Special assessments	202,392
Tap-in fees	149,758
Total capital contributions	352,150
<b>Transfers in</b>	59,369
<b>Change in Net Position</b>	(673,857)
<b>Net Position - Beginning of year</b>	138,273,708
<b>Net Position - End of year</b>	\$ 137,599,851

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	<u>Enterprise Fund - Water and Sewer</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 24,595,798
Payments to suppliers	(23,616,278)
Payments to employees	(373,558)
Receipts for interfund services and reimbursements	130,264
Other receipts	<u>1,306</u>
Net cash provided by operating activities	737,532
<b>Cash Flows from Capital and Related Financing Activities</b>	
Issuance of bonds	10,412,242
Special assessment collections	207,042
Tap-in fees and other	149,758
Transfers from other funds	59,369
Purchase of capital assets	(5,880,879)
Principal and interest paid on capital debt	<u>(592,745)</u>
Net cash provided by capital and related financing activities	4,354,787
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>609,417</u>
<b>Net Increase in Cash and Cash Equivalents</b>	5,701,736
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>60,542,743</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 66,244,479</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b> -	
Cash and investments	<u><b>\$ 66,244,479</b></u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (1,368,781)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	3,513,122
Changes in assets and liabilities:	
Receivables	(803,953)
Accounts payable and other	(733,120)
Due to other funds	<u>130,264</u>
Net cash provided by operating activities	<u><b>\$ 737,532</b></u>

# City of Farmington Hills, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,813,558	\$ 4,812,403
Investments:		
Pooled funds	96,708,848	-
Exchange traded funds	14,014,341	-
Common stock	88,513,087	-
Receivables	310,242	-
Prepaid expenses and other assets	24,969	-
	<u>212,385,045</u>	<u>\$ 4,812,403</u>
<b>Liabilities</b>		
Accounts payable	324,132	\$ -
Other payables	-	1,007,963
Due to primary government	111,727	-
Refundable deposits, bonds, etc.	-	3,804,440
	<u>435,859</u>	<u>\$ 4,812,403</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u><u>\$ 211,949,186</u></u>	

# City of Farmington Hills, Michigan

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income (expense):	
Interest and dividends	\$ 3,462,656
Net change in fair value of investments	(4,248,803)
Investment-related expenses	(1,389,741)
Net investment loss	(2,175,888)
Contributions:	
Employer	7,773,252
Employee	1,163,318
Total contributions	8,936,570
Total additions	6,760,682
<b>Deductions</b>	
Benefit payments	11,021,936
Refunds of contributions	202,285
Total deductions	11,224,221
<b>Net Decrease in Net Position Held in Trust</b>	(4,463,539)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	216,412,725
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 211,949,186</b>

# City of Farmington Hills, Michigan

## Component Units Statement of Net Position June 30, 2015

	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
<b>Assets</b>				
Cash and investments	\$ 311	\$ 991,508	\$ 41,875	\$ 1,033,694
Receivables	-	-	4,264	4,264
Total assets	311	991,508	46,139	1,037,958
<b>Liabilities</b> - Accounts payable	-	46,746	2,741	49,487
<b>Net Position</b> - Unrestricted	<u>\$ 311</u>	<u>\$ 944,762</u>	<u>\$ 43,398</u>	<u>\$ 988,471</u>



# City of Farmington Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation	\$ 8,585	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	309,642	-	4,800	-
Corridor Improvement Authority	16,600	-	4,264	-
<b>Total component units</b>	<b>\$ 334,827</b>	<b>\$ -</b>	<b>\$ 9,064</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 Investment income  
 Other miscellaneous 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, 2015**

Net (Expense) Revenue and Changes in Net Position			
Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ (8,585)	\$ -	\$ -	\$ (8,585)
-	(304,842)	-	(304,842)
-	-	(12,336)	(12,336)
(8,585)	(304,842)	(12,336)	(325,763)
-	269,369	-	269,369
4	6,243	35	6,282
1,100	-	30,000	31,100
1,104	275,612	30,035	306,751
(7,481)	(29,230)	17,699	(19,012)
7,792	973,992	25,699	1,007,483
<b>\$ 311</b>	<b>\$ 944,762</b>	<b>\$ 43,398</b>	<b>\$ 988,471</b>

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Farmington Hills, Michigan (the "City"):

#### **Reporting Entity**

The City of Farmington Hills, Michigan 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. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion 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 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.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

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

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.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 16.

#### **Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

#### **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. 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 and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

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

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

#### **Fund Accounting**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

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

- General Fund - The General Fund is the 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.
- 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.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

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

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

**Fiduciary funds** include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- Pension and Other Employee Benefits Trust Fund - The Pension and Other Employee Benefits Trust Fund accounts 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 government 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.

Further, 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.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### Note I - Summary of 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 government 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.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are 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 of resources.

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.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

Approximately \$78,295,000 or 37 percent of the Pension and Other Postemployment Benefit Trust Fund's net position as of June 30, 2015 is not publicly traded and therefore does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because certain investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ materially from the values that would have been used had a ready market for these securities existed.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. 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 fair market value at the date of donation.

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

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



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

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net 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.

#### **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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One of the deferred outflows is the deferred charge on a bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item reported as deferred outflows in the government-wide statement of net position is the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: special assessments and certain accounts receivable. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The deferred inflows of resources related to the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability is reported in the government-wide statement of net position. This amount is deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions.

# **City of Farmington Hills, Michigan**

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## **Notes to Financial Statements June 30, 2015**

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

#### **Net Position Flow Assumption**

Sometimes the City will 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 Assumption**

Sometimes the City will 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. Further, 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.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

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

Amounts in the assigned fund balance classification are intended to be used by the City 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 city manager to assign fund balance. The 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 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 final amended taxable valuation of the City totaled \$3,032,458,660, on which ad valorem taxes less special acts levied consisted of 7.9560 mills for operating purposes, 0.4882 mills for parks and recreation, 0.7436 mills for refuse, 0.0164 mills for public information, and 3.1764 mills for public safety. This resulted in approximately \$24,039,000 for operations, \$1,475,000 for parks and recreation, \$2,247,000 for refuse, \$49,000 for public information, and \$9,597,000 for public safety. These amounts are recognized in the respective General Fund, special revenue fund, and debt service fund financial statements as taxes receivable - current or 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 purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

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

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

**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 and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

**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.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 2 - Reporting Change (Prior Period Adjustments)

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a liability for our unfunded legacy costs related to the City's pension plan. Certain changes in the net pension liability will be recognized immediately as part of the pension expense measurement, and other changes will be deferred and recognized over future years. Refer to the pension footnote for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

As a result of implementing this statement, the beginning net position of the governmental activities has been restated as indicated:

	Governmental Activities
Net position - June 30, 2014 - As previously reported	\$ 173,661,431
Adjustment for implementation of GASB 68	<u>(18,601,211)</u>
Net position - June 30, 2014 - As restated	<u>\$ 155,060,220</u>

### Note 3 - Stewardship, Compliance, and Accountability

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

Shortfall at July 1, 2014		\$ (4,032,161)
Current year permit revenue		1,141,557
Related expenses:		
Direct costs	\$ 609,760	
Estimated indirect costs	132,474	<u>742,234</u>
Current year surplus		<u>399,323</u>
Cumulative shortfall at June 30, 2015		<u>\$ (3,632,838)</u>

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### Note 3 - Stewardship, Compliance, and Accountability (Continued)

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 an activity 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, 2015 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** - During the year, the City incurred expenditures that were in excess of the amounts budgeted for the Local Roads Fund. The Local Roads Fund incurred actual expenditures of \$3,021,800 for public works while the City budgeted \$2,412,310 for public work expenditures. This resulted in an unfavorable \$609,490 variance. This unfavorable variance in the Local Roads Fund was caused by beginning road projects that were originally planned for fiscal year 2015-2016 in fiscal year 2014-2015.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - 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 10 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 investment policies are in accordance with statutory authority. As noted below, the City participates in the Oakland County 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. Fair value of the position in the pool is the same as the value of the pool shares.

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 \$9,345,543 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, 2015, the component units of the City did not have any bank deposits as all amounts were maintained in investment pools.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Deposits and Investments (Continued)

#### 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 average maturity of investments is as follows:

Investment	Fair Value	Weighted Average Maturity
<b>Primary Government</b>		
U.S. Treasury	\$ 12,505,857	820 days
Bank investment pool	2,176,812	30 days
Bank investment pool - Oakland County	41,277,785	478 days
Total	<u>\$ 55,960,454</u>	

#### 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 domestic equity investments allow for common stocks, real estate investment trusts, and securities convertible into the common stock of U.S.-based companies. Domestic fixed-income investments allow for securities issued by the U.S. government and its agencies, U.S. corporations, Yankee bonds, notes, and securitized mortgages. Fixed-income securities shall 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 Depository Receipts (ADRs) or American Depository 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.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Bank investment pool	\$ 15,679,618	AAAm	S&P
Bank investment pool	<u>50,803,385</u>	Not rated	N/A
Total	<u>\$ 66,483,003</u>		
<b>Health Care Fund - Pooled investments/ Mutual funds</b>			
	<u>\$ 22,476,214</u>	Not rated	N/A
<b>Component Units - Pooled investments</b>			
	<u>\$ 1,033,694</u>	AAAm	S&P

#### 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 5.93 percent invested in Entrust Diversified Fund, 7.24 percent invested in Brandywine Global Fixed Income, 7.11 percent invested in iShares MSCI ACWI, 10.85 percent invested in Loomis Sayles Core Plus, 6.09 percent in Loomis Sayles Trust, and 6.11 percent in Pinehurst Institutional LTD.

**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 fund had 6.61 percent invested in Templeton Global Bond Fund, 6.77 percent invested in iShares MSCI ACWI Index Fund, 5.98 percent invested in Loomis Sayles Investment Grade Bond Fund, and 14.10 percent invested in iShares Core U.S. Aggregate 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.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Capital Assets

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

	Balance July 1, 2014	Transfers/ Reclassifications	Additions	Disposals	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 16,773,233	\$ -	\$ -	\$ -	\$ 16,773,233
Construction in progress	4,755,692	(3,780,805)	3,065,916	-	4,040,803
Right of way	31,561,930	-	-	-	31,561,930
Subtotal	53,090,855	(3,780,805)	3,065,916	-	52,375,966
Capital assets being depreciated:					
Sidewalks	13,139,055	414,975	-	-	13,554,030
Drain rights	17,206,941	-	-	-	17,206,941
Buildings and improvements	63,280,775	-	83,242	-	63,364,017
Machinery and equipment	16,044,249	-	599,739	190,692	16,453,296
Vehicles	13,549,758	59,415	1,263,562	909,785	13,962,950
Office furnishings	4,384,741	-	128,549	1,503	4,511,787
Land improvements	18,425,203	-	533,606	-	18,958,809
Major roads	59,732,980	2,938,915	21,043	-	62,692,938
Local roads	82,208,643	367,500	-	-	82,576,143
Subtotal	287,972,345	3,780,805	2,629,741	1,101,980	293,280,911
Accumulated depreciation:					
Sidewalks	8,914,514	-	349,080	-	9,263,594
Drain rights	7,732,763	-	344,139	-	8,076,902
Buildings and improvements	31,059,970	-	1,777,005	-	32,836,975
Machinery and equipment	12,125,815	-	903,697	189,845	12,839,667
Vehicles	8,563,161	-	1,145,590	905,568	8,803,183
Office furnishings	3,815,035	-	139,452	1,504	3,952,983
Land improvements	14,296,408	-	508,904	-	14,805,312
Major roads	36,399,952	-	1,860,659	-	38,260,611
Local roads	66,750,787	-	1,619,959	-	68,370,746
Subtotal	189,658,405	-	8,648,485	1,096,917	197,209,973
Net capital assets being depreciated	98,313,940	3,780,805	(6,018,744)	5,063	96,070,938
Net capital assets	\$ 151,404,795	\$ -	\$ (2,952,828)	\$ 5,063	\$ 148,446,904
<b>Business-type Activities</b>					
Capital assets not being depreciated -					
Construction in progress	\$ 10,742,305	\$ (7,229,324)	\$ 5,408,367	\$ -	\$ 8,921,348
Capital assets being depreciated:					
Sewage disposal system	95,533,566	139,955	272,075	-	95,945,596
Water distribution system	71,933,146	7,089,369	200,437	-	79,222,952
Subtotal	167,466,712	7,229,324	472,512	-	175,168,548
Accumulated depreciation:					
Sewage disposal system	56,074,065	-	1,846,880	-	57,920,945
Water distribution system	42,242,758	-	1,666,242	-	43,909,000
Subtotal	98,316,823	-	3,513,122	-	101,829,945
Net capital assets being depreciated	69,149,889	7,229,324	(3,040,610)	-	73,338,603
Net capital assets	\$ 79,892,194	\$ -	\$ 2,367,757	\$ -	\$ 82,259,951

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 1,400,430
Public safety	1,281,755
Public services	4,789,123
Community and economic development	6,640
Recreation and culture	<u>1,170,537</u>

