

CITY OF FARMINGTON HILLS, MICHIGAN

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012



City of Farmington Hills, Michigan

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

Prepared by:
Dave Gajda, Finance Director
Shu-Fen Lin, Controller

City of Farmington Hills, Michigan

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City of Farmington Hills, Michigan

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DEPARTMENT OF FINANCE

November 30, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmington Hills (the "City") for the fiscal year ended June 30, 2012. 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, 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 respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The statements have been audited in accordance with generally accepted auditing standards by Plante & Moran, PLLC, a certified public accounting firm licensed by the State of Michigan.

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

Accounting	Assessing	Treasury
248.871.2440 Phone	248.871.2470 Phone	248.871.2480 Phone
248.871.2441 Fax	248.871.2471 Fax	248.871.2481 Fax

31555 West Eleven Mile Road • Farmington Hills MI 48336

Plante & Moran, PLLC has audited the City of Farmington Hills' financial statements to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2012 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 unqualified opinion that the City of Farmington Hills' financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

Profile of the Government

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

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system. Twelve major colleges and universities are within a 45-minute drive of the community. A broad spectrum of recreational and cultural activities is also available within the City or within a short drive. Quality health care is provided by Botsford Hospital, which is a teaching osteopathic hospital 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 24,875 single-family homes and over 8,900 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$1.6 million, with the average home priced at just over \$160,800.

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 Department of Public Services administering the service for water and sanitary sewers under contract with the City. Library functions are provided by the Farmington Community Library, which serves both the City of Farmington Hills and the neighboring City of Farmington.

City hall is a recently revitalized facility, which is LEED Gold certified and will serve the community well through the coming decades. The revitalized city hall allows 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 are 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 unit of the City is the Brownfield Redevelopment Authority established by City Council to assist in the redevelopment of environmentally challenged sites within the City. The Brownfield Redevelopment Authority's financial statements are also displayed in the basic financial statements.

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

Factors Affecting Financial Condition

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

Local Economy - The City of Farmington Hills possesses a diversified property tax base with residential currently comprising 65 percent, commercial 24 percent, industrial 3 percent, and personal property (business equipment, furniture, and machinery) 8 percent. No one taxpayer exceeds 2.03 percent of the tax roll and the top 10 payers combined account for less than 9 percent of the total tax roll. Farmington Hills is home to approximately 3,300 businesses, 75 Fortune 500 companies, and more than 170 international firms. The City's residents are employed predominantly in management, professional sales, and related occupations. Despite its diversification, Farmington Hills does not stand alone and has been impacted by the trying economic environment of the nation and state. In FY 2011-2012, the ad valorem taxable value of the City declined by 9.3 percent. The projection for FY 2012-2013 is a 6.2 percent decrease in ad valorem taxable value. The City's unemployment rate of 7.4 percent at June 2012 is down from 9.2 percent from June 2011, and is lower than the county unemployment rate of 8.8 percent and also lower than the state unemployment rate of 9.2 percent at June 2012.

The economy is still healing, but it is going to be a relatively long convalescence and, for the unemployed, it will continue to be painful. With the current weakness in the national economy and the ongoing difficulties in the real estate market, recovery will take time. However, University of Michigan economists forecast that Oakland County will add 30,000 jobs through 2014 and the unemployment rate will decline to nearly 7 percent after years of double-digit joblessness.

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

Oakland County continues to embrace the "emerging sectors" program, an aggressive plan to attract the top new and emerging businesses to Oakland County. Over the last several years, over 100 emerging sector companies have been attracted to either locate or expand their operations. These sectors are:

- Advanced electronics and controls
- Advanced material and chemicals
- Alternative energy and power generation
- Biotechnology
- Communications and information technology
- Homeland security
- Medical devices and instrumentation and healthcare
- Film
- Life sciences
- Robotics and automation
- Fast growth and finance

Oakland County's per capita income of \$50,334 is the highest among Michigan's 83 counties and is ranked tenth (10th) among counties having more than one million in population (and is 75th among all counties in the country). Oakland County is one of 38 counties in America that enjoys a AAA bond rating.

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.

Michigan's economy is continuing its moderately paced but sustained recovery. Job growth for the remainder of 2012 is projected to average one-half of a percentage point. Economists predict that job growth will resume during 2013 at a more moderate pace of 1.3 percent, and then accelerate slowly to 1.6 percent during 2014. The continuation of the recovery will be primarily supported by the manufacturing and the large trade-transportation-utilities sectors.

Economists predict that local inflation will end up at 1.8 percent in 2012 (down from 3.3 percent in 2011 due to a run-up in food and energy prices) and hold there for 2013 before nudging up to 2 percent in 2014.

Economists predict that personal income growth will slide to 3.9 percent in 2012, as calendar-year job growth slows, accompanied by weaker growth in most of the major components of non-wage income. Income growth retreats further in 2013, to 2.8 percent, with further deceleration in calendar-year employment and in other labor income and property income. With some pickup in employment and non-wage income growth in 2014, personal income is expected to grow at a more robust 4.5 percent.

Economists predict that growth of real disposable income will decline to 0.6 percent in 2013, slowed by a weakening of nominal income growth and a bit more growth in federal taxes. A rebound in nominal income growth expected in 2014 supports stronger growth in purchasing power (to 1.6 percent), trumping higher inflation and more rapid growth in federal taxes.

The City Council annually reviews the updated "Six-year Capital Improvement Program" prepared 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 projects, the following acquisitions or improvements are planned for fiscal year 2012-2013:

- Drainage expenditures of \$865,000 that will concentrate on the Storm Water Pollution Prevention Initiative, Drains and Drainage Improvements in LaMuera Estates, New and Replacement Culverts on Edgemoor and 14 Mile, Open Channel Maintenance, the Illicit Discharge Elimination Program, and GIS Storm Phases I, II, and III.
- \$470,000 of sidewalk and bike path improvements/replacements are in process or will take place this next fiscal year including: Twelve Mile, south side, Inkster to Herndonwood; and Independence, south side, Roosevelt to Waldron.
- \$630,000 of equipment for the fire department includes an engine replacement, medic refurbishment, and a battalion chief vehicle.

- \$230,000 of equipment for the police department includes patrol cars - in-car camera system and forensic software.
- \$636,000 of equipment for the Division of Public Works includes a 10-yard dump truck with a slip-in salt unit, a five-yard hook truck with attachments, refurbished winter maintenance equipment, and a refurbished vector truck.
- \$350,000 for various technology equipment and upgrades to keep the network fast and reliable, \$75,000 for a City-wide phone system upgrade, and \$25,000 for City Hall Council room upgrades.
- \$778,000 of improvements at the police, fire, and special services department's facilities.

Financial Policies - The following financial policies of the City had a significant impact on the City's FY 2011-2012 financial statements:

Revenue Policy to Maintain a Diversified and Stable Taxable Revenue Base - Although the tax base remains diversified with approximately 65 percent residential and 35 percent non-residential, the tax base was less stable than in the past, with declining taxable values of approximately 9.3 percent, which negatively impacted tax revenue for the City.

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. Despite the federal reserve's actions to cut the federal funds target rate to essentially 0 percent, along with three rounds of quantitative easing that have pushed yield levels to historical lows across the entire yield curve, we continue to make slow steady progress. Currently, the average yield on the City's investment portfolio is outperforming the three-year treasury yields.

