

# *CITY OF FARMINGTON HILLS, MICHIGAN*

## *Annual Comprehensive Financial Report*

### *Fiscal Year Ended June 30, 2022*



# City of Farmington Hills

## Annual Comprehensive Financial Report

County of Oakland

State of Michigan

Fiscal Year Ended June 30, 2022



Prepared by:

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# Table of Contents

Section	Page
1	<b><u>Introductory Section</u></b>
	Letter of Transmittal 1 – 1
	GFOA Certificate of Achievement 1 – 9
	List of Elected and Principal Officials 1 – 10
	Organization Chart 1 – 12
	Fund Organization Chart 1 – 13
	<b><u>Financial Section</u></b>
2	<b>Independent Auditors' Report</b> 2 – 1
3	<b>Management's Discussion and Analysis</b> 3 – 1
4	<b>Basic Financial Statements</b>
	Government-wide Financial Statements
	Statement of Net Position 4 – 1
	Statement of Activities 4 – 3
	Fund Financial Statements
	Governmental Funds
	Balance Sheet 4 – 4
	Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities 4 – 6
	Statement of Revenues, Expenditures and Changes in Fund Balances 4 – 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 4 – 9
	Proprietary Funds
	Statement of Net Position 4 – 10
	Statement of Revenues, Expenses and Changes in Fund Net Position 4 – 11
	Statement of Cash Flows 4 – 12

<b>Section</b>	<b>Page</b>
Fiduciary Funds	
Statement of Fiduciary Net Position	4 – 14
Statement of Changes in Fiduciary Net Position	4 – 15
Component Units	
Statement of Net Position	4 – 16
Statement of Activities	4 – 17
Notes to the Financial Statements	4 – 18
<b>5 Required Supplementary Information</b>	
Budgetary Comparison Schedule	
General Fund	5 – 1
Municipal Street Fund	5 – 4
Major Roads Fund	5 – 5
Local Roads Fund	5 – 6
Public Safety Millage Fund	5 – 7
Employees' Retirement System	
Schedule of the City's Proportionate Share of the Net Pension Liability	5 – 8
Schedule of Employer Contributions	5 – 9
Schedule of Investment Returns	5 – 10
Postretirement Healthcare Finance Fund	
Schedule the City's Proportionate Share of the Net OPEB Liability (Asset)	5 – 11
Schedule of Employer Contributions	5 – 12
Schedule of Investment Returns	5 – 13
<b>6 Other Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 – 1
Combining Statement of Revenue, Expenditures and Changes in Fund Balance	6 – 2
Budgetary Comparison Schedules	6 – 3

**Section****Page****7      Statistical Section (Unaudited)****Description of Statistical Section****Financial Trend Information**

Net Position by Component Unit	7 – 1
Changes in Governmental Net Position	7 – 2
Changes in Business-Type Net Position	7 – 3
Fund Balances – Governmental Funds	7 – 4
Change in Fund Balances – Governmental Funds	7 – 5

**Revenue Capacity Information**

Assessed Value and Actual Value of Taxable Property	7 – 6
Direct and Overlapping Property Tax Rates	7 – 7
Principal Property Taxpayers	7 – 8
Property Tax Levies and Collections	7 – 9

**Debt Capacity Information**

Ratios of Outstanding Debt	7 – 10
Ratios of General Bonded Debt Outstanding	7 – 11
Direct and Overlapping Governmental Activities Debt	7 – 12
Legal Debt Margins	7 – 13

**Demographics and Economic Information**

Demographic and Economic Statistics	7 – 14
Principal Employers	7 – 15

**Operating Information**

Full-time Equivalent Government Employees	7 – 16
Operating Indicators	7 – 17
Capital Asset Statistics	7 – 18



November 18, 2022

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

We are pleased to submit the annual comprehensive financial report (ACFR) of the City of Farmington Hills (the "City") for the fiscal year ended June 30, 2022. 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 Yeo & Yeo, 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.

Yeo & Yeo 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, 2022 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, 2022 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**

Farmington Hills is a 34 square mile suburban community with a pastoral and gently rolling terrain in Oakland County, MI, located 17 miles from downtown Detroit. It is one of the largest cities in Oakland County, the most prosperous county in Michigan and one of the most prosperous counties in America. Incorporated in 1973, the City quickly grew from its rural roots, and today offers a unique blend of historic charm, international diversity, and cutting-edge commerce, making it one of the most desirable locations to live and work in the United States. The City’s tax base of \$3.9 billion is comprised of 69 percent residential property and 31 percent commercial, industrial, and personal property. The community’s estimated 83,292 residents live in approximately 34,803 households with a median household income of \$85,152.

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

The community offers many premier residential areas providing a wide range of housing options, including approximately 21,000 single-family sites (including detached condominiums) and approximately 13,000 rental units. The distinctive custom residences, neighborhoods with well-established landscaping and tree lined streets, well planned condominiums and a variety of apartments provide options to fit every lifestyle and price range.

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

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system with one of the highest annual circulation rates in the State. A broad spectrum of recreational and cultural activities is available within the City or within a short drive. A total of 12 major colleges and universities are within a 45-minute drive of the community. Quality health care is readily accessible through Beaumont Hospital, Farmington Hills, 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.

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

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

The community offers a wide range of quality housing featuring homes in every style and price range. There are many premier residential areas providing housing options including more than 21,000 single-family homes and over 13,000 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$3 million, with the average home priced at approximately \$285,000.

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

The City of Farmington Hills provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and refuse collection and recycling services. Utility services for water and sanitary sewers are provided by the City, with the Oakland County Water Resources Commission 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 the City Council to assist in the redevelopment of environmentally challenged sites within the City; and the Corridor Improvement Authority, created by the City Council to correct and prevent deterioration in business districts, encourage historic preservation, and promote economic growth. The Corridor Improvement Authority was created in collaboration with the City of Farmington in sharing a corridor to leverage investments by defraying some of the costs of redevelopment and sharing resources that can be invested in improvements. The Brownfield Redevelopment Authority and the Corridor Improvement Authority financial statements are also displayed in the basic financial statements.



The City's annual budget provides the foundation for financial planning and control. All departments funded by the City of Farmington Hills are required to submit requests for appropriations to the city manager in February of each year. The city manager utilizes these requests as the basis for developing the proposed budget submitted to City Council by the first regular council meeting in May.

In conformity with Article VII General Finance of the City Charter and the State of Michigan Uniform Budgets Act, a public hearing on the proposed annual budget and tax rates is held by the first regular Council meeting in June, after public notice of the meeting and hearing is published at least seven days prior to the public hearing.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police department). Department heads may make transfers of appropriated funds within a department with the approval of the city manager and finance director. Transfers of appropriations between departments require approval by the City Council.

Budget-to-actual comparisons are provided in this report for each governmental fund in which an appropriated annual budget has been adopted. For the General Fund and the major Special Revenue Funds (Municipal Street Fund, Major Road Fund, Local Road Fund, and the Public Safety Millage Fund), the comparison is reported as part of the required supplemental information following the notes to the financial statements.

For the major Community Center Renovations 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 comprised of 69 percent residential, 22 percent commercial, 3 percent industrial, and 6 percent personal property (business equipment, furniture, and machinery). No one taxpayer exceeds 1.81 percent of the tax roll and the top 10 taxpayers combined account for approximately 7.56 percent of the total tax roll. Farmington Hills is home to approximately 4,700 businesses, 75 Fortune 500 companies, and more than 100 international firms. The City's residents are employed predominantly in management, professional sales, and related occupations.

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.

Oakland County's economic growth and business sustainability is assisted by "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 500 emerging sector endeavors have generated over \$5 billion in investment while creating or retaining over 89,000 jobs. These sectors are:

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

Oakland County’s median household income of \$81,587 is the highest among Michigan’s 83 counties. Oakland County, as well as the City of Farmington Hills, continues to enjoy a AAA bond rating from Standard & Poor’s, the highest bond rating achievable. The AAA bond rating allows the City to borrow at the lowest possible interest rate, saving City’s taxpayers significant dollars in future borrowing costs.

The City’s unemployment rate of 2.9 percent as of June 2022 represents a slight increase from 2.4 percent as of September 2021, and is lower than the state unemployment rate of 4.1 percent as of October 2022. National Gross Domestic Product in the 2nd Quarter of 2022 shrunk by 0.6%, as the economy faltered in the wake of high inflation, which has exceeded 8% on a trailing 12 month basis. Consumer Confidence is at 96.46 in September 2022, indicating the public’s sense that the economy is in a recession, and the Expectations Index is at roughly 80 points, which indicates the public’s sense that the economy will continue to struggle for the next six months.

The Conference Board on October 12<sup>th</sup>, 2022 issued a forecast of 1.5 percent real U.S. GDP growth Year over Year in 2022, and 0 percent in 2023. Unemployment is forecast at 3.8 percent for 2022 and to exceed 4 percent in 2023. PCE Inflation is forecast to exceed 6 percent, and to slow to 3.0 percent in 2023, though it should be noted that inflation forecasts have been generally optimistic for the last 18 months compared to reality. The Federal Funds Rate is forecast to exceed 4 percent in 2022 and 2023.

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 2022-2023:

- \$6.7 million for drainage projects
- \$0.5 million for sidewalk and bike path improvements/replacements
- \$1.2 million for Fire Department vehicles and equipment
- \$0.2 million for Police Department vehicles and equipment
- \$1.2 million for Public Services Department equipment
- \$2.5 million for technology equipment, software and upgrades
- \$1.7 million for public facility improvements

**Financial Policies** - The following financial policies of the City had a significant impact on the City’s FY 2021-2022 financial statements:

Revenue Policy to Maintain a Diversified and Stable Taxable Revenue Base - Although the tax base remains diversified with approximately 69 percent residential and 31 percent nonresidential, the tax base had an increase in taxable values of approximately 3.7 percent in FY 2021-22. Taxable Values have increased by another 5.2% in FY 2022-23, reflecting a high inflation rate in the housing sector in the last several years

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 approximately one week, while the average yield on the portfolio was out-performing the three-month and six-month Treasury yield along with the Federal Funds rate.

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’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**

The City is implementing a new GASB pronouncement for fiscal year end June 30, 2022.

**Statement No. 87**, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

The City is reviewing the following GASB pronouncement which will be implemented for fiscal year end June 30, 2022.

**Statement No. 96**, *Subscription-Based Information Technology Arrangements* (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

### **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 ACFR for the fiscal year ended June 30, 2021. This was the 23rd 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 ACFR. 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 ACFR 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, 2023. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This was the 39<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 Yeo & Yeo 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,



Gary Mekjian  
City Manager



Thomas C. Skrobola  
Finance Director/Treasurer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Farmington Hills  
Michigan**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

**City of Farmington Hills**  
**List of Elected and Principal Officials**  
**June 30, 2022**

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**Mayor and City Council**

<b>Title</b>	<b>Name</b>
Mayor	Vickie Barnett
Mayor Pro Tem	Jackie Boleware
Council Member	Valerie Knol
Council Member	Michael Bridges
Council Member	Ken Massey
Council Member	Mary Newlin
Council Member	Randy Bruce

**City of Farmington Hills**  
**List of Elected and Principal Officials**  
**June 30, 2022**

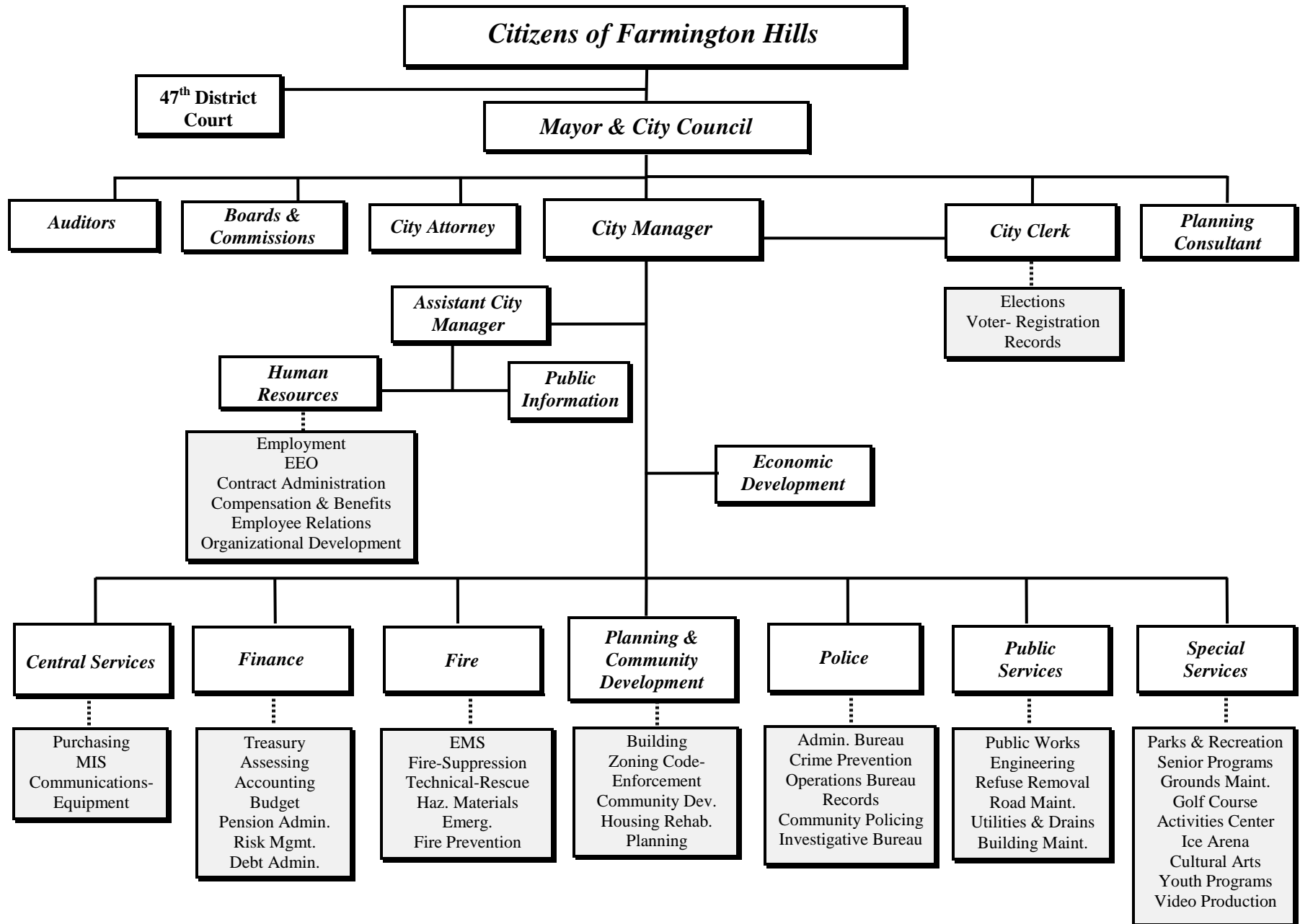
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**Principal Officials**

<u>Title</u>	<u>Name</u>
City Manager	Gary Mekjian
Assistant City Manager	Joe Valentine
Economic Development Director	Cristia Brockway
City Clerk	Pamela Smith
Central Services Director	Kelly Monico
Finance Director/Treasurer	Thomas Skrobola
Fire Chief	Jon Unruh
Human Resources Director	John Randle
Planning and Community Development Director	Charmaine Kettler-Schmult
Police Chief	Jeff King
Public Services Director	Karen Mondora
Special Services Director	Ellen Schnackel
City Attorney	Rosati, Schultz, Joppich & Amtsbuechler, P.C.
Deputy Director Special Services	Bryan Farmer
Deputy Director Special Services	Brian Moran
Assistant Police Chief	Daniel Rodriguez
Assistant Police Chief	John Piggott
Deputy Fire Chief	Jason Olszewski
Building Official	Scott Lenhart
City Assessor	Matthew Dingman
City Engineer	James Cubera
City Planner	Vacant
Community Development Coordinator	Vacant
Controller/Assistant Finance Director	Elizabeth Gaines
Deputy City Clerk	Carly Lindahl
Deputy Treasurer	Debbie Shires
Fire Marshal	Jason Baloga
Public Works Superintendent	Kevin McCarthy/Derrick Schueller
Zoning Division Supervisor	Dennis Randt



# CITY OF FARMINGTON HILLS



**City of Farmington Hills  
Fund Organization Chart**

**Governmental Funds**

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**General**

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General Fund

**Debt Service**

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General Debt Service

**Capital Projects**

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Capital Improvement  
Community Center Renovations

**Special Revenue**

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Major Roads  
Local Roads  
Municipal Streets  
Public Safety Millage  
Community Development Block Grants (CDBG)  
Nutrition Grant  
Forfeiture  
Parks and Recreation Special Millage  
Michigan Indigent Defense Commission

**Proprietary Funds - Enterprise**

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Water and Sewer

**Fiduciary Funds**

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**Custodial**

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Tax Collections

**Component Units**

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Economic Development Corporation  
Corridor Improvement Authority

Brownfield Redevelopment Authority



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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### Opinions

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Farmington Hills, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Required Supplementary Information**

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

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

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

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022 on our consideration of the City of Farmington Hills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Farmington Hills' 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 of Farmington Hills' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Auburn Hills, MI  
November 18, 2022

**City of Farmington Hills**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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**Using this Annual Report**

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

**The City of Farmington Hills as a Whole**

The City's combined primary government net position increased \$19.3 million or 5.4 percent, from \$356.5 million to \$375.8 million, due primarily to the net increase of \$21.2 million of capital assets due to the acquisition of infrastructure, facilities, and equipment, and the net increase in funds restricted for road construction, due to the timing of capital project expenditures over the fiscal year end. Of that amount, \$78.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens/creditors. Governmental activities net position increased by \$20.5 million or 9.7 percent. Unrestricted net assets of governmental activities was approximately \$6.7 million as of June 30, 2022. Business-type activities net position decreased by approximately \$1.2 million in net position or 0.8 percent. The unrestricted net position of business-type activities was approximately \$71.5 million as of June 30, 2022.