Total governmental activities \$ 8,648,485

Business-type activities - Water and sewer \$ 3,513,122

**Construction Commitments** - The City has active construction projects at year end. The projects include water main/sidewalk improvements, sewer and drainage improvements, and local road special assessment district improvements which were budgeted for and planned. Debt was issued for the water tower construction and EFSDS Middlebelt tunnel projects in the current year. At year end, the City's commitments with contractors are as follows:

	<u>Remaining Commitment</u>
Water tower construction	\$ 2,531,028
Roads/SAD/Drainage/Sewer improvements	1,440,558
Water main/Sidewalk improvements	920,523
EFSDS Middlebelt Tunnel	<u>22,763,114</u>
Total	<u>\$ 27,655,223</u>

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

The following 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. The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Major Roads Fund	\$ 10,910
	Local Roads Fund	7,017
	Public Safety Millage Fund	431,313
	Capital Improvement Fund	53,441
	Nonmajor governmental funds	1,120,535
	Water and Sewer Fund	<u>140,176</u>
	Total General Fund	1,763,392
Local Roads Fund	Special Assessment Fund - Local Roads	928
	Nonmajor governmental funds	<u>1,506,577</u>
	Total Local Roads Fund	1,507,505
	Capital Improvement Fund	500
Nonmajor governmental funds	Major Roads Fund	499,750
	Local Roads Fund	<u>499,750</u>
	Total nonmajor governmental funds	<u>999,500</u>
	Total	<u>\$ 4,270,897</u>

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

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

Fund Transfer From	Fund Transfer To	Amount
General Fund	Capital Improvement Fund	\$ 2,436,707
	Major Roads Fund	75,000
	Local Roads Fund	75,000
	Nonmajor governmental funds	<u>1,973,057</u>
	Total General Fund	4,559,764
Major Roads Fund	Local Roads Fund	225,000
Special Assessment Fund - Local Roads	Local Roads Fund	10,507
	Nonmajor governmental funds	738,798
	Water and Sewer Funds	<u>59,369</u>
	Total Special Assessment Fund - Local Roads	808,674
Nonmajor governmental funds	General Fund	1,307,850
	Local Roads Fund	1,508,972
	Capital Improvement Fund	173,322
	Special Assessment Fund - Local Roads	358,000
	Nonmajor governmental funds	<u>1,409,725</u>
	Total nonmajor governmental funds	<u>4,757,869</u>
	Total	<u>\$ 10,351,307</u>

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

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

The transfer from the General Fund to the Capital Improvement Fund represents 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 and road improvements. The transfer from the General Fund to the Major Roads and Local Roads Funds represent the movement of resources for road improvements. 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 nonmajor governmental funds represents the transfer of resources for debt services. The transfer from the Special Assessment Fund - Local Roads to other nonmajor governmental funds represents the transfer of resources for debt service payments. The transfers from the Special Assessment Fund - Local Roads to the Local Roads Fund and Water and Sewer Fund represent the movement of resources for capital improvements. The transfer from the nonmajor governmental funds to the Local Roads Fund represents the movement of resources for capital improvements. The transfer from nonmajor governmental funds to the Capital Improvement Fund represents the movement of discretionary funds to be used for the benefit of the community. 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 transfer from the nonmajor governmental funds to the Special Assessment Fund - Local Roads Fund represents the movement of resources for debt service. 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.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions/ Adjustments	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
1998 Refunding Bonds:							
Amount of issue: \$4,495,000							
Maturing through 2015	4.40%		\$ 495,000	\$ -	\$ 495,000	\$ -	\$ -
Less: Issuance discounts			(16,250)	-	(16,250)	-	-
2012 General Obligation Bonds:							
Amount of issue: \$970,000	2.00% -	\$60,000 -					
Maturing through 2026	3.00%	\$85,000	915,000	-	55,000	860,000	60,000
Building Authority Bonds:							
District Court Refunding Bonds, Series 2007:							
Amount of issue: \$6,555,000	4.00% -	\$695,000 -					
Maturing through 2021	5.50%	\$985,000	5,870,000	-	690,000	5,180,000	695,000
Building Authority Refunding Bonds, Series 2003:							
Amount of issue: \$2,910,000	3.60% -	\$195,000 -					
Maturing through 2018	4.00%	\$200,000	790,000	-	200,000	590,000	200,000
County contractual obligations -							
Caddell Drain Refunding Bonds:							
Amount of issue: \$1,388,991							
Maturing through 2014	5.875%		122,781	-	122,781	-	-
Golf Course Capital Improvement:							
General obligation bonds:							
Amount of issue: \$8,200,000	3.35%-						
Maturing through 2016	4.375%	\$250,000	500,000	-	250,000	250,000	250,000
2013 Refunding Bonds - Golf Course							
Amount of issue: \$6,545,000	2.00%-	\$50,000-					
Maturing through 2031	3.50%	\$525,000	6,545,000	-	50,000	6,495,000	50,000
Less deferred amount - Bond premium			422,624	-	25,231	397,393	-
Districts 333, 334, 335, and 336:							
Public improvements:							
Amount of issue: \$2,470,000	2.00% -	\$255,000 -					
Maturing through 2022	2.50%	\$270,000	2,135,000	-	275,000	1,860,000	270,000
Total bonds payable			17,779,155	-	2,146,762	15,632,393	1,525,000
Other long-term obligations:							
Accumulated compensated absences			4,804,194	2,535,054	2,173,923	5,165,325	2,286,204
Estimated self-insurance claims			676,000	-	290,000	386,000	386,000
Total governmental activities			\$ 23,259,349	\$ 2,535,054	\$ 4,610,685	\$ 21,183,718	\$ 4,197,204
<b>Business-type Activities</b>							
Limited tax general obligation bonds:							
2013 Water Supply System Bonds:							
Amount of issue: \$6,800,000	2.00% -	\$275,000-					
Maturing through 2032	3.13%	\$460,000	\$ 6,570,000	\$ -	\$ 270,000	\$ 6,300,000	\$ 275,000
2014 Water Supply System Improvement Bonds:							
Amount of issue: \$8,800,000	2.00%-	\$275,000-					
Maturing through 2034	3.00%	\$460,000	-	8,800,000	-	8,800,000	275,000
2014 Evergreen and Middlebelt Transport and Storage Tunnel Bonds:							
Amount of issue: \$19,570,005*		\$59,067-					
Maturing through 2036	2.50%	\$785,880	-	1,612,242	-	1,612,242	-
Total business-type activities			\$ 6,570,000	\$ 10,412,242	\$ 270,000	\$ 16,712,242	\$ 550,000

\* Issue of \$19,570,005 but only \$1,612,242 was drawn as of 6/30/2015

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

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

Total interest expense for the year was approximately \$905,670. Annual debt service requirements to maturity for the above bonds and note obligations, excluding \$397,393 of unamortized premiums, are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,525,000	\$ 503,925	\$ 2,028,925	\$ 550,000	\$ 421,572	\$ 971,572
2017	1,640,000	442,750	2,082,750	630,000	410,356	1,040,356
2018	1,695,000	377,550	2,072,550	1,402,295	388,115	1,790,410
2019	1,590,000	325,800	1,915,800	1,430,880	355,900	1,786,780
2020	1,705,000	272,100	1,977,100	734,067	332,138	1,066,205
2021-2025	3,965,000	758,600	4,723,600	3,630,000	1,442,150	5,072,150
2026-2030	2,590,000	316,963	2,906,963	4,235,000	942,525	5,177,525
2031-2035	525,000	9,188	534,188	4,100,000	276,238	4,376,238
Total	<u>\$ 15,235,000</u>	<u>\$ 3,006,876</u>	<u>\$ 18,241,876</u>	<u>\$ 16,712,242</u>	<u>\$ 4,568,994</u>	<u>\$ 21,281,236</u>

**Debt Issuance** - During the year, the County issued, on the City's behalf, the 2014 Water Supply System Improvement Bonds and the 2014 Evergreen and Middlebelt Sanitary Sewer Transport and Storage Tunnel Bonds. The 2014 Water Supply System Improvement Bonds were issued at par amount of \$8,800,000 with an interest rate range of 2.00 to 3.00 percent. The proceeds were used for the construction of a water tower and the surrounding water distribution system. The Evergreen and Middlebelt Sanitary Sewer Transport and Storage Tunnel Bonds are State Revolving Fund bonds and the County has drawn down \$3,036,237, of which 53.10 percent, or \$1,621,242, 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.

**Advance 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, 2015, the City's portion of bonds outstanding that are considered defeased approximates \$12,650,000.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

**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, 2015, there is approximately \$24,620,000 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 Pension Plan - a single employer 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, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	279
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	<u>288</u>
Total plan members	<u>577</u>

The General Group was closed to new hires as follows:

- Nonunion and AFSCME Union - Effective July 1, 2006;
- Dispatcher Union - Effective January 1, 2007; and
- Teamsters Union - Effective January 1, 2008

The General Group consists of union employees from AFSCME and Teamsters, non-union employees, court employees, executive employees, and dispatch employees. The General Group does not include firefighters, police officers, and police command employees.

### Note 8 - Pension Plan Description (Continued)

**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 services 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, 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, 1.0 percent for each year over 25 years of service, with a maximum multiplier of 80 percent.

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, 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), 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, 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, 1.0 percent for each year over 25 years of service, with a maximum multiplier of 60 percent.

### Note 8 - Pension Plan Description (Continued)

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, 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, 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, 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

System 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 (benefit begins at age 55).

In addition to the normal, early, and deferred retirement provisions, the system provides non-duty death benefits to qualifying members. A non-duty 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 a duty death benefit 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/her life. This is a non-survivor 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/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

Only City 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, 2015, the average active member contribution rate was 4.5 percent of annual pay, and the City's average contribution rate was 24 percent of annual payroll.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 9 - Pension Plan Reserves

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.

The employee reserve is held in the member's deposit fund and 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 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, 2015 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retirement Reserve Fund	\$ 79,503,338	\$ 79,503,338
Members' Deposit Fund	16,251,134	16,251,134
Pension Reserve Fund	N/A	49,531,944

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

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

**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 is in compliance with Michigan Public Act 347 of 2012 and 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, 2015:

Asset Class	Target Allocation
Global equity	43 %
Global fixed income	21
Hedge funds	10
Private equity	5
Real estate	7
Infrastructure	7
Real assets - Gold	5
Cash and cash equivalents	2
Total	100 %

**Rate of Return** - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.38) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 11 - Net Pension Liability

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 175,347,196
Plan fiduciary net position	<u>(145,286,416)</u>
Net pension liability	<u>\$ 30,060,780</u>
Plan fiduciary net position as a percentage of the total pension liability	82.9 %

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 11 - Net Pension Liability (Continued)

The net pension liability of \$30,060,780 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 \$28,834,315 at June 30, 2015.

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of June 30, 2014, which used updated procedures to roll forward the estimated liability to June 30, 2015.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2014</b>	\$ 169,892,964	\$ 150,313,054	\$ 19,579,910
Service cost	3,345,050		3,345,050
Interest	12,530,513		12,530,513
Differences between expected and actual experience	(1,437,308)		(1,437,308)
Contributions - Employer		4,882,377	(4,882,377)
Contributions - Employee		896,588	(896,588)
Net investment (loss) income		(1,418,620)	1,418,620
Benefit payments, including refunds	(8,984,023)	(8,984,023)	-
Administrative expenses		(409,172)	409,172
Other	-	6,212	(6,212)
Net changes	5,454,232	(5,026,638)	10,480,870
<b>Balance at June 30, 2015</b>	<b>\$ 175,347,196</b>	<b>\$ 145,286,416</b>	<b>\$ 30,060,780</b>

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 11 - Net Pension Liability (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$6,482,764. At June 30, 2015, 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	\$ -	\$ 1,117,421
Net difference between projected and actual earnings on pension plan investments	<u>9,635,588</u>	<u>-</u>
Total	<u>\$ 9,635,588</u>	<u>\$ 1,117,421</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
2016	\$ 2,129,542
2017	2,129,542
2018	2,129,542
2019	2,129,541

**Actuarial Assumptions** - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Salary increases	4.5 - 23.5 % Average, including inflation
Investment rate of return	7.5 % 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.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 11 - Net Pension Liability (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.5 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.

#### 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, 2015 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
Global equity	8.1 %
Global fixed income	2.9
Hedge funds	4.0
Private equity	11.4
Real estate	8.0
Infrastructure	7.5
Real assets - Gold	2.4
Cash or cash equivalents	1.0
Total weighted average	6.31

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 11 - Net Pension Liability (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ 51,042,748	\$ 30,060,780	\$ 12,339,625

**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 or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are report 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 \$3,808,739, resulting in an employer contribution of \$380,874 and employee contributions of \$190,437.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### **Note 13 - Other Postemployment Benefits**

**Plan Description** - The City of Farmington Hills Post-retirement Healthcare Finance Fund (the "Plan") is a single-employer other postemployment benefit plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. The City provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. At June 30, 2014, the date of the most recent actuarial valuation, 203 individuals are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, which generally requires employee contributions of 1.5 percent of earnings not in excess of the employee wage base. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. 11 Mile Road, Farmington Hills, MI 48336.