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

In order to better understand the financial condition of the City, it will 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 will allow the City to look at its options and prudently plan and act accordingly. As the forecasts are developed over time, they should incorporate benchmark trend analysis to measure how our actual results compare to our projections and to the actual results of other similar benchmark communities.

Accounting Changes

On June 25, 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which significantly change pension accounting and reporting for state and local governments. The changes brought about by these new standards reflect the view that pension costs and obligations should be recorded as employees earn them, rather than when the City pays the retirees' benefit payments or makes contributions to the pension plan.

Currently, the City discloses pension information in the notes to our financial statements, and only reports the contributions we are required to make in a given year, as well as what we actually paid and any difference between the two. The new accounting rules will require the City to report a net pension liability (NPL) for the first time on our full accrual government-wide statement of net assets. This liability will be calculated as the difference between the total accrued pension liability (the present value of projected benefit payments to employees based on their past service) and the pension assets set aside in a trust and restricted to paying benefits.

There will be changes to how the present value of projected benefits will be calculated, how the assets are measured, and how the pension expense is calculated. The City and the retirement system will be subject to more extensive note disclosures than currently required, which will include asset allocations of the pension plan, the expected returns of various asset classes, the differences between what the City records as the pension expense under GAAP vs. what we actually pay in contributions to the Pension Fund, and a 10-year trend history on funding levels.

We expect the finance department staff, our actuary, and our auditor will incur additional time and cost to comply with these new standards, which are effective in FY 2013/2014 for the pension plan and in FY 2014/2015 for the City.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington Hills for its CAFR for the fiscal year ended June 30, 2011. This was the 13th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the 26th consecutive year the City has received this award.

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

Respectfully submitted,



Steve Brock
City Manager



Dave Gajda
Finance Director/Treasurer



Shu-Fen Lin
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmington Hills
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

City of Farmington Hills, Michigan

List of Principal Officials

June 30, 2012

Title	Name
City Manager	Steve Brock
Assistant City Manager	Dana Whinnery
Economic Development Director	Teri Arbenowske
Management Assistant	Nathan Geinzer
City Clerk	Pamela Smith
Central Services Director	Michael Lasley
Finance Director/Treasurer	David Gajda
Fire Chief	Corey Bartsch
Human Resources Director	John Randle
Planning and Community Dev. Director	Dale Countegan
Police Chief	Charles Nebus
Public Services Director	Gary Mekjian
Special Services Director	Dave Boyer
City Attorney	Johnson, Rosati, Schultz & Joppich, P.C.
Deputy Director Special Services	Ellen Schnackel
Deputy Police Chief	Patrick Comini
Deputy Fire Chief	Kevin Bersche
Building Official	Lawrence Andree
City Assessor	Matthew Dingman
Engineering Manager	Jim Cubera
City Planner	Edward Gardiner
Community Development Coordinator	Charmaine Keller-Schmult
Controller	Shu-Fen Lin
Deputy City Clerk	Angie Brunke
Deputy Treasurer	Linda Grimsby
Fire Marshal	Stephen Hume
Public Works Superintendent	Kevin McCarthy
Zoning Division Supervisor	Dennis Randt

City Profile



Farmington Hills, incorporated in 1973, is a 34 square mile suburban community with a pastoral and gently rolling terrain in Oakland County, located 17 miles from downtown Detroit. The City's tax base of \$3,080,204,340 is comprised of 65 percent residential property and 35 percent commercial, industrial, and personal property. The community's estimated 79,777 residents live in approximately 33,591 households with a median household income of \$67,803.

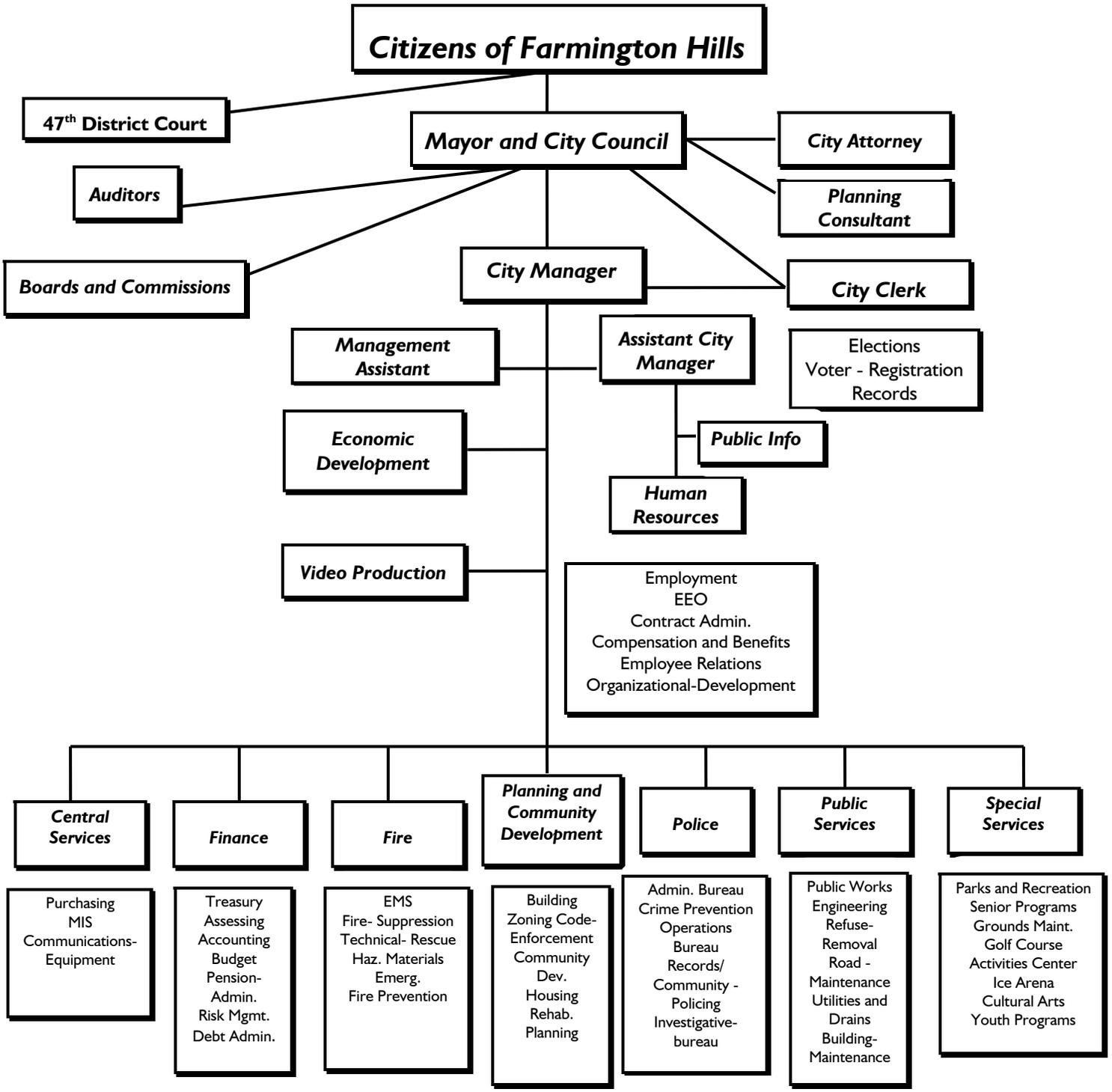
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit Metro Airport and at the focal point of a north/south and west/east freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio, as well as the Ann Arbor technology corridor, are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

The community offers many premier residential areas providing a wide range of housing options including approximately 24,875 single-family sites (including detached condominiums) and approximately 8,900 rental units designed to fit every lifestyle.