**City of Farmington Hills**  
**Management's Discussion and Analysis**  
**June 30, 2022**

In condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2022 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current assets	\$ 101.6	\$ 94.4	\$ 75.3	\$ 79.4	\$ 176.9	\$ 173.8
Noncurrent assets:						
Noncapital assets	5.6	20.5	-	-	5.6	20.5
Capital assets	232.2	224.2	99.2	98.5	331.4	322.7
Total assets	339.4	339.1	174.5	177.9	513.9	517.0
<b>Deferred Outflows of Resources</b>	16.1	7.8	-	-	16.1	7.8
<b>Liabilities</b>						
Current liabilities	26.3	28.9	5.3	6.0	31.6	34.9
Long-term liabilities	92.6	63.8	25.0	26.5	117.6	90.3
Total liabilities	118.9	92.7	30.3	32.5	149.2	125.2
<b>Deferred Inflows of Resources</b>	5.0	43.1	-	-	5.0	43.1
<b>Net Position</b>						
Invested in capital assets	198.0	189.1	72.7	70.4	270.7	259.5
Restricted	26.9	15.2	-	-	26.9	15.2
Unrestricted (deficit)	6.7	6.8	71.5	75.0	78.2	81.8
Total net position	<b>\$ 231.6</b>	<b>\$ 211.1</b>	<b>\$ 144.2</b>	<b>\$ 145.4</b>	<b>\$ 375.8</b>	<b>\$ 356.5</b>

**City of Farmington Hills**  
**Management's Discussion and Analysis**  
**June 30, 2022**

The following table shows the changes in net position (in millions of dollars) for the years ended June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 19.0	\$ 15.8	\$ 31.0	\$ 30.2	\$ 50.0	\$ 46.0
Operating grants and contributions	17.5	20.0	-	-	17.5	20.0
Capital grants and contributions	-	-	1.2	2.1	1.2	2.1
General revenue:						
Property taxes	64.5	63.0	-	-	64.5	63.0
State-shared revenue	11.0	9.8	-	-	11.0	9.8
Interest	-	0.6	-	0.5	-	1.1
Other	0.8	0.6	-	-	0.8	0.6
Total revenue	112.8	109.8	32.2	32.8	145.0	142.6
<b>Program Expenses</b>						
General government	17.8	10.6	-	-	17.8	10.6
Public safety	35.4	30.5	-	-	35.4	30.5
Public services	21.6	21.8	-	-	21.6	21.8
Health and welfare	0.2	-	-	-	0.2	-
Community and economic development	2.2	2.6	-	-	2.2	2.6
Recreation and culture	14.3	9.7	-	-	14.3	9.7
Interest on long-term debt	0.8	0.9	-	-	0.8	0.9
Water and sewer	-	-	33.4	33.3	33.4	33.3
Total program expenses	92.3	76.1	33.4	33.3	125.7	109.4
<b>Change in Net Position</b>	20.5	33.7	(1.2)	(0.5)	19.3	33.2
<b>Net Position</b> - Beginning of year	211.1	177.4	145.4	145.9	356.5	323.3
<b>Net Position</b> - End of year	\$ 231.6	\$ 211.1	\$ 144.2	\$ 145.4	\$ 375.8	\$ 356.5

**Governmental Activities**

The City's total governmental activities revenue increased by \$3.0 million or 2.7 percent. This was primarily attributed to increases in charges for services as the Hawk Community Center patrons returned to parks and recreation activities after COVID pandemic concerns subsided. The City's total governmental program expenses increased by \$16.2 million or 21.3 percent. This is attributable to increased expenses to operate the new Hawk Community Center at full capacity for the first time, as well as the aforementioned post-COVID rebound in Parks and Recreation programming, in



**City of Farmington Hills**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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addition to unfavorable investment returns for the pension and retiree health care funds, which increased the net liability recognized in this Net Position statement.

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

**Business-type Activities**

The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water distribution and sanitary sewer disposal services, which are supplied by the Great Lakes Water Authority and operated, maintained, and administered by the Oakland County Water Resources Commissioner. The utility system incurred a \$1.2 million operating loss during fiscal year 2021-2022 compared to an operating loss of \$0.5 million in the previous fiscal period. The \$0.7 million decrease in operating loss, when compared to the previous fiscal period, is primarily the result of the negative differential in interest earnings in FY 2021-22, due to GASB rules requiring that excess cash investments be written down in a rising interest rate environment; in this case, longer-term investments on the books fared unfavorably to current market opportunities as of 6/30/2022 (even though no principle was lost). The Water and Sewer Fund maintained a net position of \$144.2 million at year end, of which approximately \$71.5 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 2021-2022 include the General Fund, the Major Roads Fund, the Local Roads Fund and the Public Safety Millage Fund. Capital improvements in the major funds category primarily include major and local road reconstruction/resurfacing.

**General Fund:**

The FY 2021-2022 General Fund budget reflected a \$0.5 million decrease in fund balance at year end. Instead, the General Fund's fund balance increased by \$1.7 million or 3.7 percent, due primarily to a \$2.0 million decrease in actual revenue compared to the original budget, due primarily to positive vacancy variance.

**Major Special Revenue Funds:**

The Major Roads Fund fund balance increased by approximately \$3.9 million or 42.5 percent. Total revenue and transfers in was \$0.4 million more than the previous year, due to increases in Act 51 Gas and Weight Tax revenue, while total expenditures and transfers out were \$0.9 million more than the previous year, due to inflation. The Local Roads Fund fund balance decreased by approximately \$4.9 million or 155 percent. Total revenue and other financing sources was roughly the same as the previous year, while total expenditures and transfers out were \$6.0 million less than the previous year for local street construction projects, due to the timing of construction projects over year end. The Public Safety Millage Fund fund balance increased by \$176,314, or 7.1 percent, in line with the Amended FY 2021-22 Budget. The Municipal Street Fund, inaugurated in 2019 –

**City of Farmington Hills**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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2020; finished with a year-end fund balance of \$510.076, a \$83.626 increase, due to slightly better than expected State Gas and Weight tax revenue. Revenue and other financing sources, while expenditures and transfers out were in line with the Amended FY 2021-22 Budget.

**Major Capital Improvement Funds:**

The Community Center Renovations Fund decreased its fund balance by \$998,291, as the result of \$982,291 of planned construction costs related to the upgrade of the new Hawk Community Center field turf.

**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 \$0.8 million or 1.2 percent decrease in total revenue versus the final amended budget reflected a shortfall of interest income of 1.75 million – it should be stressed that this represents a paper mark-down of investment assets relative to a rapid upward spike in interest rates as compared to longer-term investments in the City's portfolio, which were largely sold off in the first few months of FY 2022-23 as the administration monitors and adapts to the investment environment.
- The approximate \$2.0 million or 3.4 percent decrease in total expenditures from the final amended budget are based primarily on positive staff vacancy variance due to normal retirement and departures.

**Capital Assets and Debt Administration**

On June 30, 2022, the City had approximately \$331 million in total net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure (roads, sidewalks, drains, water, and sewer) assets included in this report, net of depreciation and exclusive of construction on progress, is approximately \$180.8 million (see Note 5 of the notes to financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and community center and is reported as a liability on the statement of net position. The City's total debt for governmental activities decreased by \$2.5 million (5.6 percent). The decrease was the result of the payoff of annual maturities on pre-existing debt (see Note 7 of the notes to financial statements- for additional information). The City maintained its AAA noninsured rating from Standard & Poor's and Aa1 noninsured rating from Moody's.

**City of Farmington Hills**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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

The fiscal year 2022-2023 tax rate decreased to 16.5693 mills due to the Headlee rollback on the General Operating, Economic Development PA 59 Millage, Parks Millage, Public Safety Millages, and 2014 Municipal Roads Millage. The City's tax base increased by 3.7 percent in fiscal year 2021-22, and increased 5.8 percent for FY 2022-23. Our state equalized value (SEV) was \$4.9 billion in FY 2021-22, which was \$1.178 billion 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 69 percent, commercial 22 percent, industrial 3 percent, and personal property 6 percent. Tax base diversification is further demonstrated by the fact that the top 10 taxpayers in 2022-23 combined account for approximately 7.5 percent of the tax roll.

Taxes account for approximately 50 percent of the FY 2022-23 General Fund budgeted revenue, while state-shared revenue accounts for approximately 13 percent of the FY 2022-23 General Fund budgeted revenue. The FY 2022-23 General Fund adopted budget reflects the use of fund balance of \$1.17 million, which includes a continued contribution to the Capital Improvement Program.

On the expense side, the City operates with a relatively small labor force and low personnel costs, while maintaining all city services, with some inflationary cost increases. The City will continue to adjust expenditures through cost savings and efficiencies in FY 2022-23 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 Thomas C. Skrobola, Finance Director/Treasurer, City of Farmington Hills, Michigan, 31555 West Eleven Mile Road, Farmington Hills, MI 48336.

**City of Farmington Hills**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 8,848,039	\$ 30,775,347	\$ 39,623,386	\$ 127,223
Investments	84,820,752	36,256,624	121,077,376	1,668,838
Receivables:				
Customers	1,754,652	8,742,770	10,497,422	-
Accrued interest and other	723	-	723	59
Due from other units of government	3,915,807	-	3,915,807	-
Internal balances	473,237	(473,237)	-	-
Due from component unit	4,608	-	4,608	-
Inventories	814,167	-	814,167	-
Prepaid items	587,647	-	587,647	-
Deposits	306,416	-	306,416	-
Capital assets not being depreciated	74,490,653	7,605,705	82,096,358	-
Capital assets, net of accumulated depreciation	157,713,306	91,633,624	249,346,930	-
Net OPEB asset	5,633,957	-	5,633,957	-
Total assets	<u>339,363,964</u>	<u>174,540,833</u>	<u>513,904,797</u>	<u>1,796,120</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	229,601	-	229,601	-
Deferred amount relating to net pension liability	11,378,744	-	11,378,744	-
Deferred amount relating to net OPEB asset	4,449,577	-	4,449,577	-
Total deferred outflows of resources	<u>16,057,922</u>	<u>-</u>	<u>16,057,922</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 6,666,506	\$ 3,606,799	\$ 10,273,305	\$ 84,478
Accrued and other liabilities	9,100,770	182,254	9,283,024	4,226
Due to other units of government	154,799	-	154,799	4,608
Unearned revenue	5,026,511	-	5,026,511	-
Noncurrent liabilities due within one year:				
Current portion of compensated absences	2,630,490	-	2,630,490	-
Debt due within one year	2,385,929	1,490,975	3,876,904	-
Claims due within one year	303,000	-	303,000	-
Noncurrent liabilities due in more than one year:				
Noncurrent portion of compensated absences	3,364,999	-	3,364,999	-
Debt due in more than one year	32,369,500	25,038,985	57,408,485	-
Net pension liability	56,839,126	-	56,839,126	-
Total liabilities	<u>118,841,630</u>	<u>30,319,013</u>	<u>149,160,643</u>	<u>93,312</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	484,973	-	484,973	-
Deferred amount relating to net OPEB asset	<u>4,496,014</u>	<u>-</u>	<u>4,496,014</u>	<u>-</u>
Total deferred inflows of resources	<u>4,980,987</u>	<u>-</u>	<u>4,980,987</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	198,014,183	72,709,369	270,723,552	-
Restricted for:				
Roads	20,436,283	-	20,436,283	-
Parks and recreation	846,743	-	846,743	-
Health and welfare	54,308	-	54,308	-
OPEB asset	5,587,520	-	5,587,520	-
Unrestricted	<u>6,660,232</u>	<u>71,512,451</u>	<u>78,172,683</u>	<u>1,702,808</u>
Total net position	<u>\$ 231,599,269</u>	<u>\$ 144,221,820</u>	<u>\$ 375,821,089</u>	<u>\$ 1,702,808</u>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Functions/Programs</b>								
<b>Primary government</b>								
Governmental activities:								
General government	\$ 17,807,296	\$ 7,213,066	\$ 153,729	\$ -	\$ (10,440,501)	\$ -	\$ (10,440,501)	\$ -
Public safety	35,374,948	2,570,605	4,526,883	7,635	(28,269,825)	-	(28,269,825)	-
Public works	21,642,494	2,475,015	11,182,143	-	(7,985,336)	-	(7,985,336)	-
Health and welfare	199,574	-	253,758	-	54,184	-	54,184	-
Community and economic development	2,182,133	-	520,705	-	(1,661,428)	-	(1,661,428)	-
Recreation and culture	14,302,545	6,736,483	842,501	-	(6,723,561)	-	(6,723,561)	-
Interest and fiscal charges on long-term debt	785,557	-	-	-	(785,557)	-	(785,557)	-
Total governmental activities	92,294,547	18,995,169	17,479,719	7,635	(55,812,024)	-	(55,812,024)	-
Business-type activities - Water and Sewer	33,444,385	31,011,125	-	1,227,275	-	(1,205,985)	(1,205,985)	-
 Total primary government	 \$ 125,738,932	 \$ 50,006,294	 \$ 17,479,719	 \$ 1,234,910	 (55,812,024)	 (1,205,985)	 (57,018,009)	 -
 <b>Component units</b>								
Economic Development Corporation	\$ 43	\$ -	\$ -	\$ -	-	-	-	(43)
Brownfield Redevelopment Authority	192,848	-	4,850	-	-	-	-	(187,998)
Corridor Improvement Authority	11,342	-	-	-	-	-	-	(11,342)
Total component units	\$ 204,233	\$ -	\$ 4,850	\$ -	-	-	-	(199,383)
 General revenues								
Property taxes					64,470,701	-	64,470,701	584,657
State-shared revenue					10,996,874	-	10,996,874	-
Miscellaneous					780,305	-	780,305	-
Total general revenues					76,247,880	-	76,247,880	584,657
 Change in net position					20,435,856	(1,205,985)	19,229,871	385,274
 Net position - beginning of year					211,163,413	145,427,805	356,591,218	1,317,534
 Net position - end of year					\$ 231,599,269	\$ 144,221,820	\$ 375,821,089	\$ 1,702,808

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General	Municipal Street Fund	Major Roads Fund	Local Roads Fund	Public Safety Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 7,287,244	\$ 251,883	\$ 649,258	\$ 10,502	\$ 46,697	\$ 602,455	\$ 8,848,039
Investments	49,336,909	258,090	12,786,393	8,321,311	3,628,877	10,489,172	84,820,752
Receivables:							
Other receivables	1,443,124	-	6,644	-	-	304,884	1,754,652
Accrued interest and other	-	103	210	122	16	272	723
Due from other units of government	2,095,697	-	1,239,926	431,153	-	149,031	3,915,807
Due from other funds	2,541,922	-	193,300	-	-	22,209	2,757,431
Due from component unit	4,608	-	-	-	-	-	4,608
Prepaid items	587,647	-	-	-	-	-	587,647
Deposits	306,416	-	-	-	-	-	306,416
<b>Total assets</b>	<b><u>\$ 63,603,567</u></b>	<b><u>\$ 510,076</u></b>	<b><u>\$ 14,875,731</u></b>	<b><u>\$ 8,763,088</u></b>	<b><u>\$ 3,675,590</u></b>	<b><u>\$ 11,568,023</u></b>	<b><u>\$ 102,996,075</u></b>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General	Municipal Street Fund	Major Roads Fund	Local Roads Fund	Public Safety Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>							
Accounts payable	\$ 2,380,910	\$ -	\$ 1,404,607	\$ 1,667,479	\$ -	\$ 1,213,510	\$ 6,666,506
Accrued and other liabilities	8,874,367	-	-	-	-	-	8,874,367
Due to other funds	-	-	295,831	344,695	1,015,282	628,386	2,284,194
Unearned revenue	4,869,379	-	-	-	-	157,132	5,026,511
Total liabilities	<u>16,124,656</u>	<u>-</u>	<u>1,700,438</u>	<u>2,012,174</u>	<u>1,015,282</u>	<u>1,999,028</u>	<u>22,851,578</u>
<b>Deferred Inflows of Resources</b>							
Miscellaneous	<u>264,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,750</u>
<b>Fund Balances</b>							
Non-spendable:							
Prepaid items	587,647	-	-	-	-	-	587,647
Restricted for:							
Roads	-	510,076	13,175,293	6,750,914	-	-	20,436,283
Police and fire	-	-	-	-	2,660,308	856,753	3,517,061
Parks and recreation	-	-	-	-	-	846,743	846,743
Health and welfare	-	-	-	-	-	54,308	54,308
Assigned:							
Capital projects	-	-	-	-	-	7,709,002	7,709,002
Debt service	-	-	-	-	-	102,189	102,189
Future expenditures	11,072,450	-	-	-	-	-	11,072,450
Unassigned	<u>35,554,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,554,064</u>
Total fund balances	<u>47,214,161</u>	<u>510,076</u>	<u>13,175,293</u>	<u>6,750,914</u>	<u>2,660,308</u>	<u>9,568,995</u>	<u>79,879,747</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 63,603,567</u>	<u>\$ 510,076</u>	<u>\$ 14,875,731</u>	<u>\$ 8,763,088</u>	<u>\$ 3,675,590</u>	<u>\$ 11,568,023</u>	<u>\$ 102,996,075</u>