**Funding Policy** - The collective bargaining agreements generally require employees to contribute 1.5 percent of their pay for postemployment healthcare benefits. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis) but it has historically budgeted to fund this obligation on an actuarial basis.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year beginning June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 16 years. Expenditures for postemployment healthcare benefits are funded on an actuarial basis. The City's actuarial required contribution for the year ended June 30, 2015 was \$2,890,395. The City contributed \$2,890,395 to the fund and received Medicare subsidies of \$480 for the fiscal year ended June 30, 2015. At June 30, 2014, the date of the most recent actuarial report, assets available for postemployment healthcare benefits totaled \$62,830,994. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ (2,890,395)
Interest on the prior year's net OPEB asset	1,505
Less adjustment to the annual required contribution	<u>(2,067)</u>
Annual OPEB cost	(2,890,957)
Amounts contributed - Advance funding	<u>2,890,875</u>
Decrease in net OPEB asset	(82)
OPEB asset - Beginning of year	<u>20,063</u>
OPEB asset - End of year	<u>\$ 19,981</u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Annual OPEB Costs	Percentage of ARC Contributed	Percentage OPEB Costs Contributed	Net OPEB (Obligation) Asset
6/30/13	6/30/10	\$ 4,161,881	\$ 4,147,007	81.1 %	81.4 %	\$ (1,415,867)
6/30/14	6/30/12	2,892,858	2,856,880	148.4	150.3	20,063
6/30/15	6/30/12	2,890,395	2,890,957	100.0	100.0	19,981

\* The required contribution is not expressed to the City as a percentage of payroll.

The funding progress of the Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/10	\$ 44,004,631	\$ 72,230,135	\$ 28,225,504	60.9 %	\$ 21,494,819	131.3 %
6/30/12	50,982,851	69,722,666	18,739,815	73.1	19,889,835	94.2
6/30/14	62,830,994	71,356,286	8,525,292	88.1	17,633,733	48.3

### Note 13 - Other Postemployment Benefits (Continued)

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2014 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent after 10 years. Both rates included a 3.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized using a level dollar method on a closed basis for all divisions except the Court, which is amortized using a level percent of payroll method on a closed basis. The remaining amortization period at June 30, 2014 was 16 years.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### **Note 14 - 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 and \$125 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, 2015, the City made contributions of \$166,279 and the plan members contributed \$89,135 to the plan.

### **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 the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2015

### Note 15 - Risk Management (Continued)

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	
	2015	2014
Unpaid claims - Beginning of year	\$ 838,038	\$ 958,474
Estimated incurred claims, including changes in estimates	3,247,608	3,683,260
Claim payments	<u>(3,594,811)</u>	<u>(3,803,696)</u>
Unpaid claims - End of year	<u>\$ 490,835</u>	<u>\$ 838,038</u>

A total of \$386,000 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, 2015 unpaid claims liability is \$104,835, 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 and in the Southwest Oakland Cable Commission with the cities of Farmington and Novi. The City provides approximately 85.66 percent of the funding for the Michigan 47th District Court Administration Fund. The Southwest Oakland Cable Commission currently does not receive a subsidy from the City.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### Note 16 - Joint Ventures (Continued)

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission for the acquisition of equipment and improvements to a new facility to be used in its operation. As of June 30, 2015, the total receivable advance is \$367,669. The advances will be repaid to the City in annual installments of approximately \$221,000, including interest at 4 percent, through 2017. Fund balance in the General Fund has been recorded as "nonspendable" for this advance since these amounts are not available for use to finance operations as of year end. The City has recorded an equity interest in the joint venture in the amount of \$667,616 for the year ended June 30, 2015. Financial information for the joint venture can be obtained from the Cable Commission's administrative offices at 33300 Nine Mile Road, Farmington, Michigan.

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, Wixom, 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, Southwest Oakland Cable Commission, and Resource Recovery and Recycling Authority of Southwest Oakland County can be obtained from the administrative offices at 31555 11 Mile Road, Farmington Hills, MI 48336.

### Note 17 - Fund Balance Constraints

The General Fund fund balance assignment for future expenditures of \$12,888,638 includes \$136,737 for subsequent year expenditures, \$1,000,000 for retiree health care, \$5,000,000 for public safety, \$920,000 for the corridor improvement authority, \$1,000,000 for the retirement system, \$355,000 for the activities center, \$400,000 for buses, \$200,000 for future inspections, \$500,000 for sidewalks/bikepaths, \$650,000 for information technology, \$1,000,000 for storm water, \$400,000 for police patrol cars, \$200,000 for communications, \$1,124,364 for subsequent years' budget requests, and \$2,537 for police training.



# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2015

### Note 18 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). 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 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 will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

## **Required Supplemental Information**

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# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 28,175,227	\$ 28,137,031	\$ 28,164,968	\$ 27,937
Other licenses and permits	1,291,882	1,126,594	1,224,287	97,693
Grants	51,000	273,092	196,035	(77,057)
State-shared revenue	6,693,606	7,030,502	7,083,229	52,727
Charges for services to external parties	9,746,261	9,519,911	10,228,020	708,109
Fines and forfeitures	2,035,756	2,131,000	2,132,226	1,226
Investment income	143,000	221,000	204,059	(16,941)
Local donations	251,000	251,000	270,500	19,500
Other miscellaneous income	851,405	1,248,446	1,827,144	578,698
Equipment rental	1,073,200	1,073,200	1,073,200	-
<b>Total revenue</b>	<b>50,312,337</b>	<b>51,011,776</b>	<b>52,403,668</b>	<b>1,391,892</b>
<b>Expenditures</b>				
General government:				
City Council	110,565	107,476	102,672	4,804
Boards and commissions	2,719,954	2,761,510	2,637,879	123,631
City administration	683,668	654,845	689,003	(34,158)
Public information	351,122	350,036	342,595	7,441
Finance department	1,627,498	1,609,921	1,580,109	29,812
Clerk	633,591	671,333	659,117	12,216
Attorney	597,500	584,500	569,892	14,608
Human resources/personnel	370,150	375,123	368,503	6,620
Central services	1,142,544	1,135,920	1,080,827	55,093
Support services	5,349,900	4,932,750	4,056,793	875,957
<b>Total general government</b>	<b>13,586,492</b>	<b>13,183,414</b>	<b>12,087,390</b>	<b>1,096,024</b>
Public safety:				
Police	14,475,666	14,322,741	14,154,928	167,813
Fire	4,242,137	4,295,440	4,217,222	78,218
<b>Total public safety</b>	<b>18,717,803</b>	<b>18,618,181</b>	<b>18,372,150</b>	<b>246,031</b>
Public services:				
Road maintenance	2,037,867	2,046,716	2,055,151	(8,435)
Administration	467,961	384,236	363,266	20,970
Maintenance facility	1,336,969	1,265,166	1,205,269	59,897
Building maintenance	470,236	489,106	470,852	18,254
General refuse removal	3,665,392	3,822,669	3,776,661	46,008
Engineering	1,160,697	1,149,456	1,111,796	37,660
Public service reimbursement from road fund	(1,670,495)	(1,673,822)	(1,688,542)	14,720
<b>Total public services</b>	<b>7,468,627</b>	<b>7,483,527</b>	<b>7,294,453</b>	<b>189,074</b>

# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Expenditures (Continued)</b>				
Community and economic development	\$ 1,489,934	\$ 1,382,119	\$ 1,381,797	\$ 322
Recreation and culture	6,888,811	7,075,883	7,075,084	799
Total expenditures	<u>48,151,667</u>	<u>47,743,124</u>	<u>46,210,874</u>	<u>1,532,250</u>
<b>Excess of Revenue Over Expenditures</b>	2,160,670	3,268,652	6,192,794	2,924,142
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,307,850	1,307,850	1,307,850	-
Transfers out	<u>(4,559,764)</u>	<u>(5,559,764)</u>	<u>(4,559,764)</u>	<u>1,000,000</u>
Total other financing uses	<u>(3,251,914)</u>	<u>(4,251,914)</u>	<u>(3,251,914)</u>	<u>1,000,000</u>
<b>Net Change in Fund Balance</b>	(1,091,244)	(983,262)	2,940,880	3,924,142
<b>Fund Balance - Beginning of year</b>	<u>24,797,027</u>	<u>24,797,027</u>	<u>24,797,027</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 23,705,783</b></u>	<u><b>\$ 23,813,765</b></u>	<u><b>\$ 27,737,907</b></u>	<u><b>\$ 3,924,142</b></u>

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.

# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ 493,351	\$ 521,901	\$ 300,725	\$ (221,176)
Intergovernmental revenue	4,711,812	5,438,243	4,616,508	(821,735)
Investment income	1,100	600	680	80
Other revenue	150	150	134	(16)
Total revenue	5,206,413	5,960,894	4,918,047	(1,042,847)
<b>Expenditures - Public works</b>	7,317,692	6,310,081	4,549,012	1,761,069
<b>Excess of Revenue (Under) Over Expenditures</b>	(2,111,279)	(349,187)	369,035	718,222
<b>Other Financing Sources (Uses)</b>				
Transfers in	75,000	75,000	75,000	-
Transfers out	(225,000)	(225,000)	(225,000)	-
Total other financing sources (uses)	(150,000)	(150,000)	(150,000)	-
<b>Net Change in Fund Balance</b>	(2,261,279)	(499,187)	219,035	718,222
<b>Fund Balance - Beginning of year</b>	2,765,342	2,765,342	2,765,342	-
<b>Fund Balance - End of year</b>	<u>\$ 504,063</u>	<u>\$ 2,266,155</u>	<u>\$ 2,984,377</u>	<u>\$ 718,222</u>

# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 1,522,865	\$ 2,076,354	\$ 1,563,978	\$ (512,376)
Fines and forfeitures	47,500	47,500	47,500	-
Investment income	200	180	204	24
Other revenue	-	-	2,136	2,136
Total revenue	<u>1,570,565</u>	<u>2,124,034</u>	<u>1,613,818</u>	<u>(510,216)</u>
<b>Expenditures - Public works</b>	<u>5,487,259</u>	<u>2,412,310</u>	<u>3,021,800</u>	<u>(609,490)</u>
<b>Excess of Expenditures Over Revenue</b>	(3,916,694)	(288,276)	(1,407,982)	(1,119,706)
<b>Other Financing Sources</b>				
Face value of debt issue	580,146	-	-	-
Transfers in	3,068,084	1,468,111	1,819,479	351,368
Total other financing sources	<u>3,648,230</u>	<u>1,468,111</u>	<u>1,819,479</u>	<u>351,368</u>
<b>Net Change in Fund Balance</b>	(268,464)	1,179,835	411,497	(768,338)
<b>Fund Balance - Beginning of year</b>	<u>908,703</u>	<u>908,703</u>	<u>908,703</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 640,239</u></u>	<u><u>\$ 2,088,538</u></u>	<u><u>\$ 1,320,200</u></u>	<u><u>\$ (768,338)</u></u>

# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Public Safety Millage Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 9,629,795	\$ 9,588,018	\$ 9,601,463	\$ 13,445
Investment income	5,200	6,000	6,525	525
Total revenue	9,634,995	9,594,018	9,607,988	13,970
<b>Expenditures - Public safety</b>	9,631,466	9,867,076	9,865,595	1,481
<b>Net Change in Fund Balance</b>	3,529	(273,058)	(257,607)	15,451
<b>Fund Balance - Beginning of year</b>	3,399,375	3,399,375	3,399,375	-
<b>Fund Balance - End of year</b>	<u>\$ 3,402,904</u>	<u>\$ 3,126,317</u>	<u>\$ 3,141,768</u>	<u>\$ 15,451</u>

# City of Farmington Hills, Michigan

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## Required Supplemental Information Employees' Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Annual money-weighted rate of return - Net of investment expense	(0.4)%	16.5 %	10.7 %	(1.7)%	20.7 %	15.5 %	(15.3)%	(1.9)%	13.4 %	5.3 %



# City of Farmington Hills, Michigan

## Required Supplemental Information Employees' Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015	2014*	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
<b>Total Pension Liability</b>										
Service cost	\$ 3,345,050	\$ 3,412,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	12,530,511	12,050,921	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,437,308)	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(8,984,021)	(9,085,912)	-	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>5,454,232</b>	<b>6,377,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Pension Liability - Beginning of year</b>	<b>169,892,964</b>	<b>163,515,916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 175,347,196</b>	<b>\$ 169,892,964</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 4,882,377	\$ 4,557,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	896,588	892,150	-	-	-	-	-	-	-	-
Net investment income	(1,418,620)	22,334,550	-	-	-	-	-	-	-	-
Administrative expenses	(409,172)	(304,659)	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(8,984,023)	(9,085,912)	-	-	-	-	-	-	-	-
Other	6,212	-	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(5,026,638)</b>	<b>18,393,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>150,313,054</b>	<b>131,919,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 145,286,416</b>	<b>\$ 150,313,054</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Pension Liability - Ending</b>	<b>\$ 30,060,780</b>	<b>\$ 19,579,910</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>82.86 %</b>	<b>88.48 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>
<b>Covered Employee Payroll</b>	<b>\$ 20,213,039</b>	<b>\$ 21,343,777</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>148.7 %</b>	<b>91.7 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>

\* GASB Statement No. 67 was implemented for FYE 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.