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

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

CITY OF FARMINGTON HILLS



City of Farmington Hills, Michigan

Fund Organization Chart

Governmental Funds	
General	Special Revenue
General Fund	Major Road Local Road Public Safety Fire Grant
Debt Service	Community Development Block Grant (CDBG) Neighborhood Stabilization Energy Efficiency & Conservation Block Grant (EECBG) Nutrition Grant Police Forfeiture Parks and Recreation Special Millage Deferred Special Assessment
Building Authority General Debt Service Special Assessments	
Capital Projects	
Capital Improvement Golf Course Capital Improvement Revolving Special Assessment	
Proprietary Funds - Enterprise	
Water and Sewer	
Fiduciary Funds	
Pension and Other Employee Benefit Trust	Agency
Employees' Retirement System Postretirement Health Care Finance Fund	Tax Collections General Agency
Component Units	
Economic Development Corporation	Brownfield Redevelopment Authority

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Farmington Hills, Michigan's basic financial statements. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules for the General Fund and each major special revenue fund, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress 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.

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

The other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplemental information, are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. These schedules, along with the budgetary comparison schedules for the General Fund and each major special revenue fund, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 on our consideration of the City of Farmington Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 13, 2012

City of Farmington Hills, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets 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 assets decreased \$1.1 million or 0.35 percent from a year ago, decreasing from \$309.5 million to \$308.4 million. Of that amount, \$78.9 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$0.5 million in net assets or 0.29 percent during fiscal year 2011-2012. Unrestricted net assets of the governmental activities were approximately \$17.0 million as of June 30, 2012. Business-type activities net assets shows a decrease of approximately \$0.59 million in net assets or 0.43 percent during fiscal year 2011-2012. Unrestricted net assets of the business-type activities were approximately \$61.9 million as of June 30, 2012. In condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2012 to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 42.3	\$ 38.2	\$ 64.5	\$ 63.1	\$ 106.8	\$ 101.3
Noncurrent assets - Advances due from SWOCC	0.9	1.1	-	-	0.9	1.1
Capital assets	157.5	164.2	75.5	77.1	233.0	241.3
Total assets	200.7	203.5	140.0	140.2	340.7	343.7
Liabilities						
Current liabilities	6.1	6.7	2.6	2.2	8.7	8.9
Long-term liabilities	23.6	25.3	-	-	23.6	25.3
Total liabilities	29.7	32.0	2.6	2.2	32.3	34.2
Net Assets						
Invested in capital assets - Net of related debt	139.9	144.7	75.5	77.0	215.4	221.7
Restricted	14.1	12.9	-	-	14.1	12.9
Unrestricted	17.0	13.9	61.9	61.0	78.9	74.9
Total net assets	\$ 171.0	\$ 171.5	\$ 137.4	\$ 138.0	\$ 308.4	\$ 309.5

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the years ended June 30, 2012 and 2011:

TABLE 2

	Governmental		Business-type		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 14.9	\$ 10.6	\$ 26.1	\$ 25.5	\$ 41.0	\$ 36.1
Operating grants and contributions	7.6	7.3	-	-	7.6	7.3
Capital grants and contributions	0.9	2.2	0.1	0.3	1.0	2.5
General revenue:						
Property taxes	36.3	37.3	-	-	36.3	37.3
State-shared revenue	6.2	5.7	-	-	6.2	5.7
Loss on sale of capital assets	-	-	-	-	-	-
Interest	0.3	0.3	0.4	0.7	0.7	1.0
Other	2.2	1.2	-	-	2.2	1.2
Total revenue	68.4	64.6	26.6	26.5	95.0	91.1
Program Expenses						
General government	11.9	11.4	-	-	11.9	11.4
Public safety	27.9	28.1	-	-	27.9	28.1
Public works	16.6	14.1	-	-	16.6	14.1
Community and economic development	2.1	2.6	-	-	2.1	2.6
Recreation and culture	9.6	8.3	-	-	9.6	8.3
Interest on long-term debt	0.8	0.8	-	-	0.8	0.8
Water and sewer	-	-	27.2	26.2	27.2	26.2
Ice arena	-	-	-	1.4	-	1.4
Total program expenses	68.9	65.3	27.2	27.6	96.1	92.9
Change in Net Assets Before Transfers	(0.5)	(0.7)	(0.6)	(1.1)	(1.1)	(1.8)
Transfers In (Out)	-	1.1	-	(1.1)	-	-
Change in Net Assets	(0.5)	0.4	(0.6)	(2.2)	(1.1)	(1.8)
Net Assets - Beginning of year	171.5	171.1	138.0	140.2	309.5	311.3
Net Assets - End of year	<u>\$ 171.0</u>	<u>\$ 171.5</u>	<u>\$ 137.4</u>	<u>\$ 138.0</u>	<u>\$ 308.4</u>	<u>\$ 309.5</u>

Governmental Activities

The City's total governmental activities revenue increased by \$3.8 million or 5.88 percent from a year ago. This was primarily attributed to an increase in service charges and state-shared revenue, partially offset by a decrease in property taxes and grants, in fiscal year 2011-2012 compared to fiscal year 2010-2011. The City's total governmental program expenses increased by \$3.6 million or 5.51 percent from a year ago. This was primarily attributed to increases in general government, public works, and recreation and culture, partially offset by decreases in public safety and community and economic development.

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

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 80 percent of the actuarial required contributions for 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 purchased from the City of Detroit water system through a contract with Oakland County Department of Public Works, which operates the City's utility system. The utility system incurred a \$1.5 million operating loss in fiscal year 2011-2012, compared to a \$2.4 million loss in fiscal year 2010-2011. This \$0.9 million decrease in loss from the prior year resulted from an increase of \$1.8 million or approximately 8 percent in system operating revenue while operating expenses increased \$0.9 million or approximately 4 percent compared to fiscal year 2010-2011. This loss was made worse by investment income decreases due to decreasing interest rates and less capital contributions during fiscal year 2011-2012. Overall, in fiscal year 2011-2012, water and sewer activities net assets decreased \$0.59 million or 0.43 percent. This compares favorably to the \$0.94 million decrease in 2010-2011.

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 2011-2012 include the General Fund, the Major Roads Fund, the Local Roads Fund, the Capital Improvement Fund, the Special Assessment Fund, and the Public Safety Millage Fund. Capital improvements in the major funds category include major and local road reconstruction/resurfacing, drainage improvements, sidewalks/bike path replacement/construction, facility improvements and expansions, technology upgrades, and the purchase of vehicles and equipment.

The original fiscal year 2011-2012 General Fund budget (which is the adopted budget plus budgets from the carryforward of prior year encumbrances) reflected the use of \$1.1 million of fund balance to balance the budget. The budget reflected expenditures exceeding revenue by \$0.2 million and operating transfers out exceeding operating transfers in by \$0.9 million. The General Fund's fund balance actually increased by \$3.3 million or 22 percent. The \$4.4 million increase in fund balance compared to the original budget is due primarily to a \$1.6 million increase in actual revenue compared to the original budget and a \$2.8 million decrease in actual expenditures compared to the original budget. The decrease in actual expenditures compared to the original budget occurred in all functional categories.