See Accompanying Notes to the Financial Statements



**City of Farmington Hills**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2022**

<b>Total fund balances for governmental funds</b>	<b>\$ 79,879,747</b>
Total net position for governmental activities in the statement of net position is different because:	
Inventories used in governmental activities are reported on the purchase method in the funds.	814,167
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	157,713,306
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	74,490,653
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	264,750
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds.	229,601
Net OPEB asset is not reported in the funds.	5,633,957
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(226,403)
Compensated absences	(5,995,489)
Claims and judgments	(303,000)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(484,973)
Deferred inflows of resources resulting from net OPEB asset	(4,496,014)
Deferred outflows of resources resulting from net pension liability	11,378,744
Deferred outflows of resources resulting from net OPEB asset	4,449,577
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds and notes payable	(34,755,429)
Net pension liability	(56,839,126)
Amounts due to Oakland County for drain projects are not included as a liability in the governmental funds.	(154,799)
<b>Net position of governmental activities</b>	<b>\$ 231,599,269</b>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General	Municipal Street Fund	Major Roads Fund	Local Roads Fund	Public Safety Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property taxes	\$ 34,689,335	\$ 16,891,517	\$ -	\$ -	\$ 11,171,838	\$ 1,764,080	\$ 64,516,770
Licenses and permits	1,685,309	-	-	-	-	-	1,685,309
Federal grants	4,242,511	-	111,617	-	-	978,181	5,332,309
State and other sources	10,728,570	497,816	8,271,263	2,771,122	132,796	512,431	22,913,998
Local contributions	-	-	18,658	5,000	-	325,704	349,362
Charges for services	13,692,720	-	-	-	-	-	13,692,720
Fines and forfeitures	1,548,589	-	-	-	-	-	1,548,589
Investment income (loss)	(1,455,931)	20,540	(389,657)	(271,757)	(91,758)	(307,061)	(2,495,624)
Other revenue:							
Other grants and contributions	32,087	-	-	-	-	-	32,087
Equipment rental	1,485,205	-	-	-	-	-	1,485,205
Other miscellaneous income	975,784	-	280	-	-	200,075	1,176,139
<b>Total revenues</b>	<u>67,624,179</u>	<u>17,409,873</u>	<u>8,012,161</u>	<u>2,504,365</u>	<u>11,212,876</u>	<u>3,473,410</u>	<u>110,236,864</u>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General	Municipal Street Fund	Major Roads Fund	Local Roads Fund	Public Safety Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Expenditures</b>							
Current:							
General government	\$ 14,092,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,092,538
Public safety	22,929,095	-	-	-	11,070,562	375,474	34,375,131
Public works	8,084,298	-	6,934,454	11,181,621	-	-	26,200,373
Health and welfare	-	-	-	-	-	199,480	199,480
Community and economic development	1,719,263	-	-	-	-	520,701	2,239,964
Recreation and culture	11,708,967	-	-	-	-	685,633	12,394,600
Capital outlay	-	-	-	-	-	7,847,129	7,847,129
Debt service	-	-	-	910,738	-	2,241,105	3,151,843
<b>Total expenditures</b>	<b>58,534,161</b>	<b>-</b>	<b>6,934,454</b>	<b>12,092,359</b>	<b>11,070,562</b>	<b>11,869,522</b>	<b>100,501,058</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>9,090,018</b>	<b>17,409,873</b>	<b>1,077,707</b>	<b>(9,587,994)</b>	<b>142,314</b>	<b>(8,396,112)</b>	<b>9,735,806</b>
<b>Other financing sources (uses)</b>							
Transfers in	1,307,850	-	4,851,349	14,474,898	-	8,768,990	29,403,087
Transfers out	(8,768,990)	(17,326,247)	(2,000,000)	-	-	(1,307,850)	(29,403,087)
Sale of capital assets	56,395	-	-	-	34,000	32,311	122,706
<b>Total other financing sources and uses</b>	<b>(7,404,745)</b>	<b>(17,326,247)</b>	<b>2,851,349</b>	<b>14,474,898</b>	<b>34,000</b>	<b>7,493,451</b>	<b>122,706</b>
<b>Net change in fund balance</b>	<b>1,685,273</b>	<b>83,626</b>	<b>3,929,056</b>	<b>4,886,904</b>	<b>176,314</b>	<b>(902,661)</b>	<b>9,858,512</b>
Fund balance - beginning of year	45,528,888	426,450	9,246,237	1,864,010	2,483,994	10,471,656	70,021,235
Fund balance - end of year	<u>\$ 47,214,161</u>	<u>\$ 510,076</u>	<u>\$ 13,175,293</u>	<u>\$ 6,750,914</u>	<u>\$ 2,660,308</u>	<u>\$ 9,568,995</u>	<u>\$ 79,879,747</u>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2022**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 9,858,512</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report inventory purchases as expenditures. However in the statement of activities purchases are recognized as inventory and expensed when consumed.	85,155
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(10,844,932)
Capital outlay	18,655,268
Sale of capital assets (net book value)	(194,837)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	4,483
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	24,813
Compensated absences	(37,554)
Claims and judgments	(19,000)
Changes in the amount due to Oakland County for drain projects not included as a liability in the governmental funds	(53,749)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(31,034,423)
Net change in the deferred inflow of resources related to the net pension liability	23,274,182
Net change in the deferred outflow of resources related to the net pension liability	5,854,784
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	(14,850,486)
Net change in the deferred inflow of resources related to the net OPEB asset	14,805,411
Net change in the deferred outflow of resources related to the net OPEB asset	2,566,756
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt including premium amortization	2,506,848
Amortization deferred outflows related to debt refundings	(165,375)
<b>Change in net position of governmental activities</b>	<b>\$ 20,435,856</b>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2022**

	Enterprise Fund
	Water and Sewer
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 30,775,347
Investments	36,256,624
Receivables	8,742,770
Total current assets	75,774,741
Noncurrent assets:	
Capital assets not being depreciated	7,605,705
Capital assets, net of accumulated depreciation	91,633,624
Total noncurrent assets	99,239,329
Total assets	175,014,070
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,606,799
Accrued and other liabilities	182,254
Due to other funds	473,237
Current portion of noncurrent liabilities	1,490,975
Total current liabilities	5,753,265
Noncurrent liabilities:	
Long-term debt net of current portion	25,038,985
Total liabilities	30,792,250
<b>Net Position</b>	
Net investment in capital assets	72,709,369
Unrestricted	71,512,451
Total net position	\$ 144,221,820

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2022**

	Enterprise Fund
	Water and Sewer
<b>Operating revenue</b>	
Sale of water	\$ 14,598,592
Sewage disposal charges	14,018,794
Other operating revenue	18,419
	28,635,805
<b>Operating expenses</b>	
Cost of water	9,936,047
Cost of sewage treatment	12,344,369
Other operating and maintenance costs	2,417,727
Billing and administrative costs	2,479,861
Depreciation	4,588,107
	31,766,111
Operating loss	(3,130,306)
<b>Nonoperating revenue (expenses)</b>	
Investment loss	(1,038,294)
Interest expense	(639,980)
Debt service charge	2,375,320
	697,046
Loss before capital contributions	(2,433,260)
Tap-in fees	98,375
Lines donated by developers	1,128,900
	(1,205,985)
Change in net position	(1,205,985)
Net position - beginning of year	145,427,805
Net position - end of year	\$ 144,221,820

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 29,065,359
Receipts from other funds	75,752
Payments to suppliers	(27,799,414)
Net cash provided by operating activities	1,341,697
<b>Cash flows from capital and related financing activities</b>	
Proceeds from capital debt	6,425,823
Tap-in fees and other	98,375
Purchases/construction of capital assets	(4,183,303)
Principal and interest paid on long-term debt	(8,626,090)
Debt service charge	2,375,320
Net cash used by capital and related financing activities	(3,909,875)
<b>Cash flows from investing activities</b>	
Proceeds from sales and maturities of investments	2,999,390
Net change in cash and cash equivalents	431,212
Cash and cash equivalents - beginning of year	30,344,135
Cash and cash equivalents - end of year	\$ 30,775,347

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

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	Enterprise Fund
	Water and Sewer
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (3,130,306)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	4,588,107
Changes in assets and liabilities:	
Receivables	440,554
Due from other funds	10,004
Prepaid items	5
Accounts payable	(621,415)
Due to other funds	65,748
Unearned revenue	(11,000)
Net cash provided by operating activities	\$ 1,341,697
<b>Noncash transactions</b> - lines donated by developers	\$ 1,128,900



**City of Farmington Hills**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

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	<u>Custodial Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 69,015
<b>Liabilities</b>	
Other liabilities	47,104
Refundable deposits and bonds	<u>21,911</u>
Total liabilities	<u>69,015</u>
<b>Net Position</b>	<u><u>\$ -</u></u>

**City of Farmington Hills**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2022**

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	Custodial Fund
<b>Additions</b>	
Property tax collections for other governments	\$ 129,267,706
<b>Deductions</b>	
Payments of property tax to other governments	129,267,706
Change in net position	-
Net position - beginning of year	-
Net position - end of year	\$ -

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Component Units**  
**Statement of Net Position**  
**June 30, 2022**

	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 74	\$ 56,218	\$ 70,931	\$ 127,223
Investments	554	1,297,761	370,523	1,668,838
Accrued interest and other	-	19	40	59
	<u>628</u>	<u>1,353,998</u>	<u>441,494</u>	<u>1,796,120</u>
<b>Liabilities</b>				
Accounts payable	-	84,478	-	84,478
Accrued and other liabilities	-	4,226	-	4,226
Due to primary government	-	4,608	-	4,608
	<u>-</u>	<u>93,312</u>	<u>-</u>	<u>93,312</u>
<b>Net Position</b>				
Unrestricted	<u>\$ 628</u>	<u>\$ 1,260,686</u>	<u>\$ 441,494</u>	<u>\$ 1,702,808</u>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Component Units**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	
<b>Functions/Programs</b>								
Economic Development Corporation	\$ 43	\$ -	\$ -	\$ -	\$ (43)	\$ -	\$ -	\$ (43)
Brownfield Redevelopment Authority	192,848	-	4,850	-	-	(187,998)	-	(187,998)
Corridor Improvement Authority	11,342	-	-	-	-	-	(11,342)	(11,342)
Total component units	<u>\$ 204,233</u>	<u>\$ -</u>	<u>\$ 4,850</u>	<u>\$ -</u>	(43)	(187,998)	(11,342)	(199,383)
General revenues								
Property taxes					-	448,608	136,049	584,657
Change in net position					(43)	260,610	124,707	385,274
Net position - beginning of year					671	1,000,076	316,787	1,317,534
Net position - end of year					<u>\$ 628</u>	<u>\$ 1,260,686</u>	<u>\$ 441,494</u>	<u>\$ 1,702,808</u>

See Accompanying Notes to the Financial Statements

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The City of Farmington Hills (the "City") is governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government'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 government (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. There was no activity during the current year.

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

**Economic Development Corporation** – The Economic Development Corporation (the "EDC") was created to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. The EDC's governing body, which consists of nine individuals, is appointed by the City

Council. In certain situations, members of the EDC board of directors may be removed by a majority vote of the City Council.

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

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

The City is party to the following jointly governed organizations:

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington, Michigan. The City provides approximately 84.70 percent of the funding for the Michigan 47th District Court Administration Fund.

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

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

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

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. For compensated absences related to employees that have been terminated by year-end, an accrual is made in the General Fund.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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The City reports the following major governmental funds:

General Fund – The General Fund is the City’s primary operating fund. It accounts for all financial resources used to provide general government services, except those required to be accounted for in another fund.

Municipal Street Fund – The Municipal Street Fund accounts for revenues provided by a dedicated millage adopted by the electorate of the City that is restricted for the rehabilitation or construction of municipal streets.

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.

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.

The City reports the following major proprietary funds:

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

Additionally, the government reports the following fiduciary funds:

Custodial Fund – The custodial fund accounts for property tax and other deposits collected on behalf of other units and individuals.

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

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

Amounts reported as *program revenues* include 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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues 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 revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, liabilities, and net position or equity**

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.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

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 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 final amended taxable valuation of the City totaled \$3,696,063,250 on which ad valorem taxes levied consisted of 8.0236 mills for operating purposes, 0.4646 mills for parks and recreation, 0.7530 mills for refuse, 0.0134 mills for economic development, 4.5775 for roads, and 3.0245 mills for public safety. This resulted in approximately \$29,655,000 for operations, \$1,718,000 for parks and recreation, \$2,782,000 for refuse, \$49,000 for economic development, \$16,891,000 for roads, and \$11,172,000 for public safety. These amounts are recognized in the respective General Fund, special revenue fund, and debt service fund financial statements as tax revenue, subsequent to Brownfield captures.

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

Capital assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water and sewer distribution systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded



**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

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

<u>Capital Asset Class</u>	<u>Useful Life</u>
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 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	7 to 20 years
Office equipment and furniture	5 to 7 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. Changes in assumptions, experience differences, and changes in proportionate share relating to the net pension liability or net OPEB asset are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. Deferred amounts on bond refundings are included in the government-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated absences – 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.

Long-term obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. Long-term obligations are typically liquidated by the applicable debt service funds, the Local Roads Fund, and the Water and Sewer Fund.

Pensions – The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The contributions made to the pensions to fund the liability will be made by the fund from which the employee's salary and wage was earned. Investments are reported at fair value.

Other post employment benefits (OPEB) – The City offers retiree healthcare benefits to retirees. The City records a net OPEB asset or

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The contributions to fund the liability will be made by the fund which the employee's salary and wage was earned. Investments are reported at fair value.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plans expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability or asset are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

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

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the finance director and the city manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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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.

**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.

**Adoption of New Accounting Standards**

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction

period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

**Upcoming Accounting and Reporting Changes**

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The City is evaluating the impact that the above GASB Statements will have on its financial reporting.

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

**Budgetary information**

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

The budget is adopted on a departmental and activity total basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2022 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 supplementary information.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Excess of expenditures over appropriations**

During the year, the City incurred expenditures that were in excess of the amounts budgeted for various purposes as described below:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
General government:			
Human resources/personnel	\$ 548,929	\$ 574,380	\$ 25,451
Recreation and culture	11,066,017	11,708,967	642,950
Nutrition Grant Fund			
Recreation and culture	632,143	685,633	53,490

**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, 2021	\$ (643,926)
Current year permit revenue	1,597,222
Related expenses	
Direct costs	(1,040,506)
Estimated indirect costs	<u>(206,938)</u>
Total related expenses	<u>(1,247,444)</u>
Cumulative shortfall at June 30, 2022	<u>\$ (294,148)</u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated nine banks/advisors for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all investments allowable under the state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority. As noted below, the City participates in the Oakland County, Michigan local government investment pool.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

At year-end, the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 8,848,039	\$ 84,820,752	\$ 93,668,791
Business-type activities	<u>30,775,347</u>	<u>36,256,624</u>	<u>67,031,971</u>
Total	39,623,386	121,077,376	160,700,762
Fiduciary funds	69,015	-	69,015
Component unit	<u>127,223</u>	<u>1,668,838</u>	<u>1,796,061</u>
Total	<u>\$ 39,819,624</u>	<u>\$ 122,746,214</u>	<u>\$ 162,565,838</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 39,616,946	\$ 69,015	\$ 127,223	\$ 39,813,184
Investments in securities, mutual funds and similar vehicles	121,077,376	-	1,668,838	122,746,214
Petty cash and cash on hand	<u>6,440</u>	<u>-</u>	<u>-</u>	<u>6,440</u>
	<u>\$ 160,700,762</u>	<u>\$ 69,015</u>	<u>\$ 1,796,061</u>	<u>\$ 162,565,838</u>

As of year-end, the City had the following investments:

Investment	Carrying value	Weighted- average Maturity	Rating	Rating Organization
MI CLASS Investment Pool	\$ 1,002,687	73 days	AAAm	S&P
Oakland County LGIP	<u>121,743,527</u>	536 days	Not Rated	N/A
Total	<u>\$ 122,746,214</u>			

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 \$39,192,753 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.

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

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. City policy – State law limits investments in commercial paper to the top two ratings issued by

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the investments in a single issuer.

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

**Note 4 - Fair Value Measurements**

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

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

All of the City's investments are measured at fair value using the net asset value per share.

Investments in entities that calculate net asset value per share – The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient and is presented in the following table.

As of June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
External investment pools	\$ <u>122,746,214</u>	N/A	N/A

The external investment pools include Michigan CLASS and the Oakland County Local Government Investment Pool. The fair value of the investments in this class has been estimated using the net asset value per share of the investments. There are no unfunded commitments or redemption restrictions.

At year end, the net asset value of the City's investment in Michigan CLASS was \$1,002,687. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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other public agencies. Financial statements for Michigan CLASS may be obtained from the website: [www.michiganclass.org](http://www.michiganclass.org).

At year end, the net asset value of the City's investment in the Oakland County Local Government Investment Pool was \$121,743,527. The Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost. Financial statements for the Oakland County LGIP are included in Oakland County's financial statements and may be obtained from the website: [www.oakgov.com](http://www.oakgov.com).