# City of Farmington Hills, Michigan

## Required Supplemental Information Post-retirement Healthcare Finance Fund Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 40,551,585	\$ 57,063,627	\$ 16,512,042	71.1	\$ 24,662,884	67.0
6/30/09	41,318,305	59,275,315	17,957,010	69.7	24,904,782	72.1
6/30/10	44,004,631	74,937,594	30,932,963	58.7	21,494,819	143.9
6/30/10**	44,004,631	72,230,135	28,225,504	60.9	21,494,819	131.3
6/30/12	50,982,851	69,722,666	18,739,815	73.1	19,889,835	94.2
6/30/14	62,830,994	71,356,286	8,525,292	88.1	17,633,733	48.3

\* The above schedule includes only postretirement healthcare-related activity reported in the Closed Healthcare Fund and the Post-retirement Healthcare Finance Fund; assets and liabilities related to pension activity have been excluded. The financial information of the Closed Healthcare Fund is reported in the City of Farmington Hills Employees' Retirement System's separately issued financial statements.

\*\* Revised the 2010 valuation using revised assumptions as of June 30, 2011

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/10	6/30/08	\$ 2,971,747	100.0
6/30/11	6/30/09	3,186,426	100.0
6/30/12	6/30/10	3,955,250	83.7
6/30/13	6/30/10	4,161,881	81.1
6/30/14	6/30/12	2,892,858	148.4
6/30/15	6/30/12	2,890,395	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Amortization method:

General, Police, and Fire Level dollar (closed)

Court Level percent of pay (closed)

Remaining amortization period 16 years

Asset valuation method 5-year smoothed market

Actuarial assumptions:

Investment rate of return 7.50%

Projected salary increases 1.0% - 20.0%

\*Includes inflation at 3.5%

Cost of living adjustments None

Health cost increases 3.5% - 9.0%

## **Other Supplemental Information**

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# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Major Capital Projects Fund Capital Improvement Fund Year Ended June 30, 2015

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ -	\$ -	\$ 1,684	\$ 1,684
Investment income	3,000	765	854	89
Other revenue	4,200	38,387	90,375	51,988
Total revenue	7,200	39,152	92,913	53,761
<b>Expenditures - Capital outlay</b>	4,007,878	4,138,002	2,994,003	1,143,999
<b>Excess of Expenditures Over Revenue</b>	(4,000,678)	(4,098,850)	(2,901,090)	1,197,760
<b>Other Financing Sources -</b>				
Transfers in	2,589,617	2,616,707	2,610,029	(6,678)
<b>Net Change in Fund Balance</b>	(1,411,061)	(1,482,143)	(291,061)	1,191,082
<b>Fund Balance - Beginning of year</b>	2,367,566	2,367,566	2,367,566	-
<b>Fund Balance - End of year</b>	<u>\$ 956,505</u>	<u>\$ 885,423</u>	<u>\$ 2,076,505</u>	<u>\$ 1,191,082</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund Special Assessment Fund - Local Roads Fund Year Ended June 30, 2015

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Investment income	\$ 175,000	\$ 166,175	\$ 171,650	\$ 5,475
Other revenue	650,000	702,058	954,676	252,618
Total revenue	825,000	868,233	1,126,326	258,093
<b>Expenditures</b>				
Public works	-	-	9,075	(9,075)
Debt service	349,888	380,523	467,422	(86,899)
Total expenditures	349,888	380,523	476,497	(95,974)
<b>Excess of Revenue Over Expenditures</b>	475,112	487,710	649,829	162,119
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	2,320,584	1,145,000	-	(1,145,000)
Transfers in	358,000	358,000	358,000	-
Transfers out	(3,274,533)	(1,883,798)	(808,674)	1,075,124
Total other financing uses	(595,949)	(380,798)	(450,674)	(69,876)
<b>Net Change in Fund Balance</b>	(120,837)	106,912	199,155	92,243
<b>Fund Balance - Beginning of year</b>	1,898,108	1,898,108	1,898,108	-
<b>Fund Balance - End of year</b>	<u>\$ 1,777,271</u>	<u>\$ 2,005,020</u>	<u>\$ 2,097,263</u>	<u>\$ 92,243</u>

# 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
<b>Assets</b>						
Cash and cash equivalents	\$ 58,250	\$ 121,766	\$ 799,943	\$ 500	\$ 415,959	\$ 52,536
Receivables	16,177	41,905	-	-	26,595	-
Due from other funds	-	-	-	999,500	-	-
Total assets	<u>\$ 74,427</u>	<u>\$ 163,671</u>	<u>\$ 799,943</u>	<u>\$ 1,000,000</u>	<u>\$ 442,554</u>	<u>\$ 52,536</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 5,251	\$ -	\$ 293,534	\$ -	\$ 27,881	\$ -
Due to other funds	14,677	106,358	-	1,000,000	-	-
Unearned revenue	54,499	57,313	-	-	-	-
Total liabilities	74,427	163,671	293,534	1,000,000	27,881	-
<b>Fund Balances</b>						
Restricted:						
Police	-	-	506,409	-	-	-
Parks and recreation	-	-	-	-	414,673	-
Committed - Special assessment projects	-	-	-	-	-	52,536
Assigned:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total fund balances	-	-	506,409	-	414,673	52,536
Total liabilities and fund balances	<u>\$ 74,427</u>	<u>\$ 163,671</u>	<u>\$ 799,943</u>	<u>\$ 1,000,000</u>	<u>\$ 442,554</u>	<u>\$ 52,536</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

Debt Service Funds		Capital Projects Funds		Total
Building Authority	General Debt Service	Golf Course Capital Improvement	Revolving Special Assessment	Nonmajor Governmental Funds
\$ 1,050	\$ 161,247	\$ 52,279	\$ 1,748,272	\$ 3,411,802
-	-	-	-	84,677
-	-	-	-	999,500
<b>\$ 1,050</b>	<b>\$ 161,247</b>	<b>\$ 52,279</b>	<b>\$ 1,748,272</b>	<b>\$ 4,495,979</b>
-	-	-	-	326,666
-	-	-	1,506,577	2,627,612
-	-	-	-	111,812
-	-	-	1,506,577	3,066,090
-	-	-	-	506,409
-	-	-	-	414,673
-	-	-	241,695	294,231
-	-	52,279	-	52,279
1,050	161,247	-	-	162,297
1,050	161,247	52,279	241,695	1,429,889
<b>\$ 1,050</b>	<b>\$ 161,247</b>	<b>\$ 52,279</b>	<b>\$ 1,748,272</b>	<b>\$ 4,495,979</b>



# 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
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,477,585	\$ -
Federal grants	349,009	242,760	97,725	-	-	-
State-shared revenue and grants	-	112,757	65,197	-	-	-
Investment income	-	79	719	-	2,431	302
Other revenue	-	91,124	9,956	-	-	-
Total revenue	349,009	446,720	173,597	-	1,480,016	302
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	300
Public safety	-	-	543,688	-	-	-
Community and economic development	175,687	-	-	-	-	-
Recreation and culture	-	446,720	-	-	-	-
Capital outlay	-	-	-	-	189,992	-
Debt service	-	-	-	-	-	-
Total expenditures	175,687	446,720	543,688	-	189,992	300
<b>Excess of Revenue Over (Under) Expenditures</b>	173,322	-	(370,091)	-	1,290,024	2
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(173,322)	-	-	-	(1,457,850)	-
Total other financing (uses) sources	(173,322)	-	-	-	(1,457,850)	-
<b>Net Change in Fund Balances</b>	-	-	(370,091)	-	(167,826)	2
<b>Fund Balances - Beginning of year</b>	-	-	876,500	-	582,499	52,534
<b>Fund Balances - End of year</b>	\$ -	\$ -	\$ 506,409	\$ -	\$ 414,673	\$ 52,536

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2015**

Debt Service Funds		Capital Projects Fund		Total
Building Authority	General Debt Service	Golf Course Capital Improvement	Revolving Special Assessment	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,477,585
-	-	-	-	689,494
-	-	-	-	177,954
1	497	39	8,932	13,000
-	227,488	28,813	-	357,381
<u>1</u>	<u>227,985</u>	<u>28,852</u>	<u>8,932</u>	<u>2,715,414</u>
-	-	-	-	300
-	-	-	-	543,688
900	-	-	1,295	177,882
-	-	-	-	446,720
-	-	25,879	-	215,871
<u>1,181,925</u>	<u>1,218,467</u>	<u>-</u>	<u>-</u>	<u>2,400,392</u>
<u>1,182,825</u>	<u>1,218,467</u>	<u>25,879</u>	<u>1,295</u>	<u>3,784,853</u>
(1,182,824)	(990,482)	2,973	7,637	(1,069,439)
1,181,925	2,170,905	29,952	738,798	4,121,580
-	(1,181,925)	-	(1,944,772)	(4,757,869)
<u>1,181,925</u>	<u>988,980</u>	<u>29,952</u>	<u>(1,205,974)</u>	<u>(636,289)</u>
(899)	(1,502)	32,925	(1,198,337)	(1,705,728)
<u>1,949</u>	<u>162,749</u>	<u>19,354</u>	<u>1,440,032</u>	<u>3,135,617</u>
<u>\$ 1,050</u>	<u>\$ 161,247</u>	<u>\$ 52,279</u>	<u>\$ 241,695</u>	<u>\$ 1,429,889</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Community Development Block Grant Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Federal grants	\$ 355,000	\$ 349,009	\$ (5,991)
<b>Expenditures</b> - Community and economic development	<u>175,000</u>	<u>175,687</u>	<u>(687)</u>
<b>Excess of Revenue Over Expenditures</b>	180,000	173,322	(6,678)
<b>Other Financing Uses</b> - Transfers out	<u>(180,000)</u>	<u>(173,322)</u>	<u>6,678</u>
<b>Net Change in Fund Balance</b>	-	-	-
<b>Fund Balance</b> - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Nutrition Grant Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Federal grants	\$ 260,474	\$ 242,760	\$ (17,714)
State-shared revenue and grants	-	112,757	112,757
Investment income	60	79	19
Other revenue	165,858	91,124	(74,734)
Total revenue	426,392	446,720	20,328
<b>Expenditures - Recreation and culture</b>	426,392	446,720	(20,328)
<b>Net Change in Fund Balance</b>	-	-	-
<b>Fund Balance - Beginning of year</b>	-	-	-
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Forfeiture Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Federal grants	\$ 213,961	\$ 97,725	\$ (116,236)
State-shared revenue and grants	46,211	65,197	18,986
Investment income	660	719	59
Other revenue	1,832	9,956	8,124
Total revenue	262,664	173,597	(89,067)
<b>Expenditures - Public safety</b>	599,961	543,688	56,273
<b>Net Change in Fund Balance</b>	(337,297)	(370,091)	(32,794)
<b>Fund Balance - Beginning of year</b>	876,500	876,500	-
<b>Fund Balance - End of year</b>	<b>\$ 539,203</b>	<b>\$ 506,409</b>	<b>\$ (32,794)</b>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Parks and Recreation Special Millage Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Property taxes	\$ 1,473,640	\$ 1,477,585	\$ 3,945
Investment income	3,700	2,431	(1,269)
Other revenue	15,500	-	(15,500)
Total revenue	1,492,840	1,480,016	(12,824)
<b>Expenditures - Capital outlay</b>	204,240	189,992	14,248
<b>Excess of Revenue Over Expenditures</b>	1,288,600	1,290,024	1,424
<b>Other Financing Uses - Transfers out</b>	(1,457,850)	(1,457,850)	-
<b>Net Change in Fund Balance</b>	(169,250)	(167,826)	1,424
<b>Fund Balance - Beginning of year</b>	582,499	582,499	-
<b>Fund Balance - End of year</b>	<u>\$ 413,249</u>	<u>\$ 414,673</u>	<u>\$ 1,424</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Deferred Special Assessment Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ 20	\$ 302	\$ 282
<b>Expenditures</b> - General government	300	300	-
<b>Net Change in Fund Balance</b>	(280)	2	282
<b>Fund Balance</b> - Beginning of year	52,534	52,534	-
<b>Fund Balance</b> - End of year	<u>\$ 52,254</u>	<u>\$ 52,536</u>	<u>\$ 282</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Building Authority Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ -	\$ 1	\$ 1
<b>Expenditures</b>			
General government	975	900	75
Debt service	1,181,905	1,181,925	(20)
Total expenditures	<u>1,182,880</u>	<u>1,182,825</u>	<u>55</u>
<b>Excess of Expenditures Over Revenue</b>	(1,182,880)	(1,182,824)	56
<b>Other Financing Sources</b> - Transfers in	<u>1,180,931</u>	<u>1,181,925</u>	<u>994</u>
<b>Net Change in Fund Balance</b>	(1,949)	(899)	1,050
<b>Fund Balance</b> - Beginning of year	<u>1,949</u>	<u>1,949</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 1,050</u>



# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - General Debt Service Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Investment income	\$ 500	\$ 497	\$ (3)
Other revenue	234,462	227,488	(6,974)
Total revenue	234,962	227,985	(6,977)
<b>Expenditures - Debt service</b>			
Principal	972,784	972,784	-
Interest on long-term debt	247,909	245,683	2,226
Total expenditures	1,220,693	1,218,467	2,226
<b>Excess of Expenditures Over Revenue</b>	(985,731)	(990,482)	(4,751)
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,170,905	2,170,905	-
Transfers out	(1,180,931)	(1,181,925)	(994)
<b>Net Change in Fund Balance</b>	4,243	(1,502)	(5,745)
<b>Fund Balance - Beginning of year</b>	162,749	162,749	-
<b>Fund Balance - End of year</b>	<u>\$ 166,992</u>	<u>\$ 161,247</u>	<u>\$ (5,745)</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Golf Course Capital Improvement Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Investment income	\$ 30	\$ 39	\$ 9
Other revenue	30,500	28,813	(1,687)
Total revenue	30,530	28,852	(1,678)
<b>Expenditures - Capital outlay</b>	28,200	25,879	2,321
<b>Excess of Revenue Over Expenditures</b>	2,330	2,973	643
<b>Other Financing Sources - Transfers in</b>	29,952	29,952	-
<b>Net Change in Fund Balance</b>	32,282	32,925	643
<b>Fund Balance - Beginning of year</b>	19,354	19,354	-
<b>Fund Balance - End of year</b>	<u>\$ 51,636</u>	<u>\$ 52,279</u>	<u>\$ 643</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Revolving Special Assessment Fund Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ 500	\$ 8,932	\$ 8,432
<b>Expenditures</b> - Public services	1,400	1,295	105
<b>Excess of Revenue (Under) Over Expenditures</b>	(900)	7,637	8,537
<b>Other Financing Sources (Uses)</b>			
Transfers in	738,798	738,798	-
Transfers out	(458,911)	(1,944,772)	(1,485,861)
<b>Net Change in Fund Balance</b>	278,987	(1,198,337)	(1,477,324)
<b>Fund Balance</b> - Beginning of year	1,440,032	1,440,032	-
<b>Fund Balance</b> - End of year	<u>\$ 1,719,019</u>	<u>\$ 241,695</u>	<u>\$ (1,477,324)</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2015

	Pension Trust Funds			Agency Funds		
	Pension Fund	Postretirement Healthcare Finance Fund	Total Pension Trust Funds	Tax Collections	General Agency	Total Agency Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 6,960,944	\$ 5,852,614	\$ 12,813,558	\$ 74,706	\$ 4,737,697	\$ 4,812,403
Investments:						
Pooled funds	77,443,257	19,265,591	96,708,848	-	-	-
Exchange traded funds	-	14,014,341	14,014,341	-	-	-
Common stock	60,466,087	28,047,000	88,513,087	-	-	-
Receivables	259,268	50,974	310,242	-	-	-
Due from other funds	346,738	-	346,738	-	-	-
Prepaid expenses	-	24,969	24,969	-	-	-
Total assets	<u>145,476,294</u>	<u>67,255,489</u>	<u>212,731,783</u>	<u>\$ 74,706</u>	<u>\$ 4,737,697</u>	<u>\$ 4,812,403</u>
<b>Liabilities</b>						
Accounts payable	171,584	152,548	324,132	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	51,558	956,405	1,007,963
Due to primary government	18,294	93,433	111,727	-	-	-
Due to other funds	-	346,738	346,738	-	-	-
Refundable deposits, bonds, etc.	-	-	-	23,148	3,781,292	3,804,440
Total liabilities	<u>189,878</u>	<u>592,719</u>	<u>782,597</u>	<u>\$ 74,706</u>	<u>\$ 4,737,697</u>	<u>\$ 4,812,403</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 145,286,416</u>	<u>\$ 66,662,770</u>	<u>\$ 211,949,186</u>			

# City of Farmington Hills, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	Pension Fund	Postretirement Healthcare Finance Fund	Total
<b>Additions</b>			
Investment income (expense):			
Interest and dividends	\$ 1,832,156	\$ 1,630,500	\$ 3,462,656
Net change in fair value of investments	(2,570,053)	(1,678,750)	(4,248,803)
Investment-related expenses	<u>(1,083,683)</u>	<u>(306,058)</u>	<u>(1,389,741)</u>
Net investment expense	(1,821,580)	(354,308)	(2,175,888)
Contributions:			
Employer	4,882,377	2,890,875	7,773,252
Employee	<u>896,588</u>	<u>266,730</u>	<u>1,163,318</u>
Total additions	3,957,385	2,803,297	6,760,682
<b>Deductions</b>			
Benefit payments	8,933,676	2,088,260	11,021,936
Refunds of contributions	<u>50,347</u>	<u>151,938</u>	<u>202,285</u>
Total deductions	<u>8,984,023</u>	<u>2,240,198</u>	<u>11,224,221</u>
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(5,026,638)	563,099	(4,463,539)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>150,313,054</u>	<u>66,099,671</u>	<u>216,412,725</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><b>\$ 145,286,416</b></u>	<u><b>\$ 66,662,770</b></u>	<u><b>\$ 211,949,186</b></u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2015

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
<b><u>Tax Collections</u></b>				
<b>Assets</b>				
Cash and investments	\$ -	\$ 99,616,037	\$ (99,541,331)	\$ 74,706
Due from other funds	-	63,450	(63,450)	-
Total assets	<u>\$ -</u>	<u>\$ 99,679,487</u>	<u>\$ (99,604,781)</u>	<u>\$ 74,706</u>
<b>Liabilities</b>				
Tax collections distributable	\$ -	\$ 100,881,327	\$ (100,881,327)	\$ -
Due to other governmental units	-	51,558	-	51,558
Refundable deposits, bonds, etc.	-	23,148	-	23,148
Total liabilities	<u>\$ -</u>	<u>\$ 100,956,033</u>	<u>\$ (100,881,327)</u>	<u>\$ 74,706</u>
	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
<b><u>General Agency</u></b>				
<b>Assets</b>				
Cash and investments	\$ 4,694,673	\$ 2,207,039	\$ (2,164,015)	\$ 4,737,697
Accrued interest receivable	2,463	-	(2,463)	-
Total assets	<u>\$ 4,697,136</u>	<u>\$ 2,207,039</u>	<u>\$ (2,166,478)</u>	<u>\$ 4,737,697</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 988,273	\$ 1,196,881	\$ (1,228,749)	\$ 956,405
Due to other funds	-	3,787	(3,787)	-
Refundable deposits, bonds, etc.	3,708,863	1,006,370	(933,941)	3,781,292
Total liabilities	<u>\$ 4,697,136</u>	<u>\$ 2,207,038</u>	<u>\$ (2,166,477)</u>	<u>\$ 4,737,697</u>
	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
<b><u>Total Agency Funds</u></b>				
<b>Assets</b>				
Cash and investments	\$ 4,694,673	\$ 101,823,076	\$ (101,705,346)	\$ 4,812,403
Accrued interest receivable	2,463	-	(2,463)	-
Due from other funds	-	63,450	(63,450)	-
Total assets	<u>\$ 4,697,136</u>	<u>\$ 101,886,526</u>	<u>\$ (101,771,259)</u>	<u>\$ 4,812,403</u>
<b>Liabilities</b>				
Tax collections distributable	\$ -	\$ 100,881,327	\$ (100,881,327)	\$ -
Due to other governmental units	988,273	1,248,439	(1,228,749)	1,007,963
Due to other funds	-	3,787	(3,787)	-
Refundable deposits, bonds, etc.	3,708,863	1,029,518	(933,941)	3,804,440
Total liabilities	<u>\$ 4,697,136</u>	<u>\$ 103,163,071</u>	<u>\$ (103,047,804)</u>	<u>\$ 4,812,403</u>

# **Statistical Section**

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# City of Farmington Hills, Michigan

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## Description of 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. The City implemented GASB Statement No. 34 in 2003; schedules representing government-wide information include information beginning in that year. The reported numbers begin with the year for which information is available.



# City of Farmington Hills, Michigan

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 123,530,837	\$ 122,136,048	\$ 125,093,866	\$ 128,237,651	\$ 140,816,579
Restricted	13,100,188	13,052,018	12,944,910	16,711,375	12,389,692
Unrestricted	19,867,990	23,301,442	25,761,491	24,924,231	17,849,645
<b>Business-type Activities</b>					
Net investment in capital assets	87,270,670	85,618,579	84,322,367	82,314,724	80,875,970
Restricted	-	-	-	-	-
Unrestricted	51,494,296	53,730,183	54,179,717	56,555,093	59,332,378
<b>Primary Government in Total</b>					
Net investment in capital assets	210,801,507	207,754,627	209,416,233	210,552,375	221,692,549
Restricted	13,100,188	13,052,018	12,944,910	16,711,375	12,389,692
Unrestricted	71,362,286	77,031,625	79,941,208	81,479,324	77,182,023

Note: In fiscal year 2003, the City adopted GASB Statement No. 34 and began reporting a government-wide statement of net position.

## Financial Trend Information Net Position by Component

Fiscal Year				
2011	2012	2013	2014	2015
\$ 144,671,857	\$ 139,887,283	\$ 134,600,611	\$ 133,625,640	\$ 132,814,511
12,908,263	14,068,925	16,437,051	16,177,067	14,835,556
13,872,733	16,988,436	23,076,629	5,257,513	6,399,143
77,009,256	75,525,323	73,672,425	73,322,194	65,547,709
-	-	-	-	-
60,957,980	61,849,983	65,142,322	64,951,514	72,052,142
221,681,113	215,412,606	208,273,036	206,947,834	198,362,220
12,908,263	14,068,925	16,437,051	16,177,067	14,835,556
74,830,713	78,838,419	88,218,951	70,209,027	78,451,285

# City of Farmington Hills, Michigan

	Fiscal Year Ended June 30				
	2006	2007	2008	2009	2010
<b>Expenses</b>					
General government	\$ 11,260,973	\$ 12,731,683	\$ 12,047,284	\$ 12,594,812	\$ 11,834,878
Public safety	26,100,754	28,359,188	29,864,624	31,276,618	29,303,406
Public services	17,614,606	16,157,867	16,809,129	15,339,315	15,012,680
Community and economic development	2,640,978	2,520,118	2,585,741	2,557,494	2,627,503
Recreation and culture	8,176,207	8,668,447	9,222,890	8,952,811	8,660,742
Interest on long-term debt	1,297,138	1,191,848	1,206,196	1,026,617	1,542,089
<b>Total expenses</b>	<b>67,090,656</b>	<b>69,629,151</b>	<b>71,735,864</b>	<b>71,747,667</b>	<b>68,981,298</b>
<b>Program Revenue</b>					
Charges for services:					
General government	2,798,752	3,043,892	3,466,163	3,973,987	4,290,538
Public safety	1,378,268	1,519,253	1,766,051	1,722,334	1,609,738
Public services	1,237,028	1,132,419	3,430,421	3,147,925	2,381,587
Community and economic development	1,450,251	1,436,038	1,258,701	1,063,207	521,998
Recreation and culture	3,232,637	3,308,205	3,631,709	3,558,097	3,287,044
<b>Total charges for services</b>	<b>10,096,936</b>	<b>10,439,807</b>	<b>13,553,045</b>	<b>13,465,550</b>	<b>12,090,905</b>
Operating grants and contributions	7,120,431	7,182,121	6,959,267	6,961,336	8,331,014
Capital grants and contributions	729,827	589,014	2,204,359	5,216,521	2,509,096
<b>Total program revenue</b>	<b>17,947,194</b>	<b>18,210,942</b>	<b>22,716,671</b>	<b>25,643,407</b>	<b>22,931,015</b>
<b>Net Expenses</b>	<b>(49,143,462)</b>	<b>(51,418,209)</b>	<b>(49,019,193)</b>	<b>(46,104,260)</b>	<b>(46,050,283)</b>
<b>General Revenue</b>					
Property taxes	39,833,977	43,648,073	45,132,374	44,515,945	41,422,186
State-shared revenue	6,897,159	6,683,814	6,683,814	6,359,311	5,655,971
Investment earnings	2,890,491	3,582,399	3,044,879	1,514,504	433,574
Gain (loss) on disposal	148,951	74,575	162,230	101,777	(109,127)
Miscellaneous	102,436	223,542	251,130	440,413	520,769
<b>Total general revenue</b>	<b>49,873,014</b>	<b>54,212,403</b>	<b>55,274,427</b>	<b>52,931,950</b>	<b>47,923,373</b>
<b>Transfers</b>	<b>(577,747)</b>	<b>(803,700)</b>	<b>(746,700)</b>	<b>(754,700)</b>	<b>(690,431)</b>
<b>Impact of GASB Statement No. 68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 151,805</b>	<b>\$ 1,990,494</b>	<b>\$ 5,508,534</b>	<b>\$ 6,072,990</b>	<b>\$ 1,182,659</b>

Note: In fiscal year 2003, the City adopted GASB Statement No. 34 and began reporting a governmental-wide statement of net position.