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

The \$125,000 or approximately 5 percent increase in the Major Road Fund - fund balance (which is an increase over what was planned for in the original budget) was the result of more gas and weight tax revenue than originally budgeted and less expenditures than budgeted. The \$109,000 or approximately 18 percent decrease in the Local Road Fund - fund balance (which is an improvement over what was planned for in the original budget) was primarily the result of more than originally budgeted gas and weight tax and fines revenue, as well as less than originally budgeted expenditures. The \$484,000 or 35 percent decrease in the fund balance in the Special Assessment Fund is due primarily to greater than budgeted transfers out to the Local Road Fund and Special Assessment Revolving Fund.

The \$44,000 or approximately 1 percent increase in fund balance in the Capital Improvement Fund (which is an improvement over what was planned for in the original budget) was the net result of more grant revenue, less expenditures, and less transfers in than originally budgeted. The \$414,000 or approximately 26 percent decrease in the fund balance of the Public Safety Millage Fund (of which the decrease was greater than what was planned for in the original budget) was used to fund police and fire department personnel from dedicated special millage tax dollars.

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 \$677,434 or 1.3 percent increase in total revenue from the final amended budget reflected a net of less than expected property taxes, fines and forfeitures, investment income, and local donations, partially offset by more than anticipated licenses and permits, grants, state-shared revenue and service charges, and miscellaneous income.
- Transfers in and transfers out equaled the final amended budget.
- The \$1,602,409 or 3.3 percent decrease in total expenditures from the final amended budget reflected primarily a net of less than expected expenditures in the general government, public safety, public works, and community and economic development activities, partially offset by more than anticipated expenditures in the recreation and culture activity.

Capital Asset and Debt Administration

On June 30, 2012, the City had \$233 million in total net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure (streets, sidewalks, drains, water, and sewer) assets, net of depreciation, included in this report is \$131.4 million (see Note 5 of the notes to financial statements for additional information).

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net assets. The City's total debt decreased by \$1,853,773 (9.5 percent) during the current fiscal year. The decrease was the result of the annual maturity of pre-existing debt (see Note 7 of the notes to financial statements for additional information). The City maintains non-insured ratings as follows: AA+ rating from Standard & Poor's and Aa1 rating from Moody's.

Economic Factors and Next Year's Budgets and Rates

The City's tax rate was stable for many years through 2005 at approximately 10.2 mills. Due to the passage of a dedicated library millage, the tax rate for fiscal year 2006 was reduced by 0.70 mills to 9.5221 mills. For fiscal year 2007, the tax rate was raised to 10.0216 due to the implementation of the 0.5 public safety millage increase, reduced by the Headlee Amendment to 0.4995 mills, which was passed by a public vote in November 2003. The fiscal year 2011-2012 tax rate increased to 10.6180 mills, due to a 0.5000 increase in the operating millage, a 0.0812 increase in the refuse removal millage and the enactment of a new 0.0152 economic development millage. The City's tax base has decreased. The reduction in the tax base is projected to be 6.2 percent for fiscal year 2012-2013. Our state equalized value (SEV) will be \$3.11 billion, which is \$28 million more than our taxable value. This is significant because taxes are based on taxable value, not SEV. The tax base is well diversified with residential accounting for 65 percent, commercial 24 percent, industrial 3 percent, and personal property 8 percent. Tax base diversification is further demonstrated by the fact that the top 10 taxpayers combined account for less than 9 percent of the tax roll. Taxes account for approximately 55 percent of the fiscal year 2012/2013 General Fund budgeted revenue, while state-shared revenue accounts for approximately 12 percent of the fiscal year 2012/2013 General Fund budgeted revenue. The fiscal year 2012-2013 General Fund budget is balanced, with no use of fund balance.

On the expense side, the City operates with a relatively small labor force and low personnel costs. The only abnormal cost increases are projected in healthcare costs both for current employees and future retirees as well as pension costs. The City will continue to adjust expenditures in fiscal year 2012-2013 to match revenue projections as they are revised.

Contacting the City's Management

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

City of Farmington Hills, Michigan

Statement of Net Assets June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 4)	\$ 30,617,996	\$ 55,979,101	\$ 86,597,097	\$ 750,330
Receivables:				
Receivables from sales to customers on account	-	8,532,031	8,532,031	-
Other receivables	787,967	17	787,984	-
Due from other governmental units	3,970,495	-	3,970,495	-
Special assessments receivable	5,962,155	-	5,962,155	-
Internal balances (Note 6)	63,340	(63,340)	-	-
Inventory	685,977	-	685,977	-
Prepaid expenses and other assets	126,719	-	126,719	-
Advances due from SWOCC (Note 13)	940,783	-	940,783	-
Noncurrent assets - Capital assets (Note 5):				
Assets not subject to depreciation	50,853,381	2,105,467	52,958,848	-
Assets subject to depreciation	106,659,838	73,419,856	180,079,694	-
Total assets	200,668,651	139,973,132	340,641,783	750,330
Liabilities				
Accounts payable	2,095,691	2,595,075	4,690,766	-
Due to other governmental units	266,711	2,751	269,462	-
Accrued liabilities and other	3,641,381	-	3,641,381	-
Unearned revenue (Note 14)	104,266	-	104,266	-
Noncurrent liabilities (Note 7):				
Due within one year	4,541,465	-	4,541,465	-
Due in more than one year	19,074,493	-	19,074,493	-
Total liabilities	29,724,007	2,597,826	32,321,833	-
Net Assets				
Invested in capital assets - Net of related debt	139,887,283	75,525,323	215,412,606	-
Restricted for:				
Streets and highways	3,340,435	-	3,340,435	-
Debt service	4,779,364	-	4,779,364	-
Capital projects	2,471,150	-	2,471,150	-
Police and fire	2,430,549	-	2,430,549	-
Parks and recreation	1,047,427	-	1,047,427	-
Unrestricted	16,988,436	61,849,983	78,838,419	750,330
Total net assets	<u>\$ 170,944,644</u>	<u>\$ 137,375,306</u>	<u>\$ 308,319,950</u>	<u>\$ 750,330</u>

City of Farmington Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 11,860,089	\$ 4,266,458	\$ 370,077	\$ 126,385
Public safety	27,907,504	1,785,872	909,342	-
Public works	16,618,458	3,732,813	5,626,904	825,939
Community and economic development	2,127,764	339,168	-	-
Recreation and culture	9,656,597	4,733,470	715,694	-
Interest on long-term debt	826,341	-	-	-
Total governmental activities	68,996,753	14,857,781	7,622,017	952,324
Business-type activities	27,157,676	26,095,005	-	89,998
Total primary government	\$ 96,154,429	\$ 40,952,786	\$ 7,622,017	\$ 1,042,322
Component units:				
Economic Development Corporation	\$ 23,923	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	44,300	-	-	-
Total component units	\$ 68,223	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities
Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,097,169)	\$ -	\$ (7,097,169)	\$ -
(25,212,290)	-	(25,212,290)	-
(6,432,802)	-	(6,432,802)	-
(1,788,596)	-	(1,788,596)	-
(4,207,433)	-	(4,207,433)	-
(826,341)	-	(826,341)	-
(45,564,631)	-	(45,564,631)	-
-	(972,673)	(972,673)	-
(45,564,631)	(972,673)	(46,537,304)	-
-	-	-	(23,923)
-	-	-	(44,300)
-	-	-	(68,223)
36,296,428	-	36,296,428	240,738
6,162,235	-	6,162,235	-
329,190	364,135	693,325	395
2,282,454	2,723	2,285,177	500
45,070,307	366,858	45,437,165	241,633
(13,885)	13,885	-	-
(508,209)	(591,930)	(1,100,139)	173,410
171,452,853	137,967,236	309,420,089	576,920
\$ 170,944,644	\$ 137,375,306	\$ 308,319,950	\$ 750,330