**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 17,587,532	\$ -	\$ -	\$ -	\$ 17,587,532
Construction in progress	23,380,638	11,890,806	-	(9,930,253)	25,341,191
Right of way	31,561,930	-	-	-	31,561,930
Total capital assets not being depreciated	<u>72,530,100</u>	<u>11,890,806</u>	<u>-</u>	<u>(9,930,253)</u>	<u>74,490,653</u>
Capital assets being depreciated					
Sidewalks	16,331,922	30,577	-	404,560	16,767,059
Drain rights	20,365,513	1,237,223	-	133,225	21,735,961
Buildings and improvements	91,583,146	143,412	-	98,040	91,824,598
Machinery and equipment	16,827,328	1,631,953	34,885	227,843	18,652,239
Right-to-use - equipment	345,706	-	-	-	345,706
Vehicles	19,607,268	2,161,590	844,134	-	20,924,724
Office furnishings	3,031,777	64,424	-	-	3,096,201
Land improvements	20,328,401	1,140,306	-	48,779	21,517,486
Major roads	83,458,246	147,156	-	5,060,292	88,665,694
Local roads	113,026,344	207,821	-	3,957,514	117,191,679
Total capital assets being depreciated	<u>384,905,651</u>	<u>6,764,462</u>	<u>879,019</u>	<u>9,930,253</u>	<u>400,721,347</u>
Less accumulated depreciation for					
Sidewalks	11,268,162	342,438	-	-	11,610,600
Drain rights	10,338,262	407,310	-	-	10,745,572
Buildings and improvements	41,615,287	2,166,185	-	-	43,781,472
Machinery and equipment	10,858,378	944,885	34,885	-	11,768,378
Right-to-use - equipment	-	104,301	-	-	104,301
Vehicles	11,167,062	1,499,828	649,297	-	12,017,593
Office furnishings	2,675,131	67,730	-	-	2,742,861
Land improvements	16,855,916	544,951	-	-	17,400,867
Major roads	50,680,112	2,522,104	-	-	53,202,216
Local roads	77,388,981	2,245,200	-	-	79,634,181
Total accumulated depreciation	<u>232,847,291</u>	<u>10,844,932</u>	<u>684,182</u>	<u>-</u>	<u>243,008,041</u>
Net capital assets being depreciated	<u>152,058,360</u>	<u>(4,080,470)</u>	<u>194,837</u>	<u>9,930,253</u>	<u>157,713,306</u>
Governmental activities capital assets, net	<u>\$ 224,588,460</u>	<u>\$ 7,810,336</u>	<u>\$ 194,837</u>	<u>\$ -</u>	<u>\$ 232,203,959</u>

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated					
Construction in progress	\$ 3,422,402	\$ 4,479,319	\$ -	\$ (296,016)	\$ 7,605,705
Capital assets being depreciated					
Sewage disposal system	100,334,446	634,000	-	-	100,968,446
Water and sewer lines	121,994,543	198,884	-	296,016	122,489,443
Total capital assets being depreciated	222,328,989	832,884	-	296,016	223,457,889
Less accumulated depreciation for					
Sewage disposal system	68,375,329	1,684,767	-	-	70,060,096
Water and sewer lines	58,860,829	2,903,340	-	-	61,764,169
Total accumulated depreciation	127,236,158	4,588,107	-	-	131,824,265
Net capital assets being depreciated	95,092,831	(3,755,223)	-	296,016	91,633,624
Business-type capital assets, net	<u>\$ 98,515,233</u>	<u>\$ 724,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,239,329</u>
<b>Governmental activities reconciliation</b>					
Right-to-use leased assets					
Right-to-use assets, net of amortization	\$ 345,706	\$ (104,301)	\$ -	\$ -	\$ 241,405
Capital assets					
Capital assets not being depreciated	72,530,100	11,890,806	-	(9,930,253)	74,490,653
Capital assets, net of depreciation	151,712,654	(3,976,169)	194,837	9,930,253	157,471,901
Governmental activities capital assets, net	<u>\$ 224,588,460</u>	<u>\$ 7,810,336</u>	<u>\$ 194,837</u>	<u>\$ -</u>	<u>\$ 232,203,959</u>

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

Depreciation and amortization of right to use assets expenses were charged to programs of the primary government as follows:

**Governmental activities**

General government	\$ 1,122,442
Public safety	1,653,162
Public services	6,241,212
Recreation and culture	<u>1,828,116</u>
 Total governmental activities	 10,844,932

**Business-type activities**

Water and sewer	<u>4,588,107</u>
 Total primary government	 <u>\$ 15,433,039</u>

**Construction Commitments**

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

	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Local Roads	\$ 24,099,811	\$ 16,508,056	\$ 7,591,755
Major Roads	7,458,029	938,803	6,519,226
Sewer	138,175	117,529	20,646
Water	7,986,798	6,071,427	1,915,371
Capital Improvement	<u>1,189,439</u>	<u>909,108</u>	<u>280,331</u>
 Total	 <u>\$ 40,872,252</u>	 <u>\$ 24,544,923</u>	 <u>\$ 16,327,329</u>

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

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Roads Fund	\$ 295,831
General Fund	Local Roads Fund	344,695
General Fund	Public Safety Millage Fund	1,015,282
General Fund	Water and Sewer Fund	473,237
General Fund	NGF*	412,877
Major Roads Fund	NGF*	193,300
NGF*	NGF*	<u>22,209</u>
		<u>\$ 2,757,431</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	NGF*	\$ 8,768,990
Municipal Street Fund	Major Roads Fund	4,851,349
Municipal Street Fund	Local Roads Fund	12,474,898
Major Roads Fund	Local Roads Fund	2,000,000
NGF*	General Fund	<u>1,307,850</u>
		<u>\$ 29,403,087</u>

\*Denotes nonmajor governmental funds.

The transfers from the General Fund to the nonmajor funds represent the movement of resources for debt service payments and capital improvements. The transfer from the Municipal Streets Fund to the Local Roads Fund and Major Roads Fund represents the movement of resources for road improvements from the property tax millage. The transfer from the Major Roads Fund to the Local Roads Fund

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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represents movement of resources to for road improvements. The transfer from nonmajor governmental funds to the General Fund represents the movement of restricted funds to be used for restricted purposes in the General Fund.

**Note 7 - Leases**

During the 2020 fiscal year, the City entered into a lease agreement for copiers and printers over an 84-month period. With the implementation of GASB Statement No. 87, an initial lease liability was recorded in the amount of \$345,706 as of July 1, 2021. As of June 30, 2022, the value of the lease liability was \$242,903. The City is required to make monthly principal and interest payments of \$9,310. The lease has an interest rate of 3 percent. The value of the right-to-use asset as of the end of the current fiscal year was \$345,706 and had accumulated amortization of \$104,301.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2023	\$ 105,929	\$ 5,789
2024	109,152	2,566
2025	<u>27,822</u>	<u>126</u>
	<u>\$ 242,903</u>	<u>\$ 8,481</u>

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 8 - Long-Term Debt**

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

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2019 Capital Improvement Bonds	\$ 23,925,000	2040	2.00% - 3.00%	\$990,000 - \$1,545,000	\$ 22,970,000	\$ -	\$ 975,000	\$ 21,995,000	\$ 990,000
2020 Refunding Bonds	4,125,000	2031	1.10% - 1.85%	125,000 - 565,000	4,125,000	-	125,000	4,000,000	125,000
County contractual obligations									
2013 Refunding Bonds - Golf Course Districts 345, 346, and 347 - 2016 Capital Improvement Bonds	6,545,000	2031	2.00% - 2.50%	415,000 - 435,000	1,275,000	-	425,000	850,000	415,000
District 349 - 2017 Capital Improvement Bonds	8,475,000	2030	2.00% - 5.00%	505,000 - 665,000	5,860,000	-	660,000	5,200,000	660,000
District 349 - 2017 Capital Improvement Bonds	1,225,000	2031	2.00% - 3.00%	90,000	985,000	-	85,000	900,000	90,000
Deferred amounts									
For issuance premiums					1,701,571	-	134,045	1,567,526	-
Total					36,916,571	-	2,404,045	34,512,526	2,280,000
Leases									
Claims and judgments					345,706	-	102,803	242,903	105,929
Compensated absences					284,000	1,685,493	1,666,493	303,000	303,000
					5,957,935	3,295,128	3,257,574	5,995,489	2,630,490
Total governmental activities					<u>\$ 43,504,212</u>	<u>\$ 4,980,621</u>	<u>\$ 7,430,915</u>	<u>\$ 41,053,918</u>	<u>\$ 5,319,419</u>

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
Limited tax general obligation bonds									
2014 Water Supply System Bonds	\$ 8,800,000	2034	N/A	N/A	\$ 6,725,000	\$ -	\$ 6,725,000	\$ -	\$ -
2014 Evergreen and Middlebelt Transport and Storage Tunnel Bonds	19,750,005*	2036	2.50%	844,290 - 1,194,750	16,321,127	-	844,290	15,476,837	865,530
2017 Evergreen and Farmington Sewage Disposal Systems Middlebelt Transport and Storage Tunnel Project Bonds	528,345	2027	2.14%	50,445 - 61,065	384,975	-	50,445	334,530	50,445
2021A Water Supply System Refunding Bonds	3,990,000	2033	2.00% - 5.00%	255,000 - 420,000	3,990,000	-	260,000	3,730,000	255,000
2021B Water Supply System Refunding Bonds	5,470,000	2035	3.00% - 4.00%	320,000 - 540,000	-	5,470,000	-	5,470,000	320,000
Deferred amounts									
For issuance premiums					<u>657,604</u>	<u>955,823</u>	<u>94,834</u>	<u>1,518,593</u>	<u>-</u>
Total business-type activities					<u>\$ 28,078,706</u>	<u>\$ 6,425,823</u>	<u>\$ 7,974,569</u>	<u>\$ 26,529,960</u>	<u>\$ 1,490,975</u>

\* Issue of \$19,750,005 but only \$19,504,472 was drawn down in total as of June 30, 2022.

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

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 2,280,000	\$ 822,049	\$ 1,490,975	\$ 696,443
2024	2,325,000	762,219	1,537,525	647,349
2025	2,330,000	713,838	1,606,420	596,158
2026	2,365,000	670,787	1,650,315	542,924
2027	2,195,000	622,875	1,719,210	489,248
2028-2032	10,295,000	2,304,139	9,272,075	1,603,312
2033-2037	6,655,000	1,185,825	7,734,847	327,886
2038-2040	4,500,000	205,200	-	-
	<u>\$ 32,945,000</u>	<u>\$ 7,286,932</u>	<u>\$ 25,011,367</u>	<u>\$ 4,903,320</u>

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Defeased Refundings**

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, 2022, the City's portion of bonds outstanding that are considered defeased approximates \$7,650,000.

**Deferred Amount on Debt Refunding**

The City has issued bonds to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Deferred amount on refunding	\$ 394,976	\$ -	\$ 165,375	\$ 229,601	\$ 154,911

**Debt Refunding**

The City has issued the 2021B Water Supply System Refunding Bonds in the amount of \$5,470,000 to refund the City's 2014 Water Supply System Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Water and Sewer Fund and business-type activities. The refunding resulting in savings of \$755,809 and an economic gain of \$683,288.

**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, 2022, there is approximately \$9,250,000 of no commitment debt outstanding.

**Note 9 - 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 \$120,000 per specific claim and a 120 percent stop loss with approximately \$3 million in aggregate 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 ("MMRMA") 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 MMRMA that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Depending upon the type of claim, stop-loss coverage for specific claims ranges from \$15,000 to \$200,000 and \$5.0 million in aggregate.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

The City maintains insurance coverage through Blue Cross Blue Shield (“BCBS”) for medical and general claims and 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 medical claims for the past two fiscal years were as follows:

	BCBS	
	2022	2021
Estimated liability - beginning of year	\$ 154,000	\$ 138,324
Estimated claims incurred, including changes in estimates	2,975,348	1,555,350
Claim payments	(2,901,348)	(1,539,674)
Estimated liability - end of year	\$ 228,000	\$ 154,000

Changes in the estimated liability for general claims for the past two fiscal years were as follows:

	MMRMA	
	2022	2021
Estimated liability - beginning of year	\$ 130,000	\$ 109,000
Estimated claims incurred, including changes in estimates	71,819	70,004
Claim payments	(126,819)	(49,004)
Estimated liability - end of year	\$ 75,000	\$ 130,000

**Note 10 - Employee Retirement and Benefit Systems**

**Defined benefit pension plan**

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



**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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.

Employees covered by benefit terms – At the June 30, 2021 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	362
Inactive employees entitled to, but not yet receiving benefits	10
Active employees	241
	613

The general group was closed to new hires as follows:

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

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

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

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

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

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

General – Dispatch employees are eligible to retire if the sum of the plan member's age and years of service equals 80 (minimum age 55) or at the age of 60 with eight years of service. The multiplier for this group is 2.80 percent up to 25 years of service (until age 67) and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 75 percent, or 2.375 percent up to 25 years of service (at age 67) and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 70 percent.

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

Police command employees are eligible to retire at the age of 50 with 25 years of service, or 30 years of service regardless of age with a minimum of 25 years as a sworn police officer. The multiplier for this

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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group is 3.0 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 80 percent.

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

Any officer classified as “Tier Two” POAM members (hire date after January 1, 2008) that is promoted into the COAM bargaining unit shall be entitled to the following upon retirement: Effective July 1, 2017, and for the retirements occurring after that date, normal retirement shall be at 50 or more years of age with 25 or more years of service as a police officer. Employees shall also be eligible for normal retirement upon completing 30 years of credited service regardless of age. The 30 years of service must include 25 or more years of service as a police officer, including service as a cadet. The multiplier for this group is 2.80 percent up to 25 years of service and 1.0 percent for each year over 25 years of service, with a maximum multiplier of 80 percent.

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

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

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

In addition to the normal, early, and deferred retirement provisions, the system provides nonduty death benefits to qualifying members. A

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

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

*1) Straight-life Retirement Benefits*

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

*2) Survivor Allowance Options*

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

The survivor allowance options are:

- Option A - 100 percent of primary pension benefit.
- Option B - 75 percent of primary pension benefit.
- Option C - 50 percent of primary pension benefit.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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*

In addition to the above survivor allowance options, all city and court employees may elect an 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, 2022, the average active member contribution rate was 4.50 percent of annual pay. The City's average contribution was 34.91 percent of annual payroll for police members and 24.51 percent of annual payroll for fire members. For general and court members, the City's contribution was \$2,334,458 and \$289,436, respectively.

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

Retiree reserve – 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.

Employee reserve – The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest

annually at a rate of 5 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

The balances of the reserve accounts at June 30, 2022 are as follows:

	Required Reserve		Amount Funded
Retiree reserve	\$ 117,440,481	\$	117,440,481
Employee reserve	16,064,068		16,064,068
Employer reserve	-		32,660,921

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the City reported a liability of \$56,839,126 for its proportionate share of the City of Farmington Hills Employees Retirement System's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from June 30, 2021. The City's proportion of the net pension liability was determined by dividing each employer's actuarially determined pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At June 30, 2022, the City's proportion was 95.96904 percent, which was a decrease of .18729 percent compared to its proportion of 95.78175 percent from its proportion measured as of June 30, 2021. For the year ending June 30, 2022, the City recognized pension expense of \$8,796,340.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences in experience	\$ 3,444,294	\$ (484,973)	\$ 2,959,321
Differences in assumptions	1,349,537	-	1,349,537
Change in proportionate share	142,586	-	142,586
Net difference between projected and actual earning on plan investments	<u>6,442,327</u>	<u>-</u>	<u>6,442,327</u>
Total	<u>\$ 11,378,744</u>	<u>\$ (484,973)</u>	<u>\$ 10,893,771</u>

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

<u>Year ended June 30,</u>	
2023	\$ 3,384,633
2024	1,537,381
2025	(371,169)
2026	<u>6,342,926</u>
	<u>\$ 10,893,771</u>

The net pension liability is generally liquidated by the General Fund.

Actuarial assumptions – The total pension liability in the June 30, 2021 annual actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	4.00 - 23.00%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates used were based on the Pub-2010 Mortality Tables using scale MP-2018.

Discount rate – The discount rate used to measure the total pension liability is 7.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay 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 model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	41.00 %
International equity	16.00
Domestic bonds	18.00
International bonds	2.00
Real estate	10.00
Alternative assets	11.00
Cash or cash equivalents	<u>2.00</u>
	<u>100.00 %</u>

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.50 %
International equity	8.50
Domestic bonds	2.50
International bonds	3.50
Real estate	4.50
Alternative assets	6.21
Cash or cash equivalents	0.00

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (9.87) percent.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.0%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 81,869,248	\$ 56,839,126	\$ 35,666,810

Refer to the separately issued City of Farmington Hills Employees’ Retirement System financial statements for additional information and disclosures. The City of Farmington Hills Employees’ Retirement System’s financial statements may be obtained at the City of Farmington Hills’ city hall.

**Note 11 - 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 \$8,846,983, resulting in an employer contribution of \$896,816 and employee contributions of \$435,806. The City has recorded a payable to the defined contribution plan in the amount of \$46,977 at June 30, 2022.

**Note 12 - Other Postemployment Benefits – Defined Contribution Plan**

The City provides a Retirement Health Savings (RHS) account for eligible employees and their dependents. The plan covers AFSCME, executive, and general employees hired on or after July 1, 2006; dispatch employees hired on or after January 1, 2007; Teamster and POAM employees hired on or after January 1, 2008; and IAFF employees hired on or after July 1, 2008. This is a defined contribution plan administered by the City. The collective bargaining agreements and/or city ordinance require all employees to contribute 1.5 percent of their base salary or wage plus longevity pay. The City contributes \$100 per month for the dispatch employees, \$208 per month for police employees, \$225 per month for tier 2 police command, and \$146 per month for all other participating employee groups. All contributions plus interest allocated to the employees’ accounts are fully vested after seven years of service. Once plan members terminate employment, they are eligible to use all vested contributions for allowable medical related expenses.

During the year ended June 30, 2022, the City made contributions of \$434,425, and the plan members contributed \$235,100 to the plan.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 13 - Other Postemployment Benefits**

**Defined benefit OPEB plan**

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

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

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

Employees covered by benefit terms – At June 30, 2020, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	198
Active employees	176
	374

The plan is closed to new members.

Contributions – Contribution requirements of plan members are established and may be amended by the pension board in accordance with city ordinance, union contracts, and plan provisions. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2021, the City's contribution was \$264,242. Plan members are required to contribute at 1.50 percent of pay.

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

Retiree reserve – The retiree reserve is held in the healthcare benefits reserve fund and is to be computed annually by the actuary as the present value of estimated healthcare 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 retiree healthcare benefit payments.

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

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

The balances of the reserve accounts at June 30, 2022 are as follows:

	Required Reserve		Amount Funded
Retiree reserve	\$ 53,960,501	\$	53,960,501
Employee reserve	4,811,591		4,811,591
Employer reserve	-		29,260,228

**OPEB Liabilities or Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022, the City reported an asset of \$5,633,957 for its proportionate share of the City of Farmington Hills OPEB plan's net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from June 30, 2020. The City's proportion of the net OPEB asset was determined by dividing each employers' actuarially determined OPEB contributions to

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

the plan during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At June 30, 2022, the City's proportion was 85.83131 percent, which was a decrease of 7.4703 percent compared to its proportion of 93.30161 percent from its proportion measured as of June 30, 2021. For the year ending June 30, 2022, the City recognized OPEB expense of \$(2,257,440).