Source: Annual Financial Statements

## Financial Trend Information Changes in Governmental Net Position

Fiscal Year Ended June 30				
2011	2012	2013	2014	2015
\$ 11,447,146	\$ 11,860,089	\$ 11,601,249	\$ 14,315,814	\$ 13,799,558
28,145,708	27,907,504	27,976,966	26,778,223	30,663,569
14,050,633	16,618,458	17,153,100	18,265,922	17,710,227
2,551,394	2,127,764	2,221,027	1,383,537	1,582,677
8,292,558	9,656,597	9,423,101	8,470,535	8,774,076
820,126	826,341	852,817	704,688	734,698
65,307,565	68,996,753	69,228,260	69,918,719	73,264,805
4,454,832	4,266,458	4,881,804	4,952,419	4,982,503
1,998,642	1,785,872	1,839,403	1,858,740	2,115,647
606,504	3,732,813	3,425,246	2,162,983	1,929,655
320,955	339,168	684,312	226,124	352,890
3,259,108	4,733,470	4,502,148	4,403,579	4,450,090
10,640,041	14,857,781	15,332,913	13,603,845	13,830,785
7,329,185	7,622,017	7,302,716	7,938,020	8,858,842
2,171,050	952,324	141,774	209,289	331,999
20,140,276	23,432,122	22,777,403	21,751,154	23,021,626
(45,167,289)	(45,564,631)	(46,450,857)	(48,167,565)	(50,243,179)
37,311,396	36,296,428	40,043,211	38,910,074	39,015,386
5,668,550	6,162,235	6,164,601	6,359,066	6,477,230
281,532	329,190	352,239	414,038	396,972
-	-	1,266	-	-
1,171,166	2,282,454	3,048,777	2,083,279	3,401,950
44,432,644	45,070,307	49,610,094	47,766,457	49,291,538
1,131,582	(13,885)	10,410	(51,752)	(59,369)
-	-	-	(18,601,211)	-
<b>\$ 396,937</b>	<b>\$ (508,209)</b>	<b>\$ 3,169,647</b>	<b>\$ (19,054,071)</b>	<b>\$ (1,011,010)</b>

# City of Farmington Hills, Michigan

	Fiscal Year Ended June 30				
	2006	2007	2008	2009	2010
<b>Expenses</b>					
Water and sewer	\$ 22,586,352	\$ 26,287,370	\$ 24,558,909	\$ 24,687,573	\$ 24,571,599
Ice arena	1,328,061	1,365,602	1,358,224	1,421,484	1,272,895
Interest expense	307,746	270,218	230,614	185,705	142,699
Other	(104,394)	6,023	7,978	7,637	5,950
Total expenses	24,117,765	27,929,213	26,155,725	26,302,399	25,993,143
<b>Program Revenue</b>					
Water and sewer	19,577,393	20,306,011	21,329,632	22,141,498	23,908,712
Ice arena	1,523,295	1,460,261	1,456,179	1,396,199	1,219,251
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	998,320	36,281	11,046	851,445	598,881
Capital and debt service charges	1,623,650	1,383,576	1,402,096	-	-
Total program revenue	23,722,658	23,186,129	24,198,953	24,389,142	25,726,844
<b>Net (Expenses) Revenue</b>	(395,107)	(4,743,084)	(1,956,772)	(1,913,257)	(266,299)
<b>General Revenue - Investment and other</b>	1,990,401	2,707,526	2,179,139	1,526,290	914,399
<b>Transfers</b>	577,747	803,700	746,700	754,700	690,431
<b>Total Change in Net Position</b>	<u>\$ 2,173,041</u>	<u>\$ (1,231,858)</u>	<u>\$ 969,067</u>	<u>\$ 367,733</u>	<u>\$ 1,338,531</u>
<b>Change in Net Position - Primary Government</b>	<u>\$ 2,324,846</u>	<u>\$ 758,636</u>	<u>\$ 6,477,601</u>	<u>\$ 6,440,723</u>	<u>\$ 2,521,190</u>

## Financial Trend Information Changes in Business-type Net Position

Fiscal Year Ended June 30				
2011	2012	2013	2014	2015
\$ 26,181,647	\$ 27,121,031	\$ 26,084,669	\$ 26,344,508	\$ 26,769,838
1,229,841	-	-	-	-
120,815	-	164,044	166,488	322,305
<u>34,972</u>	<u>36,645</u>	<u>39,405</u>	<u>40,745</u>	<u>-</u>
27,567,275	27,157,676	26,288,118	26,551,741	27,092,143
24,279,215	26,095,005	27,328,342	24,749,466	25,401,057
1,184,769	-	-	-	-
-	-	-	-	-
271,651	89,998	184,920	281,559	352,150
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>25,735,635</u>	<u>26,185,003</u>	<u>27,513,262</u>	<u>25,031,025</u>	<u>25,753,207</u>
(1,831,640)	(972,673)	1,225,144	(1,520,716)	(1,338,936)
722,110	366,858	231,707	920,925	605,710
<u>(1,131,582)</u>	<u>13,885</u>	<u>(10,410)</u>	<u>51,752</u>	<u>59,369</u>
<b><u>\$ (2,241,112)</u></b>	<b><u>\$ (591,930)</u></b>	<b><u>\$ 1,446,441</u></b>	<b><u>\$ (548,039)</u></b>	<b><u>\$ (673,857)</u></b>
<b><u>\$ (1,844,175)</u></b>	<b><u>\$ (1,100,139)</u></b>	<b><u>\$ 4,616,088</u></b>	<b><u>\$ (19,602,110)</u></b>	<b><u>\$ (1,684,867)</u></b>

# City of Farmington Hills, Michigan

	June 30				
	2006	2007	2008	2009	2010
<b>General Fund</b>					
Reserved	\$ 2,109,393	\$ 1,768,931	\$ 1,817,933	\$ 1,619,626	\$ 1,417,815
Unreserved	14,836,555	16,849,172	16,858,200	16,044,583	12,307,283
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total General Fund</b>	<b>16,945,948</b>	<b>18,618,103</b>	<b>18,676,133</b>	<b>17,664,209</b>	<b>13,725,098</b>
<b>All Other Governmental Funds</b>					
Unreserved/Unassigned, reported in:					
Special Revenue Funds	10,338,792	11,727,791	11,442,855	9,186,589	8,767,426
Capital Project Funds	4,011,742	5,676,863	9,530,099	12,687,844	5,742,432
Debt Service Funds	4,975,369	4,191,743	3,823,728	3,127,737	1,941,551
Nonspendable, reported in					
Special Revenue Funds					-
Restricted, reported in:					
Special Revenue Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed, reported in:					
Special Revenue Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Assigned, reported in:					
Special Revenue Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 19,325,903</u></b>	<b><u>\$ 21,596,397</u></b>	<b><u>\$ 24,796,682</u></b>	<b><u>\$ 25,002,170</u></b>	<b><u>\$ 16,451,409</u></b>

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

## Financial Trend Information Fund Balances - Governmental Funds

June 30				
2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,117,317	945,439	893,952	996,654	839,501
-	-	-	22,408	22,408
4,155,457	7,017,349	11,577,446	12,178,626	12,888,638
<u>9,437,112</u>	<u>10,048,155</u>	<u>10,704,367</u>	<u>11,599,339</u>	<u>13,987,360</u>
14,709,886	18,010,943	23,175,765	24,797,027	27,737,907
-	-	-	(279,629)	-
-	-	-	-	-
-	-	-	-	-
-	122,063	-	-	32
-	-	-	-	2,405
7,161,071	6,696,348	8,125,155	8,532,419	8,217,395
2,308	-	-	796,306	-
1,620,018	910,852	2,090,379	2,177,737	2,097,263
53,029	52,953	52,673	52,534	52,536
500,606	1,125,361	1,937,953	643,726	241,695
-	-	-	-	-
-	-	-	-	150,000
3,678,552	3,745,413	4,599,724	2,386,920	2,126,379
165,439	186,844	9,549	164,698	162,297
<u>\$ 13,181,023</u>	<u>\$ 12,839,834</u>	<u>\$ 16,815,433</u>	<u>\$ 14,474,711</u>	<u>\$ 13,050,002</u>



# City of Farmington Hills, Michigan

	Year Ended June 30					
	2005	2006	2007	2008	2009	2010
<b>Revenue</b>						
Property taxes	\$ 40,837,672	\$ 39,833,977	\$ 43,648,073	\$ 45,132,374	\$ 44,515,945	\$ 41,422,186
Licenses and permits	1,436,811	945,695	850,036	933,023	716,955	696,238
Federal grants	2,066,806	1,470,397	1,633,930	1,034,220	2,864,889	1,657,364
State-shared revenue and grants	13,107,584	12,898,513	12,735,007	12,737,789	12,378,168	11,261,806
Other grants and contributions	226,058	194,731	178,317	211,653	224,610	1,244,571
Special assessments	967,958	614,915	522,985	489,779	1,100,546	1,371,632
Charges for services	6,092,176	6,466,310	6,500,811	7,190,019	7,402,985	8,009,200
Fines and forfeitures	2,405,719	2,262,481	2,498,603	2,667,589	2,706,691	2,490,154
Interest and rentals	1,432,381	2,845,948	3,581,579	3,021,337	1,514,504	433,574
Other and equipment rental	1,787,527	1,118,836	1,219,932	1,324,773	1,426,202	1,091,066
Total revenue	70,360,692	68,651,803	73,369,273	74,742,556	74,851,495	69,677,791
<b>Expenditures</b>						
Current:						
General government	13,504,759	10,102,475	11,937,785	10,918,120	11,352,739	11,168,240
Public safety	24,526,966	25,335,913	27,460,118	28,685,731	30,110,010	28,579,181
Public services	13,505,680	12,307,550	11,017,922	10,690,331	8,579,318	9,627,908
Community and economic development	2,475,478	2,556,411	2,587,708	2,488,079	2,491,450	2,678,034
Recreation and culture	6,278,393	6,403,457	7,267,798	7,433,871	7,620,314	7,071,455
Other	-	31,991	13,554	12,099	10,194	-
Capital outlay*	5,126,521	7,548,051	4,126,914	8,398,153	8,574,340	18,219,667
Debt service principal	3,560,105	3,216,331	3,193,368	3,053,526	2,709,552	2,510,789
Debt service interest	1,100,363	1,388,976	1,173,866	1,227,694	1,087,476	1,621,958
Total expenditures	70,078,265	68,891,155	68,779,033	72,907,604	72,535,393	81,477,232
<b>Excess of Revenue Over (Under) Expenditures</b>	282,427	(239,352)	4,590,240	1,834,952	2,316,102	(11,799,441)
<b>Other Financing Sources (Uses)</b>						
Debt issuance	8,200,000	-	6,916,604	-	-	-
Transfers in	7,855,405	5,635,903	3,103,486	7,742,935	9,478,961	9,612,220
Transfers out	(12,919,923)	(6,213,650)	(3,907,186)	(8,489,635)	(10,233,661)	(10,302,651)
Debt defeasance	-	-	(6,958,270)	-	-	-
Total other financing sources (uses)	3,135,482	(577,747)	(845,366)	(746,700)	(754,700)	(690,431)
<b>Special Item</b>	-	-	-	-	-	-
<b>Net Change in Fund Balances</b>	3,417,909	(817,099)	3,744,874	1,088,252	1,561,402	(12,489,872)
<b>Fund Balances - Beginning of year</b>	33,671,041	37,088,950	36,271,851	40,016,725	41,104,977	42,666,379
<b>Fund Balances - End of year</b>	<u>\$ 37,088,950</u>	<u>\$ 36,271,851</u>	<u>\$ 40,016,725</u>	<u>\$ 41,104,977</u>	<u>\$ 42,666,379</u>	<u>\$ 30,176,507</u>
<b>Ratio of Total Debt Service to Non-Capital Expenditures</b>	7.18%	7.51%	6.75%	6.64%	5.94%	6.53%

Source: Annual Financial Statements

\*Capital Outlay = the amount reflected in the reconciliation statements of changes in fund balances to the statement of activities.