City of Farmington Hills, Michigan

	General Fund	Major Roads Fund	Local Roads Fund	Capital Improvement Fund	Special Assessment Fund
Assets					
Cash and cash equivalents (Note 4)	\$ 16,986,231	\$ 2,380,049	\$ 346,220	\$ 3,852,408	\$ 920,771
Receivables:					
Special assessments receivable	-	-	-	-	5,962,155
Other receivables	764,654	-	5,235	15,310	-
Due from other governmental units	2,950,277	681,966	223,095	21,717	-
Due from other funds	874,007	67,497	194,430	84	164,522
Prepaid expenses and other assets	4,656	-	122,063	-	-
Advances due from SWOCC (Note 13)	940,783	-	-	-	-
Total assets	\$ 22,520,608	\$ 3,129,512	\$ 891,043	\$ 3,889,519	\$ 7,047,448
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 910,695	\$ 295,878	\$ 216,898	\$ 189,370	\$ -
Due to other funds	118,469	-	164,598	3,605	140,041
Accrued liabilities and other	3,422,166	-	-	-	34,400
Deferred revenue (Note 14)	58,335	-	2,746	-	5,962,155
Total liabilities	4,509,665	295,878	384,242	192,975	6,136,596
Fund Balances					
Nonspendable:					
Prepays	4,656	-	122,063	-	-
Long-term receivable	940,783	-	-	-	-
Restricted:					
Roads	-	2,833,634	384,738	-	-
Police and fire	-	-	-	-	-
Debt service	-	-	-	-	910,852
Grants - Fire protection	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Committed - Special assessment projects	-	-	-	-	-
Assigned:					
Capital projects	-	-	-	3,696,544	-
Debt service	-	-	-	-	-
Future expenditures (Note 15)	7,017,349	-	-	-	-
Unassigned	10,048,155	-	-	-	-
Total fund balances	18,010,943	2,833,634	506,801	3,696,544	910,852
Total liabilities and fund balances	\$ 22,520,608	\$ 3,129,512	\$ 891,043	\$ 3,889,519	\$ 7,047,448

**Governmental Funds
Balance Sheet
June 30, 2012**

Public Safety Millage Fund	Nonmajor Funds	Total
\$ 1,835,721	\$ 4,296,596	\$ 30,617,996
-	-	5,962,155
-	2,768	787,967
-	93,440	3,970,495
-	180	1,300,720
-	-	126,719
-	-	940,783
<u>\$ 1,835,721</u>	<u>\$ 4,392,984</u>	<u>\$ 43,706,835</u>
\$ -	\$ 482,850	\$ 2,095,691
665,079	145,588	1,237,380
-	-	3,456,566
-	43,185	6,066,421
665,079	671,623	12,856,058
-	-	126,719
-	-	940,783
-	-	3,218,372
1,170,642	1,237,541	2,408,183
-	-	910,852
-	22,366	22,366
-	1,047,427	1,047,427
-	1,178,314	1,178,314
-	48,869	3,745,413
-	186,844	186,844
-	-	7,017,349
-	-	10,048,155
1,170,642	3,721,361	30,850,777
<u>\$ 1,835,721</u>	<u>\$ 4,392,984</u>	<u>\$ 43,706,835</u>

City of Farmington Hills, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

Fund Balance Reported in Governmental Funds	\$ 30,850,777
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	157,513,219
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	5,962,155
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(17,625,936)
Accrued interest is not due and payable in the current period and is not reported in the funds	(184,815)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(4,784,923)
Other long-term liabilities, specifically general liability claims, do not present a claim on current financial resources and are not reported as fund liabilities	(561,000)
Other long-term liabilities, specifically amounts due to the 47th District Court and Oakland County, do not present a claim on current financial resources and are not reported as fund liabilities	(266,711)
Inventories are not recorded as assets in the governmental funds	685,977
Other postemployment obligations for employee health benefits that do not present a claim on current financial resources and are not reported as fund liability	(644,099)
Net Assets of Governmental Activities	<u>\$ 170,944,644</u>

City of Farmington Hills, Michigan

	General Fund	Major Roads Fund	Local Roads Fund	Capital Improvement Fund	Special Assessment Fund
Revenue					
Property taxes	\$ 29,937,954	\$ -	\$ -	\$ -	\$ -
Licenses and permits	828,944	-	-	-	-
Federal grants	161,074	134,439	-	94,521	-
State-shared revenue and grants	6,394,827	4,222,287	1,350,660	24,000	-
Charges for services	10,094,367	-	-	-	-
Fines and forfeitures	2,042,286	-	107,561	-	-
Investment income	98,321	1,644	198	2,692	219,160
Other revenue:					
Special assessments	-	-	-	-	825,939
Other grants and contributions	5,000	4,442	-	-	-
Other miscellaneous income	2,004,233	2,185	-	9,368	-
Total revenue	51,567,006	4,364,997	1,458,419	130,581	1,045,099
Expenditures					
Current:					
General government	9,927,083	-	-	-	-
Public safety	21,111,697	-	-	-	-
Public works	7,178,857	3,789,982	2,412,416	-	-
Community and economic development	1,675,066	-	-	-	-
Recreation and culture	7,433,857	-	-	-	-
Capital outlay	-	-	-	874,411	20,490
Debt service	-	-	-	-	473,717
Total expenditures	47,326,560	3,789,982	2,412,416	874,411	494,207
Excess of Revenue Over (Under) Expenditures	4,240,446	575,015	(953,997)	(743,830)	550,892
Other Financing Sources (Uses)					
Transfers in	1,494,517	-	844,641	788,369	-
Transfers out	(2,433,906)	(450,000)	-	-	(1,034,413)
Total other financing (uses) sources	(939,389)	(450,000)	844,641	788,369	(1,034,413)
Net Change in Fund Balances	3,301,057	125,015	(109,356)	44,539	(483,521)
Fund Balances - Beginning of year	14,709,886	2,708,619	616,157	3,652,005	1,394,373
Fund Balances - End of year	\$ 18,010,943	\$ 2,833,634	\$ 506,801	\$ 3,696,544	\$ 910,852

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2012**

Public Safety Millage Fund	Nonmajor Funds	Total
\$ 4,778,477	\$ 1,579,997	\$ 36,296,428
-	-	828,944
-	1,163,056	1,553,090
-	73,807	12,065,581
-	-	10,094,367
-	-	2,149,847
3,252	3,923	329,190
-	-	825,939
-	-	9,442
-	689,049	2,704,835
<u>4,781,729</u>	<u>3,509,832</u>	<u>66,857,663</u>
-	100	9,927,183
5,195,973	564,413	26,872,083
-	-	13,381,255
-	374,857	2,049,923
-	435,625	7,869,482
-	191,574	1,086,475
-	2,223,792	2,697,509
<u>5,195,973</u>	<u>3,790,361</u>	<u>63,883,910</u>
(414,244)	(280,529)	2,973,753
-	3,516,839	6,644,366
-	(2,739,932)	(6,658,251)
-	776,907	(13,885)
(414,244)	496,378	2,959,868
<u>1,584,886</u>	<u>3,224,983</u>	<u>27,890,909</u>
<u>\$ 1,170,642</u>	<u>\$ 3,721,361</u>	<u>\$ 30,850,777</u>