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ -	\$ (4,225,274)	\$ (4,225,274)
Differences in assumptions	1,054,847	(270,740)	784,107
Change in proportionate share	178,630	-	178,630
Net difference between projected and actual earning on plan investments	<u>3,216,100</u>	<u>-</u>	<u>3,216,100</u>
Total	<u>\$ 4,449,577</u>	<u>\$ (4,496,014)</u>	<u>\$ (46,437)</u>

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

<u>Year ended June 30,</u>	
2023	\$ (1,517,894)
2024	(851,841)
2025	(609,088)
2026	<u>2,932,386</u>
	<u>\$ (46,437)</u>

The net OPEB liability or asset is generally liquidated by the General Fund.

Actuarial assumptions – The total OPEB liability in the June 30, 2020 annual actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.50%, graded down to 3.50%

Mortality rates used were based on the Pub-2010 Mortality Tables using scale MP-2018.

Discount rate – The discount rate used to measure the total OPEB liability is 7.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the OPEB plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following tables:

Asset Class	Target Allocation
Domestic equity	41.00 %
International equity	16.00
Domestic bonds	18.00
International bonds	2.00
Real estate	10.00
Alternative assets	11.00
Cash or cash equivalents	2.00
	<u>100.00 %</u>

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.50 %
International equity	8.50
Domestic bonds	2.50
International bonds	3.50
Real estate	4.50
Alternative assets	6.21
Cash or cash equivalents	0.00

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (10.16) percent.

Sensitivity of the net OPEB liability (asset) to changes in the discount rate – The following presents the net OPEB liability (asset) of the

employer, calculated using the discount rate of 7.0%, as well as what the employer’s net OPEB liability (asset) would be using a discount rate that is 1% point lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability (asset)	\$ 2,450,660	\$ (5,633,957)	\$ (12,448,495)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate – The following presents the net OPEB liability (asset), calculated using the healthcare cost trend rate of 7.50%, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower (6.50%, decreasing to 2.5%) or 1% higher (8.50% decreasing to 4.5%).

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (14,068,232)	\$ (5,633,957)	\$ 4,496,775

Refer to the separately issued City of Farmington Hills Post-Retirement Healthcare Finance Fund financial statements for additional information and disclosures. The City of Farmington Hills Post-Retirement Healthcare Finance Fund’s financial statements may be obtained at the City of Farmington Hills’ city hall.



**City of Farmington Hills**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Note 14 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of June 30, 2022, was as follows:

Capital assets			
Capital assets not being depreciated	\$	74,490,653	\$ 7,605,705
Capital assets - net of accumulated depreciation		157,713,306	91,633,624
Deferred outflows or resources (capital related)		229,601	-
Unspent bond proceeds		336,052	-
Related debt			
Government obligation bonds		(4,000,000)	-
Other bonds		(28,945,000)	(25,011,367)
Lease liability		(242,903)	-
Premiums		<u>(1,567,526)</u>	<u>(1,518,593)</u>
Net investment in capital assets	\$	<u>198,014,183</u>	\$ <u>72,709,369</u>

**Note 15 - Fund Balance Assignments**

The General Fund fund balance assignment consists of \$1,167,450 for future expenditures, \$1,711,000 for facilities, \$6,694,000 for drainage, and \$1,500,000 for business incubator.

**Note 16 - Change in Accounting Principle**

As indicated in Note 1, The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement enhances the relevance and consistency of information of the City's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2022 financial statements include a restatement for the lease liability and right-to-use assets. This adjustment had no effect on the beginning net position of the governmental activities since the right-to-use asset equals the lease liability.

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 34,957,446	\$ 34,868,499	\$ 34,689,335	\$ (179,164)
Licenses and permits	1,552,327	1,686,982	1,685,309	(1,673)
Federal grants	75,000	4,554,274	4,242,511	(311,763)
State-shared revenue and grants	9,232,617	10,266,996	10,728,570	461,574
Charges for services	12,667,245	12,901,796	13,692,720	790,924
Fines and forfeitures	1,593,178	1,530,034	1,548,589	18,555
Investment income (loss)	335,926	288,388	(1,455,931)	(1,744,319)
Other revenue:				
Local donations	43,060	43,060	32,087	(10,973)
Equipment rental	1,502,829	1,326,038	1,485,205	159,167
Other miscellaneous income	1,044,960	986,485	975,784	(10,701)
Total revenues	<u>63,004,588</u>	<u>68,452,552</u>	<u>67,624,179</u>	<u>(828,373)</u>
<b>Expenditures</b>				
General government:				
City Council	94,059	104,797	104,078	(719)
Board and commissions	2,980,287	3,018,886	2,899,465	(119,421)
City administration	790,777	779,158	717,864	(61,294)
Public information	456,704	440,668	419,080	(21,588)
Finance department	2,029,032	2,004,836	1,848,771	(156,065)
Clerk	801,952	765,676	683,368	(82,308)
Attorney	749,600	754,584	743,781	(10,803)
Human resources/personnel	556,531	548,929	574,380	25,451
Central services	1,173,602	1,155,653	1,153,625	(2,028)
Support services	4,806,597	5,891,180	4,948,126	(943,054)
Total general government	<u>14,439,141</u>	<u>15,464,367</u>	<u>14,092,538</u>	<u>(1,371,829)</u>

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety:				
Police	\$ 16,766,976	\$ 16,726,410	\$ 16,023,755	\$ (702,655)
Fire	<u>7,057,456</u>	<u>7,146,579</u>	<u>6,905,340</u>	<u>(241,239)</u>
Total public safety	<u>23,824,432</u>	<u>23,872,989</u>	<u>22,929,095</u>	<u>(943,894)</u>
Public services:				
Road maintenance	2,541,243	2,538,108	2,294,141	(243,967)
Administration	493,129	540,860	487,817	(53,043)
General refuse removal	4,239,065	4,246,816	4,218,718	(28,098)
Building maintenance	489,322	481,524	462,727	(18,797)
Maintenance facility	1,511,021	1,482,080	1,308,801	(173,279)
Engineering	1,411,818	1,335,472	1,278,262	(57,210)
Public service reimbursement from road fund	<u>(2,213,194)</u>	<u>(2,224,393)</u>	<u>(1,966,168)</u>	<u>258,225</u>
Total public services	<u>8,472,404</u>	<u>8,400,467</u>	<u>8,084,298</u>	<u>(316,169)</u>
Community and economic development	<u>1,913,281</u>	<u>1,798,807</u>	<u>1,719,263</u>	<u>(79,544)</u>
Recreation and culture	<u>11,892,175</u>	<u>11,066,017</u>	<u>11,708,967</u>	<u>642,950</u>
Total expenditures	<u>60,541,433</u>	<u>60,602,647</u>	<u>58,534,161</u>	<u>(2,068,486)</u>
Excess of revenues over expenditures	<u>2,463,155</u>	<u>7,849,905</u>	<u>9,090,018</u>	<u>1,240,113</u>

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	\$ 79,823	\$ 80,695	\$ 56,395	\$ (24,300)
Transfers in	1,307,850	1,307,850	1,307,850	-
Transfers out	<u>(9,808,796)</u>	<u>(8,769,886)</u>	<u>(8,768,990)</u>	<u>896</u>
Total other financing sources (uses)	<u>(8,421,123)</u>	<u>(7,381,341)</u>	<u>(7,404,745)</u>	<u>(23,404)</u>
Net change in fund balance	(5,957,968)	468,564	1,685,273	1,216,709
Fund balance - beginning of year	<u>45,528,888</u>	<u>45,528,888</u>	<u>45,528,888</u>	<u>-</u>
Fund balance - end of year	<u>\$ 39,570,920</u>	<u>\$ 45,997,452</u>	<u>\$ 47,214,161</u>	<u>\$ 1,216,709</u>

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Municipal Street Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Property taxes	\$ 16,871,066	\$ 16,871,066	\$ 16,891,517	\$ 20,451
State and other sources	434,540	434,540	497,816	63,276
Investment income	20,642	20,642	20,540	(102)
	<u>17,326,248</u>	<u>17,326,248</u>	<u>17,409,873</u>	<u>83,625</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(17,326,248)</u>	<u>(17,326,248)</u>	<u>(17,326,247)</u>	<u>1</u>
Net change in fund balance	-	-	83,626	83,626
Fund balance - beginning of year	<u>426,450</u>	<u>426,450</u>	<u>426,450</u>	<u>-</u>
Fund balance - end of year	<u>\$ 426,450</u>	<u>\$ 426,450</u>	<u>\$ 510,076</u>	<u>\$ 83,626</u>

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Roads Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ -	\$ 111,617	\$ 111,617
State and other sources	7,331,278	7,331,278	8,271,263	939,985
Local contributions	204,000	562,235	18,658	(543,577)
Investment income (loss)	75,000	75,000	(389,657)	(464,657)
Other revenue	190	190	280	90
	<u>7,610,468</u>	<u>7,968,703</u>	<u>8,012,161</u>	<u>43,458</u>
<b>Expenditures</b>				
Public works	<u>11,142,055</u>	<u>11,380,563</u>	<u>6,934,454</u>	<u>(4,446,109)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,531,587)</u>	<u>(3,411,860)</u>	<u>1,077,707</u>	<u>4,489,567</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,851,349	4,851,349	4,851,349	-
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,851,349</u>	<u>2,851,349</u>	<u>2,851,349</u>	<u>-</u>
Net change in fund balance	(680,238)	(560,511)	3,929,056	4,489,567
Fund balance - beginning of year	<u>9,246,237</u>	<u>9,246,237</u>	<u>9,246,237</u>	<u>-</u>
Fund balance - end of year	<u>\$ 8,565,999</u>	<u>\$ 8,685,726</u>	<u>\$ 13,175,293</u>	<u>\$ 4,489,567</u>

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Roads Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
State and other sources	\$ 2,896,052	\$ 2,864,801	\$ 2,771,122	\$ (93,679)
Local contributions	-	-	5,000	5,000
Investment income (loss)	75,000	8,000	(271,757)	(279,757)
Total revenues	<u>2,971,052</u>	<u>2,872,801</u>	<u>2,504,365</u>	<u>(368,436)</u>
<b>Expenditures</b>				
Public works	14,801,005	15,153,859	11,181,621	(3,972,238)
Debt service	911,000	911,000	910,738	(262)
Total expenditures	<u>15,712,005</u>	<u>16,064,859</u>	<u>12,092,359</u>	<u>(3,972,500)</u>
Deficiency of revenues over expenditures	<u>(12,740,953)</u>	<u>(13,192,058)</u>	<u>(9,587,994)</u>	<u>3,604,064</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	14,474,898	14,474,898	14,474,898	-
Net change in fund balance	1,733,945	1,282,840	4,886,904	3,604,064
Fund balance - beginning of year	<u>1,864,010</u>	<u>1,864,010</u>	<u>1,864,010</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,597,955</u>	<u>\$ 3,146,850</u>	<u>\$ 6,750,914</u>	<u>\$ 3,604,064</u>

**City of Farmington Hills**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Public Safety Millage Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 11,137,627	\$ 11,137,627	\$ 11,171,838	\$ 34,211
Other state grants	196,582	196,582	132,796	(63,786)
Investment income (loss)	62,529	62,529	(91,758)	(154,287)
Sale of capital assets	-	34,000	34,000	-
	<u>11,396,738</u>	<u>11,430,738</u>	<u>11,246,876</u>	<u>(183,862)</u>
<b>Expenditures</b>				
Public safety	<u>11,588,508</u>	<u>11,266,312</u>	<u>11,070,562</u>	<u>(195,750)</u>
Net change in fund balance	(191,770)	164,426	176,314	11,888
Fund balance - beginning of year	<u>2,483,994</u>	<u>2,483,994</u>	<u>2,483,994</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,292,224</u>	<u>\$ 2,648,420</u>	<u>\$ 2,660,308</u>	<u>\$ 11,888</u>



**City of Farmington Hills**  
**Required Supplementary Information**  
**Employees' Retirement System**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**June 30, 2022**

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017*	2016	2015	2014
City's proportion of the net pension liability (%)	95.97%	95.78%	95.58%	95.43%	95.43%	95.26%	95.78%	95.92%	95.01%
City's proportionate share of the net pension liability	\$ 56,839,126	\$ 25,804,703	\$ 60,395,617	\$ 50,973,877	\$ 39,249,558	\$ 37,396,907	\$ 38,326,411	\$ 28,834,315	\$ 18,781,050
City's covered payroll	\$ 19,549,498	\$ 19,720,476	\$ 18,994,170	\$ 19,118,157	\$ 19,121,057	\$ 19,032,521	\$ 19,018,880	\$ 19,388,355	\$ 20,278,867
City's proportionate share of the net pension liability as a percentage of its covered payroll	290.75%	130.85%	317.97%	266.63%	205.27%	196.49%	201.52%	148.72%	92.61%
Plan fiduciary net position as a percentage of the total pension liability	87.74%	87.74%	70.71%	74.55%	79.10%	79.21%	77.51%	82.86%	88.48%

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

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

**City of Farmington Hills**  
**Required Supplementary Information**  
**Employees' Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**June 30, 2022**

Fiscal Year Ended	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 4,330,086	\$ 4,330,086	\$ -	\$ 20,278,867	21.35%
2015	4,683,178	4,683,178	-	19,388,355	24.15%
2016	4,511,908	4,511,908	-	19,018,880	23.72%
2017	4,487,059	4,487,059	-	19,032,521	23.58%
2018	5,107,572	5,490,506	(382,934)	19,121,057	28.71%
2019	5,314,161	5,499,052	(184,891)	19,118,157	28.76%
2020	5,665,884	5,665,884	-	18,994,170	29.83%
2021	6,397,376	6,397,376	-	19,720,476	32.44%
2022	6,890,885	6,890,885	-	19,549,498	35.25%

Notes: Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll (level dollar method for general and court divisions)
Remaining amortization period	Police and fire employees: 23 years General and Court employees: 19 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50 percent
Salary increases	4.00 to 7.00 percent (general and court), 4.00 to 23.00 percent (police), 4.00 to 20.00 percent (fire)
Investment rate of return	7.00 percent (net of investment expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	General and Court: Pub-2010 amount-weighted tables Police and Fire: Pub-2010 headcount-weighted tables All tables include future mortality improvements projected to 2025 using scale MP-2018

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

**City of Farmington Hills**  
**Required Supplementary Information**  
**Employees' Retirement System**  
**Schedule of Investment Returns**  
**June 30, 2022**

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Fiscal Year Ended	Annual Return*
2013	10.70%
2014	16.50%
2015	(0.40)%
2016	(1.80)%
2017	12.30%
2018	7.26%
2019	3.64%
2020	1.36%
2021	32.20%
2022	(9.87)%

\* Annual money-weighted rate of return, net of investment expenses

**City of Farmington Hills**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)**  
**June 30, 2022**

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability (%)	85.83%	93.30%	93.05%	92.51%	92.51%	95.95%
City's proportionate share of the net OPEB liability (asset)	\$ (5,633,957)	\$ (20,484,443)	\$ 3,815,708	\$ 1,330,769	\$ (5,793,708)	\$ (4,878,157)
City's covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	108.08%	127.75%	95.00%	98.21%	108.83%	107.47%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

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

**City of Farmington Hills**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Employer Contributions**  
**June 30, 2022**

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 1,722,056	\$ 1,722,056	-	N/A	N/A
2018	718,608	718,608	-	N/A	N/A
2019	710,062	710,062	-	N/A	N/A
2020	520,481	520,481	-	N/A	N/A
2021	504,451	504,451	-	N/A	N/A
2022	264,242	264,242	-	N/A	N/A

**Notes to Schedule of Contributions**

Valuation date: Actuarial valuations are performed as of June 30 of even numbered years.

Notes: Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the start of the fiscal year in which contributions are reported.