## Change in Fund Balances Governmental Funds

Year Ended June 30				
2011	2012	2013	2014	2015
\$ 37,310,917	\$ 36,296,428	\$ 40,042,754	\$ 38,909,350	\$ 39,244,016
959,129	828,944	1,392,631	1,357,184	1,224,287
1,570,264	1,553,090	1,574,646	1,250,376	1,187,938
11,403,975	12,065,581	12,070,546	12,822,738	13,441,669
78,239	9,442	167,114	255,452	280,500
1,180,232	825,939	1,522,384	1,103,197	954,676
8,296,569	10,094,367	10,391,874	9,598,537	10,228,020
2,264,792	2,149,847	2,113,071	2,141,689	2,179,726
281,532	329,190	352,239	414,038	396,972
<u>1,542,806</u>	<u>2,704,835</u>	<u>2,771,017</u>	<u>2,300,826</u>	<u>3,340,370</u>
64,888,455	66,857,663	72,398,276	70,153,387	72,478,174
9,944,032	9,927,183	9,786,890	13,584,599	12,087,690
26,678,671	26,872,083	26,737,217	26,920,590	28,781,433
8,842,900	12,120,024	12,114,741	12,863,648	12,388,557
2,544,986	2,049,923	2,173,913	1,542,280	1,559,679
7,000,012	7,869,482	7,697,595	7,102,151	7,521,804
-	-	-	-	-
8,672,572	2,347,706	5,571,436	5,980,088	5,695,657
2,492,362	1,886,273	1,823,071	2,120,284	2,130,512
<u>840,828</u>	<u>811,236</u>	<u>886,949</u>	<u>707,455</u>	<u>737,302</u>
67,016,363	63,883,910	66,791,812	70,821,095	70,902,634
(2,127,908)	2,973,753	5,606,464	(667,708)	1,575,540
-	-	3,523,547	-	-
6,637,322	6,644,366	10,143,304	10,402,521	10,291,938
(6,795,012)	(6,658,251)	(10,132,894)	(10,454,273)	(10,351,307)
-	-	-	-	-
(157,690)	(13,885)	3,533,957	(51,752)	(59,369)
-	-	-	-	-
(2,285,598)	2,959,868	9,140,421	(719,460)	1,516,171
<u>30,176,507</u>	<u>27,890,909</u>	<u>30,850,777</u>	<u>39,991,198</u>	<u>39,271,738</u>
<b><u>\$ 27,890,909</u></b>	<b><u>\$ 30,850,777</u></b>	<b><u>\$ 39,991,198</u></b>	<b><u>\$ 39,271,738</u></b>	<b><u>\$ 40,787,909</u></b>
5.71%	4.38%	4.43%	4.36%	4.40%

# City of Farmington Hills, Michigan

## Taxable Value by Property Type

### Real Property

Tax Year	Residential	Commercial	Industrial	Personal Property
1999	\$ 2,063,487,370	\$ 638,771,670	\$ 216,396,710	\$ 298,238,050
2000	2,157,359,040	669,405,550	226,018,290	283,929,650
2001	2,279,684,910	705,244,050	232,364,480	296,210,250
2002	2,404,894,930	751,530,320	239,069,180	299,294,170
2003	2,494,573,160	790,858,870	244,276,060	300,524,080
2004	2,601,427,910	817,606,480	248,911,830	306,640,780
2005	2,714,015,100	855,500,180	265,554,000	285,526,350
2006	2,846,495,290	882,999,590	273,655,430	291,027,340
2007	2,961,431,410	907,534,470	279,338,250	290,225,360
2008	2,924,723,280	921,565,770	280,643,650	284,610,560
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

Note: 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 Rates - Direct City Taxes				Overlapping Taxes			
	General		Voted	Total	County	OCPTA	Library	Oakland
	Operating*	Debt	Special	Direct				Community
			Purpose	Taxes			College	
1999	7.2193	0.7785	2.1672	10.1650	4.6522	0.3270	0.5985	1.6295
2000	7.2193	0.7785	2.1672	10.1650	4.6478	0.3236	0.5958	1.6109
2001	7.2193	0.7432	2.2025	10.1650	4.6438	0.3207	0.5933	1.5952
2002	7.2193	0.8117	2.1911	10.2221	4.6523	0.6000	0.5887	1.6090
2003	7.5705	0.7932	1.8584	10.2221	4.6497	0.5974	0.5866	1.5983
2004	7.7142	0.7014	1.8065	10.2221	4.6476	0.5962	0.5856	1.5889
2005	6.9452	0.6318	1.9451	9.5221	4.6461	0.5950	1.5856	1.5844
2006	6.9408	0.6362	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844
2007	6.9423	0.6347	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844
2008	7.0368	0.5402	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844
2009	7.5301	0.5269	1.9646	10.0216	4.6461	0.5900	1.5856	1.5844
2010	7.4089	0.6481	1.9646	10.0216	4.6461	0.5900	1.5856	1.5844
2011	8.1522	0.5012	1.9646	10.6180	4.6461	0.5900	1.5856	1.5844
2012	8.1163	0.5697	3.6646	12.3506	4.6461	0.5900	1.5856	1.5844
2013	8.0579	0.6313	3.6646	12.3538	4.6461	0.5900	1.5856	1.5844
2014	8.0792	0.6368	3.6646	12.3806	4.6461	1.0000	1.5856	1.5844

\* Includes Capital, Refuse Removal, and Economic Development Millages.

Source: City Treasury and Assessing Records.

## Revenue Capacity Information Assessed Value and Actual Value of Taxable Property

IFT	Total Taxable	Tax Rate (Mills)	Total SEV	Taxable Value as a Percentage of SEV
\$ -	\$ 3,216,893,800	10.1650	\$ 3,456,406,270	93.07
1,696,600	3,338,409,130	10.1650	3,645,559,130	91.57
15,341,050	3,528,844,740	10.1649	3,945,512,540	89.44
19,117,510	3,713,906,110	10.1650	4,277,835,510	86.82
18,491,200	3,848,723,370	10.2221	4,504,750,120	85.44
21,201,670	3,995,788,670	10.2221	4,629,979,870	86.30
13,611,350	4,134,206,980	9.5221	4,741,538,300	87.19
14,649,020	4,308,817,670	10.0216	4,873,928,140	88.41
14,001,540	4,452,531,030	10.0216	4,959,218,650	89.78
14,403,740	4,425,947,000	10.0216	4,757,901,480	93.02
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	12.3806	3,555,094,530	88.04

## Direct and Overlapping Property Tax Rates

Overlapping Taxes										
Schoolcraft Community College	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
1.8444	2.0999	6.0000	14.0071	3.6827	7.8520	20.1000	21.7441	22.8000	0.0000	0.0000
1.8311	2.0752	6.0000	13.2614	4.7395	8.0982	20.0000	21.7449	23.1000	0.0000	0.0000
1.8193	3.4526	6.0000	12.8633	4.5920	7.9538	20.0000	21.6745	23.1000	0.0000	0.0000
1.8043	3.4224	6.0000	12.4459	4.7548	7.4728	19.9388	21.8907	22.9884	0.0000	0.0000
1.8024	3.3991	5.0000	11.8783	4.7114	7.5248	19.9388	21.8771	23.1000	0.0000	0.0000
1.7967	3.3789	6.0000	11.5466	4.5763	7.0548	19.9388	21.7522	22.7900	0.0000	0.0000
1.7967	3.3690	6.0000	11.1596	4.3392	6.8975	19.9388	21.5727	22.7900	0.0000	0.0000
1.7967	3.3690	6.0000	10.6511	5.1766	6.7841	19.7388	22.5000	22.7900	0.0000	0.0000
1.7967	3.3690	6.0000	10.1784	5.1324	6.6700	19.8000	22.5000	22.7900	0.0000	0.0000
1.7467	3.3690	6.0000	9.6915	5.0892	6.5722	19.8000	22.5000	22.7900	0.0000	0.0000
1.7967	3.3690	6.0000	10.1442	5.1146	6.4793	19.8000	22.5000	22.5000	0.1000	0.0000
1.7967	3.3690	6.0000	12.0278	5.1922	6.7508	20.1000	22.5000	22.5000	0.1000	0.0000
1.7967	3.3690	6.0000	12.3334	4.5000	6.8812	20.1800	22.5000	22.5000	0.1000	0.0000
1.7967	3.3690	6.0000	13.3810	4.5000	7.0254	20.5600	22.5000	22.5600	0.1000	0.2000
1.7967	3.3690	6.0000	13.0140	4.5000	7.4730	20.5600	22.5000	23.1445	0.1000	0.2000
1.7967	3.3690	6.0000	11.7472	4.5000	7.6843	20.2600	22.5000	23.4872	0.1000	0.2000

# City of Farmington Hills, Michigan

## Revenue Capacity Information Principal Property Taxpayers

Taxpayer	2015 Taxable Value	Percentage of Total	2006 Taxable Value	Percentage of Total	2006 Rank
1 Oakland Management Co.	\$ 63,689,380	2.04	\$ 74,133,940	1.73	1
2 Detroit Edison	37,428,740	1.20	30,455,060	0.71	5
3 Robert Bosch Corp	28,568,110	0.91	45,593,470	1.06	3
4 Nissan	27,736,990	0.89	41,262,160	0.96	4
5 FH Corporate Investors (Kojaian)	21,318,980	0.68	52,098,820	1.21	2
6 Aimco (Independence Green)	19,381,570	0.62	18,390,360	0.43	10
7 Green Hill Apts	17,420,560	0.56	-	-	N/A
8 Finsilver Friedman	15,732,540	0.50	-	-	N/A
9 Ramco/Lion Venture (Sherr)	13,877,350	0.44	19,581,760	0.46	9
10 Hartman & Tyner	12,669,790	0.40	-	-	N/A

Source: City Assessing Department Records

# City of Farmington Hills, Michigan

## Property Tax Levies and Collections

Fiscal Year Ended June 30	Tax Levy (1)	Current Collections	Percent of Levy Collected	Current Year Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
2003	\$ 37,737,279	\$ 36,903,184	97.79	\$ 470,682	\$ 37,373,866	99.04
2004	39,101,846	38,244,628	97.81	523,949	38,768,577	99.15
2005	40,428,497	39,824,096	98.51	400,924	40,225,020	99.50
2006	39,553,780	38,817,558	98.14	549,234	39,366,792	99.53
2007	42,813,720	41,829,579	97.70	703,739	42,533,318	99.35
2008	44,751,466	43,356,322	96.88	1,008,573	44,364,895	99.14
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

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

Source: BS&A Tax Settlement Report + Eden General Ledger

# City of Farmington Hills, Michigan

	Fiscal Year Ended June 30				
	2006	2007	2008	2009	2010
<b>Governmental Activities</b>					
General obligation bonds	\$ 21,200,000	\$ 20,045,000	\$ 18,920,000	\$ 18,105,000	\$ 17,280,000
County contractual obligations	5,829,778	4,856,409	3,762,883	2,691,610	1,590,821
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	4,560,000	3,495,000	2,660,000	1,880,000	1,295,000
Highway loan program	-	-	-	-	-
Total governmental activities	31,589,778	28,396,409	25,342,883	22,676,610	20,165,821
<b>Business-type Activities</b>					
General obligation bonds	3,593,750	3,256,250	2,923,750	2,775,000	2,345,000
County contractual obligations	1,953,253	1,446,653	860,022	209,656	-
Total business-type activities	5,547,003	4,702,903	3,783,772	2,984,656	2,345,000
Total debt of the government	<b>\$ 37,136,781</b>	<b>\$ 33,099,312</b>	<b>\$ 29,126,655</b>	<b>\$ 25,661,266</b>	<b>\$ 22,510,821</b>
Total ad valorem taxable value	\$ 4,120,595,630	\$ 4,294,177,650	\$ 4,438,529,490	\$ 4,411,543,260	\$ 4,165,008,570
Ratio of total debt to taxable value	0.90%	0.77%	0.66%	0.58%	0.54%
Total population	80,486	80,280	79,327	79,152	79,740
Total debt per capita	\$ 461	\$ 412	\$ 367	\$ 324	\$ 282
Total personal income	\$ 2,271,139,450	\$ 2,277,213,820	\$ 2,255,076,116	\$ 2,255,818,539	\$ 2,251,971,438
Ratio of total debt to personal income	1.64%	1.45%	1.29%	1.14%	1.00%

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

## Debt Capacity Information Ratios of Outstanding Debt

Fiscal Year Ended June 30					
2011	2012	2013	2014	2015	
\$ 18,246,250	\$ 16,953,750	\$ 16,574,800	\$ 15,521,374	\$ 13,772,393	
483,459	372,186	245,565	122,781	-	
-	-	-	-	-	
750,000	300,000	2,495,000	2,135,000	1,860,000	
-	-	-	-	-	
<u>19,479,709</u>	<u>17,625,936</u>	<u>19,315,365</u>	<u>17,779,155</u>	<u>15,632,393</u>	
-	-	-	-	-	
-	-	<u>6,800,000</u>	<u>6,570,000</u>	<u>16,712,242</u>	
-	-	<u>6,800,000</u>	<u>6,570,000</u>	<u>16,712,242</u>	
<b><u>\$ 19,479,709</u></b>	<b><u>\$ 17,625,936</u></b>	<b><u>\$ 26,115,365</u></b>	<b><u>\$ 24,349,155</u></b>	<b><u>\$ 32,344,635</u></b>	
\$ 3,613,654,905	\$ 3,283,783,240	\$ 3,080,204,340	\$ 3,043,288,010	\$ 3,054,060,110	
0.54%	0.54%	0.85%	0.80%	1.06%	
79,740	79,777	80,895	81,798	81,910	
\$ 244	\$ 221	\$ 323	\$ 298	\$ 395	
\$ 2,275,400,877	\$ 2,277,570,573	\$ 2,322,591,765	\$ 2,356,493,265	\$ 2,382,461,814	
0.86%	0.77%	1.12%	1.03%	1.36%	



# City of Farmington Hills, Michigan

## Debt Capacity Information Ratios of General Bonded Debt Outstanding

Fiscal Year Ended June 30	Ad Valorem + IFT Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
2000	\$ 3,456,406,270	82,111	\$ 9,470,000	0.27	\$ 115.33
2001	3,645,559,130	81,970	8,480,000	0.23	103.45
2002	3,945,512,540	83,500	18,430,000	0.47	220.72
2003	4,277,835,510	82,274	17,090,000	0.40	207.72
2004	4,504,750,120	81,058	15,825,000	0.35	195.23
2005	4,629,979,870	80,895	22,440,000	0.48	277.40
2006	4,741,538,300	80,486	21,200,000	0.45	263.40
2007	4,873,928,140	80,280	20,090,000	0.41	250.25
2008	4,959,218,650	79,327	18,920,000	0.40	238.51
2009	4,757,901,480	79,152	18,105,000	0.42	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

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.