City of Farmington Hills, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 2,959,868

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

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

Capital outlay	2,347,706
Depreciation expense	(8,981,967)
Net book value of assets disposed of	(4,086)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	1,644,766
---	-----------

Governmental funds report inventory purchases as expenditures; in the statement of activities, these costs are expensed as used	(40,884)
---	----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,853,773
---	-----------

Change in accrued interest payable and other	17,395
--	--------

Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities that do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	658,878
--	---------

The changes in liabilities for general claims and amounts due to the 47th District Court are recorded when incurred in the statement of activities	(319,559)
--	-----------

Increases in other postemployment healthcare benefits liability reported in the statement of activities that do not require the use of current financial resources and therefore are not reported in the fund statements until they come due for payment	(644,099)
--	-----------

Change in Net Assets of Governmental Activities \$ (508,209)

City of Farmington Hills, Michigan

Proprietary Funds Statement of Net Assets June 30, 2012

	<u>Enterprise Fund - Water and Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 4)	\$ 55,979,101
Receivables	8,532,048
Due from other funds (Note 6)	<u>100</u>
Total current assets	64,511,249
Noncurrent assets - Capital assets (Note 5)	<u>75,525,323</u>
Total assets	140,036,572
Liabilities - Current liabilities	
Accounts payable	2,595,075
Due to other governmental units	2,751
Due to other funds (Note 6)	<u>63,440</u>
Total liabilities	<u>2,661,266</u>
Net Assets	
Invested in capital assets - Net of related debt	75,525,323
Unrestricted	<u>61,849,983</u>
Total net assets	<u><u>\$ 137,375,306</u></u>

City of Farmington Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Fund - Water and Sewer
Operating Revenue	
Sale of water	\$ 13,157,700
Sewage disposal charges	10,030,725
Other operating revenue	<u>2,370,178</u>
Total operating revenue	25,558,603
Operating Expenses	
Cost of water	10,258,029
Cost of sewage treatment	7,963,640
Other operation and maintenance	4,627,817
Billing and administrative costs	928,438
Depreciation	<u>3,343,107</u>
Total operating expenses	<u>27,121,031</u>
Operating Loss	(1,562,428)
Nonoperating Revenue (Expenses)	
Investment income	364,135
Other nonoperating expenses	(36,645)
Debt service charge	536,402
Other nonoperating revenue	<u>2,723</u>
Loss - Before contributions	(695,813)
Capital Contributions	
Tap-in fees	68,198
Other capital contributions	<u>21,800</u>
Total capital contributions	89,998
Transfers In	<u>13,885</u>
Change in Net Assets	(591,930)
Net Assets - Beginning of year	<u>137,967,236</u>
Net Assets - End of year	<u><u>\$ 137,375,306</u></u>

City of Farmington Hills, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	<u>Enterprise Fund - Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 26,454,316
Disbursements from interfund services and reimbursements	(36,411)
Payments to suppliers	(23,009,763)
Payments to employees	<u>(368,990)</u>
Net cash provided by operating activities	3,039,152
Cash Flows from Noncapital Financing Activities -	
Transfers from other funds	13,885
Cash Flows from Capital and Related Financing Activities	
Tap-in fees and other	34,276
Purchase of capital assets	(1,837,374)
Debt service and capital charges	<u>536,402</u>
Net cash used in capital and related financing activities	(1,266,696)
Cash Flows from Investing Activities - Interest received on investments	<u>364,135</u>
Net Increase in Cash and Cash Equivalents	2,150,476
Cash and Cash Equivalents - Beginning of year	<u>53,828,625</u>
Cash and Cash Equivalents - End of year	<u>\$ 55,979,101</u>
Balance Sheet Classification of Cash and Cash Equivalents -	
Cash and investments	<u>\$ 55,979,101</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,562,428)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	3,343,107
Changes in assets and liabilities:	
Receivables	895,713
Due to other funds	(36,411)
Accounts payable and other	<u>399,171</u>
Net cash provided by operating activities	<u>\$ 3,039,152</u>
Noncash Transactions - Noncash capital contributions	<u>\$ 21,800</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2012, developers constructed water and sewer lines with an estimated value of \$21,800 and donated them to the City.

City of Farmington Hills, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 7,507,019	\$ 4,396,910
Investments:		
Stocks	55,062,087	-
Pooled funds	112,021,434	-
Receivables	324,766	2,512
Total assets	174,915,306	<u>\$ 4,399,422</u>
Liabilities		
Accounts payable	335,190	\$ -
Other payables	598,728	995,751
Due to primary government	1,696,863	-
Refundable deposits, bonds, etc.	-	3,403,671
Total liabilities	2,630,781	<u>\$ 4,399,422</u>
Net Assets Held in Trust for Pension and Other Employee Benefits	<u>\$ 172,284,525</u>	

City of Farmington Hills, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2012

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,618,350
Net decrease in fair value of investments	(3,775,209)
Investment-related expenses	(802,806)
Net investment loss	(1,959,665)
Contributions:	
Employer	7,646,943
Employee	1,298,256
Other	146,953
Total contributions	9,092,152
Total additions - Net	7,132,487
Deductions	
Benefit payments	7,996,613
Refunds of contributions	2,116,446
Total deductions	10,113,059
Net Decrease in Net Assets Held in Trust	(2,980,572)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	175,265,097
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 172,284,525</u>

City of Farmington Hills, Michigan

Component Units Statement of Net Assets June 30, 2012

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Assets - Cash and cash equivalents	\$ 44,627	\$ 705,703	\$ 750,330
Net Assets - Unrestricted	\$ 44,627	\$ 705,703	\$ 750,330

City of Farmington Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation	\$ 23,923	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	44,300	-	-	-
Total component units	\$ 68,223	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 Unrestricted investment income
 Other miscellaneous income
 Total general revenue

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2012**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Economic</u>	<u>Brownfield</u>	
<u>Development</u>	<u>Redevelopment</u>	
<u>Corporation</u>	<u>Authority</u>	<u>Total</u>
\$ (23,923)	\$ -	\$ (23,923)
-	(44,300)	(44,300)
(23,923)	(44,300)	(68,223)
-	240,738	240,738
56	339	395
500	-	500
556	241,077	241,633
(23,367)	196,777	173,410
67,994	508,926	576,920
\$ 44,627	\$ 705,703	\$ 750,330

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Farmington Hills, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Farmington Hills, Michigan:

Reporting Entity

The City of Farmington Hills, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Farmington Hills Building Authority (the "Authority") is governed by a board that is 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 primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor debt service fund.

Discretely Presented Component Units - The following component units are reported within the component units column in the financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units do not issue separate financial statements. However, the City's basic financial statements include the statement of net assets and the activities of the component units. For both 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.

- a. 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.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- b. 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, 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 segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants 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 revenue are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The agency funds have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The component unit government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The component unit fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. There are no differences between the economic resources measurement focus and the current financial resources measurement focus; therefore, separate financial statements have not been presented.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, intergovernmental revenue, special assessments, state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. All other revenue items are considered available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Roads Fund - The Major Roads Fund accounts for the resources of state gas and weight tax revenues that are 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 revenues that are restricted for use on local streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Capital Improvement Fund - The Capital Improvement Fund accounts for projects and equipment acquisitions in excess of \$25,000 financed by a portion of the millage from within the City Charter millage cap, allocated for this purpose by the City Council.