Contributions are not based on a measure of payroll, therefore per GASB Statement No. 85, covered payroll is not presented.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar (closed)
Remaining amortization period	15 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50 percent
Healthcare cost trend rates	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.50% in year 12
Investment rate of return	7.00 percent (net of investment expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	General and Court: Pub-2010 amount-weighted tables Police and Fire: Pub-2010 amount-weighted tables All tables include future mortality improvements projected to 2025 using scale MP-2018

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

**City of Farmington Hills**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Investment Returns**  
**June 30, 2022**

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Fiscal Year Ended	Annual Return*
2013	9.30%
2014	16.20%
2015	(0.50)%
2016	(1.70)%
2017	11.90%
2018	7.16%
2019	3.66%
2020	1.36%
2021	32.62%
2022	(10.16)%

\* Annual money-weighted rate of return, net of investment expenses

**City of Farmington Hills  
Other Supplementary Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022**

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Development Block Grant	Nutrition Grant	Forfeiture Funds	Parks and Recreation Special Millage	MIDC Fund	General Debt Service	Capital Improvement Fund	Community Center Renovations	
<b>Assets</b>									
Cash and cash equivalents	\$ 99,365	\$ 122,409	\$ 73,046	\$ 38,591	\$ 79,040	\$ 77,598	\$ 63,242	\$ 49,164	\$ 602,455
Investments	115	216,364	861,541	822,101	-	24,565	7,718,133	846,353	10,489,172
Receivables	-	-	-	-	-	-	304,884	-	304,884
Accrued interest and other	32	52	42	27	30	26	28	35	272
Due from other units of government	111,620	37,411	-	-	-	-	-	-	149,031
Due from other funds	-	-	-	22,209	-	-	-	-	22,209
<b>Total assets</b>	<b>\$ 211,132</b>	<b>\$ 376,236</b>	<b>\$ 934,629</b>	<b>\$ 882,928</b>	<b>\$ 79,070</b>	<b>\$ 102,189</b>	<b>\$ 8,086,287</b>	<b>\$ 895,552</b>	<b>\$ 11,568,023</b>
<b>Liabilities</b>									
Accounts payable	\$ 85,359	\$ -	\$ 77,876	\$ 36,185	\$ 24,762	\$ -	\$ 429,828	\$ 559,500	\$ 1,213,510
Due to other funds	36,641	376,236	-	-	-	-	215,509	-	628,386
Unearned revenue	89,132	-	-	-	-	-	68,000	-	157,132
<b>Total liabilities</b>	<b>211,132</b>	<b>376,236</b>	<b>77,876</b>	<b>36,185</b>	<b>24,762</b>	<b>-</b>	<b>713,337</b>	<b>559,500</b>	<b>1,999,028</b>
<b>Fund Balances</b>									
Restricted for:									
Police and fire	-	-	856,753	-	-	-	-	-	856,753
Parks and recreation	-	-	-	846,743	-	-	-	-	846,743
Health and welfare	-	-	-	-	54,308	-	-	-	54,308
Assigned:									
Capital projects	-	-	-	-	-	-	7,372,950	336,052	7,709,002
Debt service	-	-	-	-	-	102,189	-	-	102,189
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>856,753</b>	<b>846,743</b>	<b>54,308</b>	<b>102,189</b>	<b>7,372,950</b>	<b>336,052</b>	<b>9,568,995</b>
<b>Total liabilities and fund balances</b>	<b>\$ 211,132</b>	<b>\$ 376,236</b>	<b>\$ 934,629</b>	<b>\$ 882,928</b>	<b>\$ 79,070</b>	<b>\$ 102,189</b>	<b>\$ 8,086,287</b>	<b>\$ 895,552</b>	<b>\$ 11,568,023</b>

**City of Farmington Hills**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2022**

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Development Block Grant	Nutrition Grant	Forfeiture Funds	Parks and Recreation Special Millage	MIDC Fund	General Debt Service	Capital Improvement Fund	Community Center Renovations	
<b>Revenues</b>									
Property taxes	\$ -	\$ -	\$ -	\$ 1,718,011	\$ -	\$ -	\$ 46,069	\$ -	\$ 1,764,080
Federal grants	520,705	285,321	140,972	-	-	-	31,183	-	978,181
State and other sources	-	192,601	23,364	50,530	237,485	-	8,451	-	512,431
Local contributions	-	-	-	-	16,273	-	295,466	13,965	325,704
Investment income (loss)	(4)	(6,568)	(8,292)	(22,383)	30	(539)	(239,105)	(30,200)	(307,061)
Other revenue	-	146,224	-	-	-	53,851	-	-	200,075
<b>Total revenues</b>	<b>520,701</b>	<b>617,578</b>	<b>156,044</b>	<b>1,746,158</b>	<b>253,788</b>	<b>53,312</b>	<b>142,064</b>	<b>(16,235)</b>	<b>3,473,410</b>
<b>Expenditures</b>									
Current:									
Public safety	-	-	375,474	-	-	-	-	-	375,474
Health and welfare	-	-	-	-	199,480	-	-	-	199,480
Community and economic development	520,701	-	-	-	-	-	-	-	520,701
Recreation and culture	-	685,633	-	-	-	-	-	-	685,633
Capital outlay	-	-	-	272,841	-	-	6,592,232	982,056	7,847,129
Debt service	-	-	-	-	-	2,241,105	-	-	2,241,105
<b>Total expenditures</b>	<b>520,701</b>	<b>685,633</b>	<b>375,474</b>	<b>272,841</b>	<b>199,480</b>	<b>2,241,105</b>	<b>6,592,232</b>	<b>982,056</b>	<b>11,869,522</b>
Excess (deficiency) of revenues over expenditures	-	(68,055)	(219,430)	1,473,317	54,308	(2,187,793)	(6,450,168)	(998,291)	(8,396,112)
<b>Other Financing Sources (Uses)</b>									
Sale of capital assets	-	-	29,830	2,481	-	-	-	-	32,311
Transfers in	-	68,055	-	-	-	2,200,935	6,500,000	-	8,768,990
Transfers out	-	-	-	(1,307,850)	-	-	-	-	(1,307,850)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>68,055</b>	<b>29,830</b>	<b>(1,305,369)</b>	<b>-</b>	<b>2,200,935</b>	<b>6,500,000</b>	<b>-</b>	<b>7,493,451</b>
Net change in fund balance	-	-	(189,600)	167,948	54,308	13,142	49,832	(998,291)	(902,661)
Fund balance - beginning of year	-	-	1,046,353	678,795	-	89,047	7,323,118	1,334,343	10,471,656
Fund balance - end of year	\$ -	\$ -	\$ 856,753	\$ 846,743	\$ 54,308	\$ 102,189	\$ 7,372,950	\$ 336,052	\$ 9,568,995



**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Federal grants	\$ 1,135,392	\$ 1,068,351	\$ 520,705	\$ (547,646)
Investment income (loss)	-	-	(4)	(4)
	<u>1,135,392</u>	<u>1,068,351</u>	<u>520,701</u>	<u>(547,650)</u>
Total revenues	1,135,392	1,068,351	520,701	(547,650)
<b>Expenditures</b>				
Community and economic development	<u>1,135,392</u>	<u>1,068,351</u>	<u>520,701</u>	<u>(547,650)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Nutrition Grant Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ 286,722	\$ 410,000	\$ 285,321	\$ (124,679)
State and other sources	-	-	192,601	192,601
Investment income (loss)	32,358	32,358	(6,568)	(38,926)
Other revenue	120,834	120,834	146,224	25,390
	<u>439,914</u>	<u>563,192</u>	<u>617,578</u>	<u>54,386</u>
<b>Expenditures</b>				
Recreation and culture	<u>508,775</u>	<u>632,143</u>	<u>685,633</u>	<u>53,490</u>
Deficiency of revenues over expenditures	(68,861)	(68,951)	(68,055)	896
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>68,861</u>	<u>68,951</u>	<u>68,055</u>	<u>(896)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Forfeiture Funds**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Federal grants	\$ -	\$ 100,000	\$ 140,972	\$ 40,972
State and other sources	-	22,500	23,364	864
Investment income (loss)	1,000	-	(8,292)	(8,292)
	<u>1,000</u>	<u>-</u>	<u>(8,292)</u>	<u>(8,292)</u>
Total revenues	1,000	122,500	156,044	33,544
<b>Expenditures</b>				
Public safety	<u>445,706</u>	<u>447,677</u>	<u>375,474</u>	<u>(72,203)</u>
Deficiency of revenues over expenditures	(444,706)	(325,177)	(219,430)	105,747
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	<u>-</u>	<u>11,330</u>	<u>29,830</u>	<u>18,500</u>
Net change in fund balance	(444,706)	(313,847)	(189,600)	124,247
Fund balance - beginning of year	<u>1,046,353</u>	<u>1,046,353</u>	<u>1,046,353</u>	<u>-</u>
Fund balance - end of year	<u>\$ 601,647</u>	<u>\$ 732,506</u>	<u>\$ 856,753</u>	<u>\$ 124,247</u>

**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks and Recreation Special Millage Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,688,230	\$ 1,710,721	\$ 1,718,011	\$ 7,290
State and other sources	25,000	25,000	50,530	25,530
Investment income (loss)	3,000	3,000	(22,383)	(25,383)
Total revenues	1,716,230	1,738,721	1,746,158	7,437
<b>Expenditures</b>				
Capital outlay	543,300	565,743	272,841	(292,902)
Excess of revenues over expenditures	1,172,930	1,172,978	1,473,317	300,339
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	2,481	2,481
Transfers out	(1,307,850)	(1,307,850)	(1,307,850)	-
Total other financing sources (uses)	(1,307,850)	(1,307,850)	(1,305,369)	2,481
Net change in fund balance	(134,920)	(134,872)	167,948	302,820
Fund balance - beginning of year	678,795	678,795	678,795	-
Fund balance - end of year	\$ 543,875	\$ 543,923	\$ 846,743	\$ 302,820

**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**MIDC Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State and other sources	\$ -	\$ 334,784	\$ 237,485	\$ (97,299)
Local contributions	-	21,697	16,273	(5,424)
Investment income	-	100	30	(70)
	<u>-</u>	<u>356,581</u>	<u>253,788</u>	<u>(102,793)</u>
Total revenues	-	356,581	253,788	(102,793)
<b>Expenditures</b>				
Health and welfare	-	356,581	199,480	(157,101)
	<u>-</u>	<u>356,581</u>	<u>199,480</u>	<u>(157,101)</u>
Net change in fund balance	-	-	54,308	54,308
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,308</u>	<u>\$ 54,308</u>

**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Debt Service Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Investment income (loss)	\$ 200	\$ 200	\$ (539)	\$ (739)
Other revenue	<u>50,000</u>	<u>50,000</u>	<u>53,851</u>	<u>3,851</u>
Total revenues	50,200	50,200	53,312	3,112
<b>Expenditures</b>				
Debt service	<u>2,242,436</u>	<u>2,242,436</u>	<u>2,241,105</u>	<u>(1,331)</u>
Deficiency of revenues over expenditures	(2,192,236)	(2,192,236)	(2,187,793)	4,443
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>2,239,935</u>	<u>2,200,935</u>	<u>2,200,935</u>	<u>-</u>
Net change in fund balance	47,699	8,699	13,142	4,443
Fund balance - beginning of year	<u>89,047</u>	<u>89,047</u>	<u>89,047</u>	<u>-</u>
Fund balance - end of year	<u>\$ 136,746</u>	<u>\$ 97,746</u>	<u>\$ 102,189</u>	<u>\$ 4,443</u>

**City of Farmington Hills  
Other Supplementary Information  
Budgetary Comparison Schedule  
Capital Improvement Fund  
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ -	\$ 62,000	\$ 46,069	\$ (15,931)
Federal grants	-	31,000	31,183	183
State and other sources	-	70,000	8,451	(61,549)
Local contributions	-	-	295,466	295,466
Investment income (loss)	30,000	20,000	(239,105)	(259,105)
	<u>30,000</u>	<u>20,000</u>	<u>(239,105)</u>	<u>(259,105)</u>
Total revenues	30,000	183,000	142,064	(40,936)
<b>Expenditures</b>				
Capital outlay	<u>9,576,500</u>	<u>12,200,910</u>	<u>6,592,232</u>	<u>(5,608,678)</u>
Deficiency of revenues over expenditures	(9,546,500)	(12,017,910)	(6,450,168)	5,567,742
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>
Net change in fund balance	(3,046,500)	(5,517,910)	49,832	5,567,742
Fund balance - beginning of year	<u>7,323,118</u>	<u>7,323,118</u>	<u>7,323,118</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,276,618</u>	<u>\$ 1,805,208</u>	<u>\$ 7,372,950</u>	<u>\$ 5,567,742</u>

**City of Farmington Hills**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Center Renovations Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions	\$ -	\$ -	\$ 13,965	\$ 13,965
Investment income (loss)	<u>30,000</u>	<u>30,000</u>	<u>(30,200)</u>	<u>(60,200)</u>
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>(16,235)</u>	<u>(46,235)</u>
<b>Expenditures</b>				
Capital outlay	<u>1,250,300</u>	<u>1,014,530</u>	<u>982,056</u>	<u>(32,474)</u>
Net change in fund balance	(220,300)	(984,530)	(998,291)	(13,761)
Fund balance - beginning of year	<u>1,334,343</u>	<u>1,334,343</u>	<u>1,334,343</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,114,043</u>	<u>\$ 349,813</u>	<u>\$ 336,052</u>	<u>\$ (13,761)</u>



# City of Farmington Hills

## Description of Statistical Section

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This part of the City of Farmington Hills' annual comprehensive 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 certain trend information to help the reader understand how the City's financial position and performance have changed over time.

#### **Revenue Capacity:**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its main income source - property taxes.

#### **Debt Capacity:**

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

#### **Demographic Information:**

These schedules present various demographic and economic indicators for the reader to understand the environment within the City that affects the City's financial statements.

#### **Operating Information:**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information 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 annual comprehensive financial reports for the relevant year.

**City of Farmington Hills**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 134,600,611	\$ 133,625,640	\$ 132,814,511	\$ 136,304,301	\$ 140,687,061	\$ 142,784,702	\$ 152,362,081	\$ 172,734,509	\$ 189,055,502	\$ 198,014,183
Restricted	16,437,051	16,177,067	14,835,556	17,383,179	25,378,243	27,368,668	14,735,839	9,572,011	15,291,028	26,924,854
Unrestricted	23,076,629	23,858,724	6,399,143	5,341,244	(914,254)	5,817,769	(2,327,893)	(4,906,858)	6,839,971	6,660,232
Total net position	<u>\$ 174,114,291</u>	<u>\$ 173,661,431</u>	<u>\$ 154,049,210</u>	<u>\$ 159,028,724</u>	<u>\$ 165,151,050</u>	<u>\$ 175,971,139</u>	<u>\$ 164,770,027</u>	<u>\$ 177,399,662</u>	<u>\$ 211,186,501</u>	<u>\$ 231,599,269</u>
<b>Business-type Activities:</b>										
Net investment in capital assets	\$ 73,672,425	\$ 73,322,194	\$ 65,547,709	\$ 72,467,388	\$ 66,261,936	\$ 66,690,516	\$ 66,301,953	\$ 68,910,061	\$ 70,436,527	\$ 72,709,369
Unrestricted	65,142,322	64,951,514	72,052,142	67,206,707	75,685,405	77,017,904	78,451,561	76,963,942	74,991,278	71,512,451
Total net position	<u>\$ 138,814,747</u>	<u>\$ 138,273,708</u>	<u>\$ 137,599,851</u>	<u>\$ 139,674,095</u>	<u>\$ 141,947,341</u>	<u>\$ 143,708,420</u>	<u>\$ 144,753,514</u>	<u>\$ 145,874,003</u>	<u>\$ 145,427,805</u>	<u>\$ 144,221,820</u>
<b>Primary Government in Total:</b>										
Net investment in capital assets	\$ 208,273,036	\$ 206,947,834	\$ 198,362,220	\$ 208,771,689	\$ 206,948,997	\$ 209,475,218	\$ 218,664,034	\$ 241,644,570	\$ 259,492,029	\$ 270,723,552
Restricted	16,437,051	16,177,067	14,835,556	17,383,179	25,378,243	27,368,668	14,735,839	9,572,011	15,291,028	26,924,854
Unrestricted	88,218,951	88,810,238	78,451,285	72,547,951	74,771,151	82,835,673	76,123,668	72,057,084	81,831,249	78,172,683
Total net position	<u>\$ 312,929,038</u>	<u>\$ 311,935,139</u>	<u>\$ 291,649,061</u>	<u>\$ 298,702,819</u>	<u>\$ 307,098,391</u>	<u>\$ 319,679,559</u>	<u>\$ 309,523,541</u>	<u>\$ 323,273,665</u>	<u>\$ 356,614,306</u>	<u>\$ 375,821,089</u>

**City of Farmington Hills**  
**Changes in Governmental Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses:</b>										
General government	\$ 11,601,249	\$ 14,315,814	\$ 13,799,558	\$ 16,208,153	\$ 12,966,197	\$ 15,467,484	\$ 17,593,114	\$ 16,985,367	\$ 10,616,854	\$ 17,807,296
Public safety	27,976,966	26,778,223	30,663,569	31,598,884	32,569,828	33,101,621	38,570,736	37,350,515	30,488,230	35,374,948
Public services	17,153,100	18,265,922	17,710,227	19,333,197	20,560,119	20,309,790	27,456,946	21,949,505	21,792,879	21,642,494
Health and Welfare	-	-	-	-	-	-	-	-	-	199,574
Community and economic development	2,221,027	1,383,537	1,582,677	2,175,213	1,938,615	1,995,922	1,925,343	1,970,504	2,550,617	2,182,133
Recreation and culture	9,423,101	8,470,535	8,774,076	9,000,976	8,990,365	9,769,002	8,664,042	9,436,459	9,703,991	14,302,545
Interest on long-term debt	852,817	704,688	734,698	499,969	571,203	521,785	470,284	1,191,147	918,731	785,557
Total expenses	69,228,260	69,918,719	73,264,805	78,816,392	77,596,327	81,165,604	94,680,465	88,883,497	76,071,302	92,294,547
<b>Program revenues:</b>										
Charges for services										
General government	4,881,804	4,952,419	4,982,503	5,623,842	5,825,246	5,248,109	7,827,566	7,273,250	6,989,875	7,213,066
Public safety	1,839,403	1,858,740	2,115,647	2,098,423	2,170,085	2,070,345	2,332,747	2,645,120	2,181,621	2,570,605
Public services	3,425,246	2,162,983	1,929,655	2,135,470	2,046,939	2,174,599	3,809,043	3,285,783	2,796,015	2,475,015
Community & economic development	684,312	226,124	352,890	561,734	368,733	80,679	-	-	-	-
Recreation and culture	4,502,148	4,403,579	4,450,090	4,638,028	4,744,048	4,858,219	4,840,888	3,643,577	3,781,843	6,736,483
Total charges for services	15,332,913	13,603,845	13,830,785	15,057,497	15,155,051	14,431,951	18,810,244	16,847,730	15,749,354	18,995,169
Operating grants and contributions	7,302,716	7,938,020	8,858,842	11,345,832	16,625,862	11,125,360	12,322,939	11,806,082	20,024,920	17,479,719
Capital grants and contributions	141,774	209,289	331,999	148,957	175,637	851,238	-	-	-	7,635
Total program revenue	22,777,403	21,751,154	23,021,626	26,552,286	31,956,550	26,408,549	31,133,183	28,653,812	35,774,274	36,482,523
<b>Excess of Expenses Over Program Revenue</b>	<b>(46,450,857)</b>	<b>(48,167,565)</b>	<b>(50,243,179)</b>	<b>(52,264,106)</b>	<b>(45,639,777)</b>	<b>(54,757,055)</b>	<b>(63,547,282)</b>	<b>(60,229,685)</b>	<b>(40,297,028)</b>	<b>(55,812,024)</b>
<b>General revenues:</b>										
Property taxes	40,043,211	38,910,074	39,015,386	46,644,560	46,432,310	48,612,050	50,044,486	61,198,407	62,969,729	64,470,701
State-shared revenues	6,164,601	6,359,066	6,477,230	6,773,437	7,824,407	8,112,310	8,589,005	8,542,647	9,759,804	10,996,874
Investment earnings	352,239	414,038	396,972	718,517	518,714	879,918	1,872,340	2,206,577	600,963	-
Gain (loss) on disposal	1,266	-	-	-	-	-	144,963	157,129	160,606	-
Special Items	-	-	-	-	-	-	(8,982,681)	-	-	-
Miscellaneous	3,048,777	2,083,279	3,401,950	3,107,106	2,625,365	3,113,354	680,257	754,560	438,153	780,305
Total general revenues	49,610,094	47,766,457	49,291,538	57,243,620	57,400,796	60,717,632	52,348,370	72,859,320	73,929,255	76,247,880
<b>Transfers</b>	<b>10,410</b>	<b>(51,752)</b>	<b>(59,369)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>\$ 3,169,647</b>	<b>\$ (452,860)</b>	<b>\$ (1,011,010)</b>	<b>\$ 4,979,514</b>	<b>\$ 11,761,019</b>	<b>\$ 5,960,577</b>	<b>\$ (11,198,912)</b>	<b>\$ 12,629,635</b>	<b>\$ 33,632,227</b>	<b>\$ 20,435,856</b>