## Direct and Overlapping Governmental Activities Debt

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct debt - City of Farmington Hills	\$ 15,632,393	100.00	\$ 15,632,393
Overlapping debt:			
Farmington School District	90,170,000	87.22	78,646,274
Walled Lake School District	153,430,000	3.24	4,971,132
Oakland County at Large	426,396,226	6.09	25,967,530
Oakland County Intermediate School District	54,540,000	6.11	3,332,394
Oakland Community College	2,355,000	5.96	140,358
Schoolcraft Community College	16,035,000	0.69	110,642
Total overlapping debt	742,926,226		113,168,330
Total	<u>\$ 758,558,619</u>		<u>\$ 128,800,723</u>

Direct debt - For the purpose of this schedule, direct debt is defined as all bonded debt less deferred amounts and county contractual obligations.

Source: Direct Debt - City Records and Overlapping Debt - Municipal Advisory Council of Michigan

# City of Farmington Hills, Michigan

	2006	2007	2008	2009
<b>Debt Limit (Fiscal Year Ended) (1)</b>				
State equalized valuation (previous year)	\$ 4,741,538,300	\$ 4,873,928,140	\$ 4,959,218,650	\$ 4,757,901,480
Debt limit (10 percent of state equalized valuation) (2)	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
Total debt limit	474,153,830	487,392,814	495,921,865	475,790,148
<b>Debt Applicable to Debt Limit</b>				
Total bonded debt	37,136,781	33,099,312	29,126,655	25,661,266
Less deductions allowed by law:				
Special Assessment Bonds	4,560,000	3,495,000	2,660,000	1,880,000
Michigan Transportation Bonds	<u>600,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Total amount of debt applicable to debt limit	<u>31,976,781</u>	<u>29,304,312</u>	<u>26,466,655</u>	<u>23,781,266</u>
<b>Legal Debt Margin</b>	<b><u>\$ 442,177,049</u></b>	<b><u>\$ 458,088,502</u></b>	<b><u>\$ 469,455,210</u></b>	<b><u>\$ 452,008,882</u></b>
<b>Net Debt Subject to Limit as Percentage of Debt Limit</b>	6.74%	6.01%	5.34%	5.00%

(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

## Debt Capacity Information Legal Debt Margins

2010	2011	2012	2013	2014	2015
\$ 4,300,702,530	\$ 3,681,476,945	\$ 3,316,262,400	\$ 3,109,995,440	\$ 3,087,553,500	\$ 3,260,293,240
<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
430,070,253	368,147,695	331,626,240	310,999,544	308,755,350	326,029,324
22,510,821	19,479,709	17,625,936	26,115,365	24,349,155	32,344,635
1,295,000	750,000	300,000	2,495,000	2,135,000	1,860,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>21,215,821</u>	<u>18,729,709</u>	<u>17,325,936</u>	<u>23,620,365</u>	<u>22,214,155</u>	<u>30,484,635</u>
<b><u>\$ 408,854,432</u></b>	<b><u>\$ 349,417,986</u></b>	<b><u>\$ 314,300,304</u></b>	<b><u>\$ 287,379,179</u></b>	<b><u>\$ 286,541,195</u></b>	<b><u>\$ 295,544,689</u></b>
4.93%	5.09%	5.22%	7.59%	7.19%	9.35%

# City of Farmington Hills, Michigan

## Demographic and Economic Statistics

Fiscal Year	Source	Household Population	Median	Median	Unemployment Rate	Number of Occupied Households	Total Personal Income
			Personal Income Per Household	Per Capita Personal Income			
2000	1	82,111	\$ 67,493	\$ 27,585	1.5	33,559	\$ 2,264,997,587
2001	1	81,970	67,493	27,712	2.6	33,656	2,271,544,408
2002	1	83,500	67,493	27,251	3.7	33,714	2,275,459,002
2003	1	82,274	67,493	27,772	3.7	33,854	2,284,908,022
2004	1	81,058	67,493	27,990	4.7	33,615	2,268,777,195
2005	1	80,895	67,493	28,070	5.1	33,644	2,270,734,492
2006	1	80,486	67,493	28,218	5.0	33,650	2,271,139,450
2007	2	80,280	67,493	28,366	5.5	33,740	2,277,213,820
2008	2	79,327	67,493	28,428	6.1	33,412	2,255,076,116
2009	2	79,152	67,493	28,500	11.7	33,423	2,255,818,539
2010	2	79,740	67,493	28,241	10.8	33,366	2,251,971,438
2011	2	79,740	67,803	28,535	9.2	33,559	2,275,400,877
2012	2	79,777	67,803	28,549	8.0	33,591	2,277,570,573
2013	2	80,895	67,803	28,711	7.6	34,255	2,322,591,765
2014	2	81,798	67,803	28,809	6.8	34,755	2,356,493,265
2015	2	81,910	67,803	29,086	3.5	35,138	2,382,461,814

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

Sources for Unemployment Rate:

- (1) Michigan Department of Labor and Economic Growth.
- (2) U.S. Department of Commerce/Labor, Bureau of Labor Statistics.

## Principal Employers

Taxpayer	2015	Percentage	2006	Percentage	2006 Rank
	Employees	of Total	Employees	of Total	
1 Botsford Hospital	2,634	6.43	2,500	5.92	1
2 Farmington Public Schools	1,372	3.35	2,500	5.92	2
3 Robert Bosch Corporation	1,305	3.18	1,500	3.55	3
4 Nissan Technical Center North America	1,151	2.81	750	1.78	6
5 Quicken Loans	1,000	2.44	(1)	(1)	(1)
6 Cengage Learning Gale	850	2.07	900	2.13	5
7 Aditya Birla Minacs	700	1.71	(1)	(1)	(1)
8 Mercedes-Benz Financial Services	600	1.46	(1)	(1)	(1)
9 TRW Automotive Electronics	600	1.46	450	1.07	8
10 ACO Hardware	500	1.22	190	0.45	(1)

Source: Crain's Book of Lists + City Records + Individual Employers.

(1) Not available

# City of Farmington Hills, Michigan

## Operating Information Full-time Equivalent Government Employees (I)

Function/Program (Fiscal Year: Ended)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government (1)</b>														
City administration	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.10	5.00	5.00	5.50	5.50	6.00
Public information	3.50	3.50	3.50	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Finance	24.64	24.64	24.64	24.64	24.19	23.57	23.07	23.07	22.38	18.94	18.79	19.00	19.00	20.00
City clerk	10.61	11.15	9.80	10.26	9.90	8.90	8.77	8.86	7.58	6.84	6.36	6.62	6.65	6.31
Human resources	3.75	3.75	4.25	4.25	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Central services	8.50	8.50	8.50	9.50	9.50	9.50	9.50	9.50	9.50	9.40	9.26	9.40	9.40	9.40
<b>Public Safety (2)</b>														
Police	180.74	180.62	180.62	173.58	173.52	181.27	180.58	175.73	168.54	145.87	144.84	152.72	152.88	153.88
Fire and EMS	76.95	80.95	80.95	80.95	80.95	85.95	85.95	85.95	84.95	81.95	81.95	84.95	93.63	93.63
<b>Public Services (3)</b>														
Administration	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Road maintenance	28.25	28.25	28.25	27.50	26.50	27.25	27.25	27.25	23.83	21.12	21.12	22.46	22.46	23.46
Building maintenance	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Engineering	21.79	21.79	21.79	21.79	21.07	21.20	20.20	18.60	17.50	14.00	13.00	14.28	15.31	15.31
D.P.W. garage	11.50	11.50	11.50	11.50	11.50	11.00	11.00	11.00	10.50	10.50	11.00	11.00	11.00	12.00
Waste collection/recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00	1.00
<b>Planning and Community Development (4)</b>	28.00	26.50	26.50	26.50	26.50	26.50	26.50	25.00	24.20	19.00	18.60	18.60	18.60	18.00
<b>Special Services (5)</b>														
Administration	10.40	10.10	10.60	10.80	18.30	19.50	20.30	22.00	20.32	18.90	19.96	19.90	20.95	20.98
Youth and families	6.50	6.70	6.70	7.24	7.24	10.40	10.40	10.40	8.90	8.00	8.00	8.00	8.00	8.00
Senior adults	20.02	17.24	15.91	16.34	24.75	23.02	25.98	26.74	26.44	25.63	27.53	27.53	27.53	27.53
Parks division	27.11	28.83	27.17	24.47	24.44	25.44	26.44	26.21	23.62	22.73	24.52	24.10	24.87	24.87
Cultural arts	2.40	2.40	2.75	3.04	3.04	3.04	3.32	3.32	3.32	2.47	2.47	2.65	2.75	3.40
William Costick Activities Center	7.31	7.35	7.35	7.31	-	-	-	-	-	-	-	-	-	-
Golf course division	4.31	5.60	7.77	9.66	10.39	10.39	13.39	13.11	13.80	12.71	12.32	12.50	13.17	13.01
Ice arena	19.10	18.15	16.61	17.39	17.73	18.16	16.93	16.93	17.34	15.16	15.19	14.13	14.13	14.13
<b>Total (6)</b>	<b>508.38</b>	<b>510.52</b>	<b>510.16</b>	<b>505.22</b>	<b>512.02</b>	<b>528.09</b>	<b>532.58</b>	<b>526.67</b>	<b>505.82</b>	<b>455.22</b>	<b>456.91</b>	<b>470.34</b>	<b>482.83</b>	<b>486.91</b>

Source: City personnel/budget records

- (1) General Government FTEs increased by 1.16 or 2.39% in 2015.
- (2) Public Safety FTEs increased by 1.00 or 0.41% in 2015.
- (3) Public Services FTEs increased by 2.00 or 3.46% in 2015.
- (4) Planning and Community Development FTEs decreased by 0.60 or 3.23% in 2015.
- (5) Special Services FTEs increased by 0.52 or 0.47% in 2015.
- (6) City-wide FTEs increased by 4.08 or 0.85% in 2015.

# City of Farmington Hills, Michigan

## Operating Information Operating Indicators

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police:</b>										
Physical arrests	2,789	3,482	4,013	4,478	2,614	2,148	2,298	2,641	3,002	3,166
Traffic violations	13,347	17,770	19,754	20,224	17,990	17,414	9,039	9,122	8,760	7,953
<b>Fire:</b>										
Total incidents	6,818	6,668	7,026	7,060	6,886	7,278	7,696	8,539	8,800	8,950
Public education programs	109	111	102	94	61	37	37	84	80	121
Fire loss	\$ 2,490,598	\$ 3,401,006	\$ 9,026,874	\$ 4,469,795	\$ 4,909,621	\$ 4,837,303	\$ 1,640,525	\$ 3,901,800	\$ 3,500,000	\$ 2,000,000
<b>Public works:</b>										
Dwelling units receiving refuse service	22,790	22,980	23,049	23,050	22,137	23,160	23,179	23,198	23,245	23,336
% of waste stream recycled	30.98	32.48	32.50	35.00	36.20	36.21	36.80	37.40	44.03	43.36
Parks and recreation - Recreation programs	2,329	2,454	2,450	2,459	2,500	2,565	2,581	2,640	2,650	2,655
<b>Water</b>										
Water customers	22,672	22,713	22,725	22,742	22,734	22,707	22,698	22,698	22,768	22,838
Water main breaks	77	65	76	63	60	56	59	56	81	52
Total consumption (mcf)	529,758	490,831	514,878	471,985	431,059	427,336	396,125	390,000	400,658	351,872
Average consumption per user (mcf/year)	23.40	21.60	22.70	20.80	18.96	18.82	17.45	17.18	17.60	15.41
<b>Sewer:</b>										
Average consumption per user (mcf/year)	19.30	20.40	19.10	17.90	17.60	17.40	16.10	16.05	15.60	15.86
Sewer customers	22,363	22,393	22,407	22,420	22,407	22,383	22,379	22,379	22,473	22,553

(1) Information not available

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

# City of Farmington Hills, Michigan

## Operating Information Capital Asset Statistics

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Fleet Vehicles	82	82	82	82	73	64	64	67	67	67
<b>Fire:</b>										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks (4)	17	16	16	16	16	16	16	17	17	18
<b>Public works - Streets (miles):</b>										
Major	58	58	58	58	58.36	58.36	58.36	58.36	58.36	58.36
Local	243	245	245	245	245.71	245.71	245.79	246.38	246.38	246.38
<b>Parks and recreation:</b>										
Acreage	629	629	629	629	633	636	636	636	636	636
Playgrounds	4	4	4	4	3	3	4	4	4	4
Football/Soccer fields (2)	15	15	15	15	17	17	19	19	19	19
Baseball/Softball diamonds (3)	10	10	10	10	12	12	12	12	12	12
Pools/Splash Pads	1	1	1	1	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
<b>Water:</b>										
Mains (miles)	457	460	454	454	470.60	470.80	471.50	471.50	448.95	456.11
Fire hydrants	5,008	5,033	5,084	5,090	5,045	5,047	5,127	5,127	5,103	5,115
Storage capacity (gallons)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	3,000,000	3,000,000
<b>Sewer:</b>										
Miles of sanitary sewers	325	326	327	327	327.20	327.40	329.00	329.00	327.50	327.80
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 32 football/soccer fields for other entities.

(3) Plus the City maintains 37 baseball/softball diamonds for other entities.

(4) Plus 13 other vehicles and equipment.