Special Assessment Fund - The Special Assessment Fund is used to accumulate special assessment collections to be used to pay debt service costs for bonds issued for specific local improvements that benefit property owners and to account for the construction activity for local improvements that benefit property owners. In prior years, the City accounted for and reported the debt service and construction activity as separate funds. In the current year, the City combined the special assessment debt service and capital projects funds and is now reporting the activity as one special assessment fund.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 fund:

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

Additionally, the City reports the following fiduciary activities:

Pension and Other Employee Benefits Trust Fund - The Pension and Other Employee Benefits Trust Fund accounts for the activities of the employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. They record primarily tax collections received and remitted to other units of government (the county, community college, school districts, etc.) as well as building bonds and deposits, held for temporary periods.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements 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.

Property Taxes - 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.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note I - Nature of Business and Significant Accounting Policies (Continued)

The 2011 taxable valuation of the City totaled \$3,253,217,985, on which ad valorem taxes less special acts levied consisted of 7.9560 mills for operating purposes, .4882 mills for parks and recreation, .6822 mills for refuse, .0152 mills for public information, and 1.4764 mills for public safety. This resulted in approximately \$25,800,000 for operating, \$1,580,000 for parks and recreation, \$2,225,000 for refuse, \$49,000 for public information, and \$4,790,000 for public safety. These amounts are recognized in the respective General Fund, special revenue fund, and debt service fund financial statements as taxes receivable - current or as tax revenue, prior to Brownfield captures.

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

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

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

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

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note I - Nature of Business and Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation, sick, and personal pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when the time is taken off or employees terminate. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Assigned - Intent to spend resources on specific purposes expressed by the governing body or finance director or city manager, who are authorized by resolution approved by the governing body to make assignments
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Note 2 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 2 - Upcoming Accounting Pronouncements (Continued)

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of fiscal year 2013-2014.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Farmington Hills, Michigan, this standard will be adopted during fiscal year 2013-2014.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 2 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the fiscal year ending 2013-2014.

Note 3 - Stewardship, Compliance, and Accountability

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

Shortfall at July 1, 2011		\$	(4,743,591)
Current year permit revenue			768,834
Related expenses:			
Direct costs	\$	773,618	
Estimated indirect costs		125,903	899,521
			<u> </u>
Current year shortfall			<u>(130,687)</u>
Cumulative shortfall at June 30, 2012		\$	<u>(4,874,278)</u>

The City adopts a formal budget for the General Fund and all special revenue and debt service 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.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

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

The budget is adopted on an activity basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2012 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, and debt service funds is a summarization of the actual adopted budget. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. A comparison of the adopted budget with the actual revenue and expenditures for the year is presented as required supplemental information.

Due to the volume of individual special assessment funds maintained by the City, the activity for the funds has been presented on a combined basis in the Special Assessment Fund for financial statement purposes. In accordance with State of Michigan law, the City maintains separate accounting records for all special assessment districts.

Excess of Expenditures Over Appropriations in Budgeted Funds

The City incurred expenditures which were in excess of the amounts budgeted during the year, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Recreation and culture	\$ 7,238,747	\$ 7,433,857	\$ (195,110)
Local Roads Fund - Public works	2,233,589	2,412,416	(178,827)
Special Assessment Fund - Debt service - Transfers out	651,480	1,034,413	(382,933)
Forfeiture funds - Public safety	75,780	564,413	(488,633)

These unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments

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

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

The City has designated 11 banks/advisors for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowable under the state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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 \$7,324,724 of bank deposits (certificates of deposit, 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.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments (Continued)

The component units do not have a deposit policy for custodial credit risk. At year end, the component units had approximately \$456,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The component units believe 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 component units evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

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

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

At year end, the average maturity of investments is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government - Bank investment pool	<u>\$ 25,026,131</u>	30 days

Credit Risk

City Policy - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments (Continued)

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

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Bank investment pool	\$ 10,802,957	AAAm	S&P
Bank investment pool	2,182,937	Aaa	Moody's
Bank investment pool	<u>47,060,686</u>	Not rated	N/A
Total	<u>\$ 60,046,580</u>		
Retirement System - Pooled investments	\$ 9,129,494	Not rated	N/A
Health Care Fund - Pooled investments/ Mutual funds	<u>\$ 18,234,006</u>	Not rated	N/A

Concentration of Credit Risk

Retirement System - The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. As of year end, the plan had multiple investments, which consisted mostly of pooled investments that exceeded 5.00 percent of the total portfolio. The plan had 8.49 percent invested in Entrust Fund, 7.75 percent invested in Brandywine Global Fixed Income, 7.33 percent invested in Tradewinds Global All-Cap Portfolio, 7.13 percent invested in iShares Trust, and 19.08 percent invested in Loomis Sayles investments.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments (Continued)

Healthcare System - The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. As of year end, the Plan had multiple investments, which consisted mostly of pooled investments that exceeded 5.00 percent of the total portfolio. The Plan had 6.76 percent invested in Loomis Investment Grade Bond Fund, 8.72 percent invested in PIMCO Total Return Fund, 9.22 percent invested in Templeton Global Bond Fund, and 14.13 percent invested in iShares Barclays Aggregate Bond Fund.

Risks and Uncertainties - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Note 5 - Capital Assets

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

	Balance July 1, 2011	Transfers/ Reclassifications	Additions	Disposals	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 16,758,813	\$ -	\$ 4,763	\$ -	\$ 16,763,576
Construction in progress	5,334,519	(3,732,292)	925,648	-	2,527,875
Right of way	31,561,930	-	-	-	31,561,930
Subtotal	53,655,262	(3,732,292)	930,411	-	50,853,381
Capital assets being depreciated:					
Sidewalks	12,621,524	160,944	15,902	-	12,798,370
Drain rights	17,206,941	-	-	-	17,206,941
Buildings and improvements	61,215,729	-	403,263	-	61,618,992
Machinery and equipment	14,574,495	-	468,668	26,793	15,016,370
Vehicles	12,620,725	-	412,061	494,259	12,538,527
Office furnishings	4,420,366	-	5,148	16,701	4,408,813
Land improvements	18,171,162	-	67,305	-	18,238,467
Major roads	56,616,053	2,765,945	33,810	-	59,415,808
Local roads	77,599,977	805,403	11,138	-	78,416,518
Subtotal	275,046,972	3,732,292	1,417,295	537,753	279,658,806
Accumulated depreciation:					
Sidewalks	7,842,317	-	355,345	-	8,197,662
Drain rights	6,700,346	-	344,139	-	7,044,485
Buildings and improvements	25,263,454	-	2,036,923	-	27,300,377
Machinery and equipment	9,525,143	-	995,441	26,556	10,494,028
Vehicles	6,612,657	-	987,630	490,410	7,109,877
Office furnishings	3,174,669	-	256,182	16,701	3,414,150
Land improvements	11,867,554	-	885,401	-	12,752,955
Major roads	31,526,169	-	1,496,870	-	33,023,039
Local roads	62,038,359	-	1,624,036	-	63,662,395
Subtotal	164,550,668	-	8,981,967	533,667	172,998,968
Net capital assets being depreciated	110,496,304	3,732,292	(7,564,672)	4,086	106,659,838
Net capital assets	\$ 164,151,566	\$ -	\$ (6,634,261)	\$ 4,086	\$ 157,513,219