Source: Annual financial statements

**City of Farmington Hills**  
**Changes in Business-type Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Program Revenue</b>										
Water and sewer	\$ 27,328,342	\$ 24,749,466	\$ 25,401,057	\$ 26,460,743	\$ 27,747,324	\$ 27,029,571	\$ 29,546,893	\$ 27,163,569	\$ 30,238,018	\$ 31,011,125
Ice arena	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	184,920	281,559	352,150	265,413	847,316	2,204,688	713,391	1,182,295	2,083,715	1,227,275
Total program revenue	27,513,262	25,031,025	25,753,207	26,726,156	28,594,640	29,234,259	30,260,284	28,345,864	32,321,733	32,238,400
<b>Operating Expenses</b>										
Water and sewer	26,084,669	26,344,508	26,769,838	24,962,971	26,340,919	27,618,360	30,060,159	28,168,384	32,567,104	31,766,111
Ice arena	-	-	-	-	-	-	-	-	-	-
Interest expense	164,044	166,488	322,305	426,514	556,588	781,888	980,526	747,083	730,656	639,980
Other	39,405	40,745	-	-	-	-	-	-	-	-
Total operating expenses	26,288,118	26,551,741	27,092,143	25,389,485	26,897,507	28,400,248	31,040,685	28,915,467	33,297,760	32,406,091
<b>Net (Expenses) Revenue</b>	1,225,144	(1,520,716)	(1,338,936)	1,336,671	1,697,133	834,011	(780,401)	(569,603)	(976,027)	(167,691)
<b>General Revenue - Investment earnings and other</b>	231,707	920,925	605,710	737,573	576,113	927,068	1,825,495	1,690,092	529,829	(1,038,294)
<b>Transfers</b>	(10,410)	51,752	59,369	-	-	-	-	-	-	-
<b>Total Change in Net Position</b>	<b>\$ 1,446,441</b>	<b>\$ (548,039)</b>	<b>\$ (673,857)</b>	<b>\$ 2,074,244</b>	<b>\$ 2,273,246</b>	<b>\$ 1,761,079</b>	<b>\$ 1,045,094</b>	<b>\$ 1,120,489</b>	<b>\$ (446,198)</b>	<b>\$ (1,205,985)</b>
<b>Change in Net Position - Primary Government</b>	<b>\$ 4,616,088</b>	<b>\$ (1,000,899)</b>	<b>\$ (1,684,867)</b>	<b>\$ 7,053,758</b>	<b>\$ 14,034,265</b>	<b>\$ 7,721,656</b>	<b>\$ (10,153,818)</b>	<b>\$ 13,750,124</b>	<b>\$ 33,186,029</b>	<b>\$ 19,229,871</b>

**City of Farmington Hills**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Fund:</b>										
Nonspendable	\$ 893,952	\$ 996,654	\$ 839,501	\$ 1,032,308	\$ 983,364	\$ 838,111	\$ 867,649	\$ 858,835	\$ 304,826	\$ 587,647
Committed	-	22,408	22,408	22,409	22,409	22,409	-	-	-	-
Assigned	11,577,446	12,178,626	12,888,638	16,409,880	17,599,194	19,224,548	20,714,136	18,207,555	19,711,996	39,423,992
Unassigned	10,704,367	11,599,339	13,987,360	13,418,341	14,558,909	14,941,090	15,684,325	20,905,683	25,512,066	7,202,522
Total general fund	<u>\$ 23,175,765</u>	<u>\$ 24,797,027</u>	<u>\$ 27,737,907</u>	<u>\$ 30,882,938</u>	<u>\$ 33,163,876</u>	<u>\$ 35,026,158</u>	<u>\$ 37,266,110</u>	<u>\$ 39,972,073</u>	<u>\$ 45,528,888</u>	<u>\$ 47,214,161</u>
<b>All other governmental funds:</b>										
Unassigned reported in:										
Debt service funds	\$ -	\$ (279,629)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable										
Special revenue funds	-	-	32	-	199,698	-	-	612	-	-
Capital project funds	-	-	2,405	-	-	78,500	-	-	-	-
Restricted										
Special revenue funds	8,125,155	8,532,419	8,217,395	9,301,626	10,213,655	16,215,802	18,117,308	13,089,014	15,745,839	24,854,395
Capital project funds	-	796,306	-	-	-	-	-	15,953,360	1,334,343	-
Debt service funds	2,090,379	2,177,737	2,097,263	2,113,034	2,094,668	1,994,366	-	-	-	-
Committed										
Special revenue funds	52,673	52,534	52,536	52,986	52,997	53,159	-	-	-	-
Capital project funds	1,937,953	643,726	241,695	874,876	1,670,443	2,445,103	-	-	-	-
Assigned										
Special revenue funds	-	-	150,000	-	-	-	-	-	-	-
Capital project funds	4,599,724	2,386,920	2,126,379	2,902,057	1,778,128	3,771,142	3,768,298	5,485,305	7,323,118	7,709,002
Debt service funds	9,549	164,698	162,297	162,344	144,293	137,484	146,786	273,594	89,047	102,189
Total other governmental funds	<u>\$ 16,815,433</u>	<u>\$ 14,474,711</u>	<u>\$ 13,050,002</u>	<u>\$ 15,406,923</u>	<u>\$ 16,153,882</u>	<u>\$ 24,695,556</u>	<u>\$ 22,032,392</u>	<u>\$ 34,801,885</u>	<u>\$ 24,492,347</u>	<u>\$ 32,665,586</u>

Source: Annual Financial Statements

**City of Farmington Hills**  
**Change in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>										
Property taxes	\$ 40,042,754	\$ 38,909,350	\$ 39,244,016	\$ 46,644,560	\$ 46,432,310	\$ 48,612,050	\$ 50,218,109	\$ 61,198,407	\$ 62,969,729	\$ 64,516,770
Special assessments	1,522,384	1,103,197	954,676	1,267,377	2,102,178	2,284,000	1,402,272	-	-	-
Licenses and permits	1,392,631	1,357,184	1,224,287	1,558,094	1,913,682	1,417,161	1,783,163	1,890,690	1,620,709	1,685,309
Federal grants	1,574,646	1,250,376	1,187,938	1,321,952	1,528,952	1,345,653	963,179	1,296,311	6,734,127	5,332,309
State-shared revenue and grants	12,070,546	12,822,738	13,441,669	14,284,441	15,546,926	17,428,020	19,179,709	18,857,483	20,925,527	22,913,998
Other grants and contributions	167,114	255,452	280,500	254,787	259,606	273,269	174,372	175,836	2,024,962	349,362
Charges for services	10,391,874	9,598,537	10,228,020	11,020,824	10,939,531	11,062,483	11,407,257	11,626,315	10,736,549	13,692,720
Fines and forfeitures	2,113,071	2,141,689	2,179,726	2,145,354	2,006,801	2,085,541	2,197,948	1,751,346	1,647,759	1,548,589
Investment income	352,239	414,038	396,972	718,517	518,714	879,918	1,926,079	2,207,078	600,996	(2,495,624)
Other and equipment rental	2,748,202	2,239,825	3,192,688	2,686,204	2,883,400	3,691,309	3,067,183	2,543,594	2,085,684	2,693,431
<b>Total revenue</b>	<b>72,375,461</b>	<b>70,092,386</b>	<b>72,330,492</b>	<b>81,902,110</b>	<b>84,132,100</b>	<b>89,079,404</b>	<b>92,319,271</b>	<b>101,547,060</b>	<b>109,346,042</b>	<b>110,236,864</b>
<b>Expenditures</b>										
Current:										
General government	9,786,890	13,584,599	12,087,690	11,924,336	12,354,442	12,700,889	12,896,343	13,221,497	13,189,248	14,092,538
Public safety	26,737,217	26,920,590	28,781,433	28,583,053	29,916,423	30,556,875	30,825,852	31,940,936	32,563,982	34,375,131
Public services	12,114,741	12,863,648	12,388,557	14,299,423	15,523,489	14,115,430	19,879,270	36,699,154	30,821,569	26,200,373
Health and Welfare	-	-	-	-	-	-	-	-	-	199,480
Community and economic development	2,173,913	1,542,280	1,559,679	2,141,207	2,024,943	1,984,459	1,924,657	1,969,161	2,556,330	2,239,964
Recreation and culture	7,697,595	7,102,151	7,521,804	7,789,813	7,862,950	8,488,297	8,642,314	8,249,851	8,535,568	12,394,600
Capital outlay	5,571,436	5,980,088	5,695,657	9,723,407	21,574,339	8,069,908	15,913,541	15,541,788	22,632,176	7,847,129
Debt service	2,710,020	2,827,739	2,867,814	2,031,223	2,211,018	2,943,763	2,845,901	4,020,961	4,641,397	3,151,843
<b>Total expenditures</b>	<b>66,791,812</b>	<b>70,821,095</b>	<b>70,902,634</b>	<b>76,492,462</b>	<b>91,467,604</b>	<b>78,859,621</b>	<b>92,927,878</b>	<b>111,643,348</b>	<b>114,940,270</b>	<b>100,501,058</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>5,583,649</b>	<b>(728,709)</b>	<b>1,427,858</b>	<b>5,409,648</b>	<b>(7,335,504)</b>	<b>10,219,783</b>	<b>(608,607)</b>	<b>(10,096,288)</b>	<b>(5,594,228)</b>	<b>9,735,806</b>
<b>Other Financing Sources (Uses)</b>										
Debt issuance	3,523,547	-	-	-	14,015,246	-	-	25,297,018	4,125,000	-
Transfers in	10,143,304	10,402,521	10,291,938	14,270,227	17,870,989	16,749,125	22,750,816	29,593,899	28,725,383	29,403,087
Transfers out	(10,132,894)	(10,454,273)	(10,351,307)	(14,270,227)	(17,870,989)	(16,749,125)	(22,750,816)	(29,593,899)	(28,725,383)	(29,403,087)
Proceeds from sale of capital assets	22,815	61,001	147,682	92,304	112,115	184,173	185,395	274,726	162,171	122,706
Debt defeasance	-	-	-	-	(3,763,960)	-	-	-	(3,600,278)	-
<b>Total other financing sources (uses)</b>	<b>3,556,772</b>	<b>9,249</b>	<b>88,313</b>	<b>92,304</b>	<b>10,363,401</b>	<b>184,173</b>	<b>185,395</b>	<b>25,571,744</b>	<b>686,893</b>	<b>122,706</b>
<b>Net change in fund balances</b>	<b>9,140,421</b>	<b>(719,460)</b>	<b>1,516,171</b>	<b>5,501,952</b>	<b>3,027,897</b>	<b>10,403,956</b>	<b>(423,212)</b>	<b>15,475,456</b>	<b>(4,907,335)</b>	<b>9,858,512</b>
<b>Fund Balances - Beginning of year</b>	<b>30,850,777</b>	<b>39,991,198</b>	<b>39,271,738</b>	<b>40,787,909</b>	<b>46,289,861</b>	<b>49,317,758</b>	<b>59,721,714</b>	<b>59,298,502</b>	<b>74,773,958</b>	<b>70,021,235</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,612</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 39,991,198</b>	<b>\$ 39,271,738</b>	<b>\$ 40,787,909</b>	<b>\$ 46,289,861</b>	<b>\$ 49,317,758</b>	<b>\$ 59,721,714</b>	<b>\$ 59,298,502</b>	<b>\$ 74,773,958</b>	<b>\$ 70,021,235</b>	<b>\$ 79,879,747</b>

**City of Farmington Hills**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Years**  
**(Unaudited)**

Tax Year	Residential	Commercial	Industrial	Personal Property	IFT	Total Value	Tax Rate (mills)	Estimated Actual Value	Taxable Value as a % of Actual
2013	\$ 2,019,538,140	\$ 683,545,680	\$ 92,935,440	\$ 247,268,750	\$ 2,557,680	\$ 3,045,845,690	12.3538	\$ 3,087,553,500	98.65%
2014	2,071,108,470	654,855,950	92,381,530	235,714,160	2,101,850	3,056,161,960	12.3806	3,260,293,240	93.74%
2015	2,140,673,280	647,245,830	94,923,440	245,515,980	1,515,030	3,129,873,560	14.3908	3,555,094,530	88.04%
2016	2,181,346,960	649,105,680	93,312,600	203,299,780	1,036,930	3,128,101,950	14.3273	3,752,944,510	83.35%
2017	2,244,198,190	666,176,630	94,984,180	202,500,580	929,350	3,208,788,930	14.6569	3,975,835,450	80.71%
2018	2,328,645,800	686,193,840	105,437,480	195,872,700	846,360	3,316,996,180	14.5794	4,151,773,160	79.89%
2019	2,424,630,660	715,406,880	111,975,400	207,556,420	667,030	3,460,236,390	17.1905	4,407,606,380	78.51%
2020	2,517,986,910	746,753,390	120,726,760	211,527,870	603,160	3,597,598,090	17.0117	4,652,525,100	77.33%
2021	2,595,436,420	782,346,140	125,654,300	226,793,400	221,760	3,730,452,020	16.8566	4,908,706,890	76.00%
2022	2,750,297,650	858,650,680	137,060,770	231,069,790	3,369,780	3,980,448,670	16.5693	5,237,966,510	75.99%

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

**City of Farmington Hills**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
**(Unaudited)**

Tax Year	General		Voted	Total Direct Taxes	Overlapping Taxes							State Education	School:	School:	School:	School: Non-	School: Non-	School: Non-	Zoo	
	Operating	Debt	Special Purpose		County	OCPPTA	Library	Oakland Community College	Schoolcraft Community College	Intermediate School District	Homestead Farmington		Homestead Clarenceville	Homestead Walled Lake	Homestead Farmington	Homestead Clarenceville	Homestead Walled Lake	Authority	Art Institute	
2012	8.1163	0.5697	3.6646	12.3506	4.6461	0.5900	1.5856	1.5844	1.7967	3.3690	6.0000	13.3810	4.5000	7.0254	20.5600	22.5000	22.5600	0.1000	0.2000	
2013	8.0579	0.6313	3.6646	12.3538	4.6461	0.5900	1.5856	1.5844	1.7967	3.3690	6.0000	13.0140	4.5000	7.4730	20.5600	22.5000	23.1445	0.1000	0.2000	
2014	8.0792	0.6368	3.6646	12.3806	4.6461	1.0000	1.5856	1.5844	1.7967	3.3690	6.0000	11.7472	4.5000	7.6843	20.2600	22.5000	23.4872	0.1000	0.2000	
2015	8.2774	0.4488	5.6646	14.3908	4.5456	0.9998	1.5856	1.5819	1.7967	3.3633	6.0000	12.4418	4.5000	7.2841	21.4400	22.5000	23.1180	0.0998	0.1996	
2016	8.2218	0.4671	5.6384	14.3273	4.4938	0.9941	1.5781	1.5707	1.7880	3.3398	6.0000	12.1482	4.5000	7.0150	21.4400	22.5000	22.9279	0.0990	0.1981	
2017	8.6232	0.4434	5.5903	14.6569	4.4908	0.9863	1.5644	1.5555	1.7766	3.3079	6.0000	11.4268	4.5000	6.9458	21.3000	22.5000	20.4179	0.0980	0.1961	
2018	8.6410	0.3892	5.5492	14.5794	4.4878	1.0000	1.5517	1.5431	1.7662	3.2813	6.0000	11.3026	4.4626	6.7968	21.3000	22.4626	22.5643	0.0982	0.1945	
2019	8.4314	0.5216	8.2375	17.1905	4.4846	0.9927	1.5393	1.5303	2.2516	3.2539	6.0000	10.8634	4.3831	6.2300	21.3000	22.3831	21.9531	0.0973	0.1929	
2020	8.1883	0.6017	8.0666	16.8566	4.5691	0.9765	1.5062	1.5057	2.2700	3.2012	6.0000	9.4482	4.2940	6.0742	21.2000	22.2940	21.5648	0.0956	0.1897	
2021	8.0081	0.5887	7.9725	16.5693	4.5187	0.9765	1.4860	1.4891	2.2700	3.1658	6.0000	8.4667	4.2257	4.5969	20.4523	22.2257	21.3430	0.0945	0.1945	

Note: Includes Capital, Refuse Removal and Economic Development Millages

Source: City Assessing Department records



**City of Farmington Hills  
Principal Property Taxpayers  
Last Ten Years  
(Unaudited)**

	Taxpayer	2022 Taxable Value	Percentage of Total	2013 Taxable Value	Percentage of Total	2013 Rank
1	Oakland Management Co.	\$ 72,086,380	1.81	\$ 62,950,730	2.04	1
2	Detroit Edison	41,577,780	1.05	33,694,490	1.09	2
3	Consumers Energy	33,216,550	0.84	7,933,420	N/A	N/A
4	Hunters Ridge Apartments MI LLC	32,613,480	0.82	12,278,530	0.40	9
5	FH Corporate Investors (Kojaian)	27,345,050	0.69	24,940,410	0.81	5
6	Independence Green Apts	26,773,960	0.67	12,700,730	0.41	8
7	Green Hill Apts	19,738,410	0.50	17,855,060	0.58	6
8	Nissan Corp	18,775,680	0.47	26,519,690	0.86	4
9	Ramco/Lion Venture LP	14,590,300	0.37	14,593,360	0.47	7
10	Finsilver Friedman	14,491,440	0.36	10,691,780	N/A	N/A

Source: City Assessing Department Records

**City of Farmington Hills  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Total Levy (1)	Collections	Percent Collected	Delinquent Collections (Real)	Total Tax Collections	Percent of Levy Collected
2013	\$ 37,762,324	\$ 36,966,855	\$ 0.98	\$ 670,497	\$ 37,637,352	99.67%
2014	37,629,773	36,922,255	98.12%	650,236	37,572,491	99.85%
2015	37,756,272	37,247,698	98.65%	464,793	37,712,491	99.88%
2016	44,773,169	44,164,096	98.64%	563,701	44,727,797	99.90%
2017	44,753,190	44,190,157	98.74%	525,565	44,715,722	99.92%
2018	46,939,639	46,311,617	98.66%	585,082	46,896,699	99.91%
2020	59,410,292	58,585,869	98.61%	731,998	59,317,867	99.84%
2021	61,140,114	60,420,160	98.82%	644,250	61,064,410	99.88%
2022	62,882,476	62,230,047	98.96%	554,277	62,784,324	99.84%

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

Source: City Treasurer's Office records

**City of Farmington Hills**  
**Ratios of Outstanding Debt**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental Activities:</b>										
General obligation bonds	\$ 17,030,567	\$ 15,237,784	\$ 13,375,000	\$ 12,240,000	\$ 10,870,000	\$ 9,380,000	\$ 31,940,000	\$ 30,775,000	\$ 28,370,000	\$ 25,995,000
Special assessment bonds	2,495,000	2,135,000	1,860,000	11,290,000	11,020,000	10,100,000	9,110,000	7,585,000	6,845,000	6,950,000
Total governmental activities	<u>19,525,567</u>	<u>17,372,784</u>	<u>15,235,000</u>	<u>23,530,000</u>	<u>21,890,000</u>	<u>19,480,000</u>	<u>41,050,000</u>	<u>38,360,000</u>	<u>35,215,000</u>	<u>32,945,000</u>
<b>Business-type Activities:</b>										
County contractual obligations	6,800,000	16,982,242	19,524,676	30,610,124	34,018,350	31,558,439	30,079,769	28,552,514	25,524,019	24,369,284
<b>Total Debt of the Government</b>	<b>\$ 26,325,567</b>	<b>\$ 34,355,026</b>	<b>\$ 34,759,676</b>	<b>\$ 54,140,124</b>	<b>\$ 55,908,350</b>	<b>\$ 51,038,439</b>	<b>\$ 71,129,769</b>	<b>\$ 66,912,514</b>	<b>\$ 60,739,019</b>	<b>\$ 57,314,284</b>
<b>Total Taxable Value</b>	\$ 3,080,204,340	\$ 3,045,845,690	\$ 3,056,161,960	\$ 3,129,873,560	\$ 3,128,101,950	\$ 3,208,788,930	\$ 3,316,996,180	\$ 3,460,236,390	\$ 3,597,598,090	\$ 3,730,452,020
<b>Ratio of Total Debt to Taxable Value</b>	0.85%	1.13%	1.14%	1.73%	1.79%	1.59%	2.14%	1.93%	1.69%	1.54%
<b>Total Population</b>	80,895	81,798	81,910	81,412	81,803	81,129	81,093	80,612	83,986	83,292
<b>Total Debt per Capita</b>	\$ 325	\$ 420	\$ 424	\$ 665	\$ 683	\$ 629	\$ 877	\$ 830	\$ 723	\$ 688
<b>Personal Income</b>	\$ 2,322,591,765	\$ 2,356,493,265	\$ 2,382,461,814	\$ 2,370,596,289	\$ 2,367,002,730	\$ 2,317,845,555	\$ 2,349,102,738	\$ 2,757,410,271	\$ 2,828,780,496	\$ 2,963,545,056
<b>Ratio of Debt to Personal Income</b>	1.13%	1.46%	1.46%	2.28%	2.36%	2.20%	3.03%	2.43%	2.15%	1.93%

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

**City of Farmington Hills**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ended June 30	Advalorem + IFT Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
2013	\$ 3,087,553,500	80,895	\$ 16,574,800	0.53%	\$ 205
2014	3,260,293,240	81,798	15,521,374	0.50%	189.75
2015	3,555,094,530	81,910	13,772,393	0.42%	168.14
2016	3,752,944,510	81,412	12,492,161	0.35%	153.44
2017	3,975,835,450	81,803	11,216,930	0.30%	137.12
2018	4,151,773,160	81,129	9,701,699	0.24%	119.58
2019	4,407,606,380	81,093	8,015,000	0.19%	98.84
2020	4,652,525,100	80,612	30,500,000	0.69%	378.36
2021	4,908,706,890	83,986	27,095,000	0.55%	322.61
2022	5,237,966,510	83,292	25,995,000	0.50%	312.09

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

Note: As of 2011, General Bonded Debt includes General Obligation Bonds for the Ice Arena.

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

**City of Farmington Hills**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2022**  
**(Unaudited)**

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct Debt - City of Farmington Hills	\$ 25,995,000	100.00%	\$ 25,995,000
Overlapping debt:			
Farmington School District	153,655,000	86.78%	133,341,809
Walled Lake School District	321,185,000	3.02%	9,699,787
Oakland County at Large	220,654,700	5.70%	12,577,318
Oakland County Intermediate School District	41,070,000	5.72%	2,349,204
Oakland Community College	-	-	-
Schoolcraft Community College	42,185,000	0.63%	265,766
Total overlapping debt	778,749,700		158,233,884
Total direct and overlapping debt	<u>\$ 804,744,700</u>		<u>\$ 184,228,884</u>

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

Source: City Records and the Municipal Advisory Council of Michigan

**City of Farmington Hills  
Legal Debt Margins  
Last Ten Fiscal Years  
(Unaudited)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Debt Limit (Fiscal Year Ended) (1)</b>										
State equalized valuation (previous year)	\$ 3,109,995,440	\$ 3,087,553,500	\$ 3,260,293,240	\$ 3,555,094,530	\$ 3,752,944,510	\$ 3,975,835,450	\$ 4,151,733,160	\$ 4,652,525,100	\$ 4,908,706,890	\$ 5,237,966,510
Debt limit (10 percent of SEV) (2)	310,999,544	308,755,350	326,029,324	355,509,453	375,294,451	397,583,545	415,173,316	465,252,510	490,870,689	523,796,651
<b>Debt Applicable to Debt Limit</b>										
Total bonded debt	26,325,567	34,355,026	34,759,676	54,140,124	55,908,350	51,038,439	71,129,769	66,912,514	60,739,019	57,314,284
Less deductions allowed by law:										
Special Assessment Bonds	2,495,000	2,135,000	1,860,000	11,290,000	11,020,000	10,100,000	9,110,000	7,585,000	6,845,000	6,950,000
<b>Total amount of debt applicable to debt limit</b>	<u>23,830,567</u>	<u>32,220,026</u>	<u>32,899,676</u>	<u>42,850,124</u>	<u>44,888,350</u>	<u>40,938,439</u>	<u>62,019,769</u>	<u>59,327,514</u>	<u>53,894,019</u>	<u>50,364,284</u>
<b>Legal Debt Margin</b>	<u>\$ 287,168,977</u>	<u>\$ 276,535,324</u>	<u>\$ 293,129,648</u>	<u>\$ 312,659,329</u>	<u>\$ 330,406,101</u>	<u>\$ 356,645,106</u>	<u>\$ 353,153,547</u>	<u>\$ 405,924,996</u>	<u>\$ 436,976,670</u>	<u>\$ 473,432,367</u>
<b>Net Debt Subject to Limit as Percentage of Debt Limit</b>	7.66%	10.44%	10.09%	12.05%	11.96%	10.30%	14.94%	12.75%	10.98%	9.62%

(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

**City of Farmington Hills  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal year	Population		Median Personal		Unemployment Rate	Number of Occupied Households	Total Personal Income
			Income Per Household	Median Per Capita Personal Income			
2013	80,895	(1)	67,803	28,711	9.4%	34,255	2,322,591,765
2014	81,798	(1)	67,803	28,809	7.6%	34,755	2,356,493,265
2015	81,910	(1)	67,803	29,086	5.6%	35,138	2,382,461,814
2016	81,412	(1)	67,803	29,119	5.1%	34,963	2,370,596,289
2017	81,803	(1)	67,803	28,935	3.6%	34,910	2,367,002,730
2018	81,129	(1)	67,803	28,570	3.9%	34,185	2,317,845,555
2019	81,093	(1)	67,803	28,968	4.0%	34,646	2,349,102,738
2020	80,612	(1)	81,203	44,789	16.3%	33,957	2,757,410,271
2021	83,986	(2)	83,268	45,494	2.3%	33,972	2,828,780,496
2022	83,292	(2)	85,152	50,082	2.9%	34,803	2,963,545,056

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

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

(2) <https://www.census.gov/quickfacts/farmingtonhillscitymichigan>

**City of Farmington Hills**  
**Principal Employers**  
**June 30, 2022**  
**(Unaudited)**

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Employer	2022 Employees	Percentage of Total	2013 Employees	Percentage of Total	2013 Rank
1 Beaumont Hospital - Farmington Hills (1)	1,517	2.27%	2,000	4.95%	1
2 Pkc Group USA Inc	1,398	2.09%	N/A	N/A	N/A
3 Farmington Public Schools	1,201	1.80%	1,418	3.51%	3
4 Flagstar Bank Home Loan Center	1,200	1.80%	N/A	N/A	N/A
5 ZF TRW	1,141	1.71%	500	1.24%	10
6 Robert Bosch Corporation	1,019	1.52%	1,600	3.96%	2
7 Greenpath Financial Wellness	830	1.24%	N/A	N/A	N/A
8 TD Auto Finance	800	1.20%	N/A	N/A	N/A
9 Accesspoint, LLC	728	1.09%	N/A	N/A	N/A
10 Judson Center	700	1.05%	N/A	N/A	N/A

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

(1) In 2013, was Botsford Hospital



**City of Farmington Hills**  
**Full-time Equivalent Government Employees**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Government (1)</b>										
City administration	5.50	5.50	6.00	6.00	6.00	5.10	4.79	4.65	5.65	5.65
Finance	19.00	19.00	20.00	20.00	20.00	20.09	20.09	20.00	20.00	20.50
City clerk	6.62	6.65	6.31	6.34	6.35	6.20	6.28	6.78	6.38	6.81
Human resources	4.00	4.00	4.00	4.00	4.14	4.14	4.14	4.14	5.40	6.40
Central services	9.40	9.40	9.40	9.40	9.40	9.90	9.90	9.97	10.88	10.88
<b>Public Safety (2)</b>										
Police	152.72	152.88	153.88	154.14	153.79	153.74	152.79	153.47	154.22	160.22
Fire and EMS	84.95	93.63	93.63	93.63	91.70	93.92	91.69	92.81	93.99	95.99
<b>Public Services (3)</b>										
Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Road maintenance	22.46	22.46	23.46	26.92	26.92	27.92	26.46	26.49	27.49	26.81
Building maintenance	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Engineering	14.28	15.31	15.31	15.31	15.39	15.32	15.32	15.99	17.47	17.28
D.P.W. garage	11.00	11.00	12.00	13.00	13.00	12.00	11.60	10.60	10.60	10.60
Waste collection/recycling	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>	18.60	18.60	18.00	19.00	19.04	19.37	19.50	19.50	20.00	20.00
<b>Special Services (5)</b>										
Administration	19.90	20.95	20.98	21.15	20.55	22.25	22.00	23.00	39.10	42.64
Public information	4.00	4.00	4.00	4.00	6.10	6.10	6.10	5.50	5.50	6.00
Youth and families	8.00	8.00	8.00	9.56	9.73	9.73	9.73	9.73	7.88	9.73
Senior adults	27.53	27.53	27.53	26.13	26.13	26.16	26.25	27.01	27.96	27.08
Parks division	24.10	24.87	24.87	25.83	25.70	25.59	24.92	26.92	26.55	26.17
Cultural arts	2.65	2.75	3.40	3.47	3.47	3.47	3.47	3.47	6.41	7.04
Golf course division	12.50	13.17	13.01	13.57	13.46	13.41	13.43	13.43	12.88	12.88
Recreation	-	-	10.32	11.81	11.69	12.05	12.92	13.15	33.36	48.30
Ice arena	14.13	14.13	14.13	12.66	13.16	13.41	13.16	13.66	13.66	13.66
<b>Total (6)</b>	<u>470.34</u>	<u>482.83</u>	<u>497.23</u>	<u>504.92</u>	<u>504.72</u>	<u>508.87</u>	<u>503.54</u>	<u>509.27</u>	<u>554.38</u>	<u>583.64</u>

- (1) General Government FTE's increased by 2.77 or 6.08% in 2021.
- (2) Public Safety FTE's increased by 1.93 or 0.78% in 2021.
- (3) Public Services FTE's increased by 2.48 or 3.99% in 2021.
- (4) Planning and Community Development FTE's increased by 0.5 for 2.56% in 2021.
- (5) Special Services FTE's increased by 37.43 or 27.55% in 2021.
- (6) City-wide FTE's increased by 45.11 or 8.86% in 2021.

Source: City personnel/budget records

**City of Farmington Hills  
Operating Indicators  
Last Ten Fiscal Years  
(Unaudited)**

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police:</b>										
Physical Arrests	3,435	3,002	3,016	2,486	2,805	2,830	2,692	1,579	1,750	1,819
Traffic violations	12,207	10,441	9,305	7,606	8,861	9,000	9,593	6,833	5,696	8,342
<b>Fire:</b>										
Total incidents	8,003	8,539	8,763	9,027	9,208	9,524	9,500	10,383	10,920	11,354
Public education programs	43	98	104	112	112	140	140	128	130	55
Fire loss	\$ 10,994,335	\$ 3,901,800	\$ 4,200,900	\$ 2,719,603	\$ 2,830,913	\$ 8,577,000	\$ 3,888,500	\$3,229,451	\$3,753,450	\$2,298,561
<b>Public works:</b>										
Dwelling units receiving refuse service	23,178	23,227	23,320	23,329	23,343	23,356	23,372	23,393	23,452	23,467
Percentage of waste stream recycled	44.00	44.20	43.40	44.00	39.40	42.00	42.00	40.00	40.00	36.80
<b>Parks and recreation:</b>										
Recreation programs	2,610	2,630	2,640	2,660	2,670	2,690	2,714	2,735	2,850	2,860
<b>Water:</b>										
Water customers	22,698	22,768	22,838	22,910	22,982	22,966	23,094	23,101	23,151	23,185
Water main breaks	56	81	52	40	53	47	39	49	68	74
Total consumption (mcf)	390,000	400,658	351,872	370,493	391,749	371,701	340,512	339,627	365,736	364,353
Average consumption per user (mcf/year)	17.18	17.60	15.41	16.17	17.05	16.18	14.75	14.70	15.80	15.72
<b>Sewer:</b>										
Average consumption per user (mcf/year)	14.75	15.69	17.01	17.06	18.36	18.12	18.75	18.76	17.60	18.33
Metered Volume (mcf)	330,161	352,562	383,701	385,851	416,257	410,961	426,641	427,282	401,646	418,967
Sewer customers	22,379	22,473	22,553	22,618	22,667	22,684	22,756	22,771	22,820	22,858

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

**City of Farmington Hills  
Capital Asset Statistics  
Last Ten Fiscal Years  
(Unaudited)**

Function/ program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Fleet vehicles	67	67	67	68	69	69	69	72	66	74
<b>Fire:</b>										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks (4)	17	17	18	18	17	16	16	16	16	17
<b>Public Works - Streets (miles)</b>										
Major	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36
Local	246.38	246.38	246.38	246.38	246.38	246.38	246.87	246.87	246.87	246.87
<b>Parks and recreation:</b>										
Acreage	636	636	636	636	636	636	636	669	669	669
Playgrounds	4	4	4	4	6	6	6	6	6	6
Football/Soccer fields (2)	19	19	19	19	19	19	19	19	19	19
Baseball/Softball diamonds (3)	12	12	12	12	12	12	12	13	13	13
Pools/Splash pads	2	2	2	2	2	2	2	3	4	4
Ice arena	1	1	1	1	1	1	1	1	1	1
Community center	0	0	0	0	0	0	1	2	2	2
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)	472	449	456	456	457	459	459	459	470	471
Fire hydrants	5,127	5,103	5,115	5,126	5,156	5,169	5,169	5,169	5,230	5,250
Storage capacity (gallons)	(1)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Sewer:</b>										
Miles of sanitary sewers	329	328	328	329	329	329	329	330	330	330
Treatment capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

(1) Information not available

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

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

(4) Plus 18 other vehicles and equipment.