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2011	Transfers/ Reclassifications	Additions	Disposals	Balance June 30, 2012
Capital assets not being depreciated - Construction in progress	\$ 552,878	\$ (284,785)	\$ 1,837,374	\$ -	\$ 2,105,467
Capital assets being depreciated:					
Sewage disposal system	95,515,739	-	-	-	95,515,739
Water distribution system	69,163,509	284,785	21,800	-	69,470,094
Subtotal	164,679,248	284,785	21,800	-	164,985,833
Accumulated depreciation:					
Sewage disposal system	50,491,715	-	1,867,712	-	52,359,427
Water distribution system	37,731,155	-	1,475,395	-	39,206,550
Subtotal	88,222,870	-	3,343,107	-	91,565,977
Net capital assets being depreciated	76,456,378	284,785	(3,321,307)	-	73,419,856
Net capital assets	\$ 77,009,256	\$ -	\$ (1,483,933)	\$ -	\$ 75,525,323

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

Governmental activities:	
General government	\$ 1,421,301
Public safety	1,434,123
Public works	4,313,902
Community and economic development	1,895
Recreation and culture	1,810,746
Total governmental activities	\$ 8,981,967
Business-type activities - Water and sewer	\$ 3,343,107

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end. The projects include police building improvements, water main/major road improvements, and local road special assessment district improvements which were budgeted for and planned. No new debt was issued for the police building or water main/major road improvement projects. The City issued debt for the special assessment district improvements subsequent to year end as further explained in Note 14. At year end, the City's commitments with contractors are as follows:

	<u>Remaining Commitment</u>
Police building	\$ 600,095
Water main/Major road improvements	1,233,916
Local road special assessment district improvements	<u>1,276,449</u>
Total	<u>\$ 3,110,460</u>

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 6 - Interfund Receivables, Payables, and Transfers

The following balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Public Safety Millage Fund	\$ 665,079
	Nonmajor governmental funds	145,488
	Water and Sewer Fund	<u>63,440</u>
	Total General Fund	874,007
Local Roads Fund	General Fund	50,964
	Capital Improvement	3,605
	Special Assessment Fund	<u>139,861</u>
	Total Local Roads Fund	194,430
Major Roads Fund	General Fund	67,421
	Local Road	<u>76</u>
	Total Major Roads Fund	67,497
Capital Improvement Fund	General Fund	84
Special Assessment Fund	Local Road	164,522
Nonmajor governmental funds	Special Assessment Fund	180
Water and Sewer Fund	Nonmajor governmental funds	<u>100</u>
	Total	<u>\$ 1,300,820</u>

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

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

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

Fund Transfer From	Fund Transfer To	Amount
General Fund	Capital Improvement Fund	\$ 788,108
	Nonmajor governmental funds	<u>1,645,798</u>
	Total General Fund	2,433,906
Major Roads Fund	Local Roads Fund	450,000
Special Assessment Fund	Local Roads Fund	378,195
	Water and Sewer Fund	13,885
	Nonmajor governmental funds	<u>642,333</u>
	Total Special Assessment Fund	1,034,413
Nonmajor governmental funds	General Fund	1,494,517
	Local Roads Fund	16,446
	Capital Improvement Fund	261
	Nonmajor governmental funds	<u>1,228,708</u>
	Total nonmajor governmental funds	<u>2,739,932</u>
	Total	<u><u>\$ 6,658,251</u></u>

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

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

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

Note 7 - Long-term Debt

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

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1998 Refunding Bonds:							
Amount of issue: \$4,495,000	4.35% -	\$460,000-					
Maturing through 2015	4.40%	\$500,000	\$ 1,920,000	\$ -	\$ 465,000	\$ 1,455,000	\$ 460,000
Less deferred amount - Issuance discounts			(113,750)	-	(32,500)	(81,250)	-
Building Authority Bonds:							
District Court Building:							
Amount of issue: \$11,000,000							
Maturing through 2021	4.30%	\$600,000	1,100,000	-	500,000	600,000	600,000
District Court Refunding Bonds, Series 2007:							
Amount of issue: \$6,555,000	4.00% -	\$685,000 -					
Maturing through 2021	5.50%	\$985,000	6,555,000	-	-	6,555,000	-
Building Authority Refunding Bonds, Series 2003:							
Amount of issue: \$2,910,000	3.50% -	\$180,000 -					
Maturing through 2018	4.00%	\$205,000	1,360,000	-	185,000	1,175,000	180,000
County contractual obligations:							
Caddell Drain Refunding Bonds:							
Amount of issue: \$1,388,991		\$122,739 -					
Maturing through 2014	5.875%	\$126,621	483,459	-	111,273	372,186	126,621
Golf Course Capital Improvement:							
Amount of issue: \$8,200,000	3.35%-	\$225,000-					
Maturing through 2031	4.375%	\$550,000	7,425,000	-	175,000	7,250,000	225,000
Special assessment bonds:							
Districts 270, 271, 274, 276, 277, 278, 279, 281, 283, and 284:							
Public improvements:							
Amount of issue - \$2,155,000							
Maturing through 2013	4.60%	\$25,000	50,000	-	25,000	25,000	25,000
Districts 285, 286, 287, 289, and 294:							
Public improvements:							
Amount of issue - \$2,860,000							
Maturing through 2013	3.80%	\$75,000	150,000	-	75,000	75,000	75,000
Districts 312, 314, and 315:							
Public improvements:							
Amount of issue - \$1,050,000							
Maturing through 2013	3.22%	\$100,000	225,000	-	125,000	100,000	100,000
Districts 292, 302, 303, 288, 291, 293, 295, 297, 290, and 300:							
Public improvements:							
Amount of issue - \$1,490,000	2.65%	\$25,000-					
Maturing through 2014	4.12%	\$75,000	175,000	-	75,000	100,000	75,000
Districts 306, 307, and 308:							
Public improvements:							
Amount of issue - \$1,585,000							
Maturing through 2012	3.25%	\$150,000	150,000	-	150,000	-	-
Total bonds payable			19,479,709	-	1,853,773	17,625,936	1,866,621
Other long-term obligations:							
Accumulated compensated absences							
Estimated self-insurance claims			5,443,801	1,821,421	2,480,299	4,784,923	2,113,844
Net OPEB pension obligation			286,000	275,000	-	561,000	561,000
			-	644,099	-	644,099	-
Total governmental activities			\$ 25,209,510	\$ 2,740,520	\$ 4,334,072	\$ 23,615,958	\$ 4,541,465

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$810,000. Annual debt service requirements to maturity for the above bonds and note obligations, excluding \$81,250 of unamortized discounts and deferred amounts, are as follows:

Years Ending June 30	Principal	Interest	Total
2013	\$ 1,866,621	\$ 735,466	\$ 2,602,087
2014	1,762,784	661,990	2,424,774
2015	1,757,781	584,139	2,341,920
2016	1,145,000	518,694	1,663,694
2017	1,270,000	462,269	1,732,269
2018-2022	5,630,000	1,485,444	7,115,444
2023-2027	2,150,000	699,656	2,849,656
2028-2032	2,125,000	189,766	2,314,766
Total	<u>\$ 17,707,186</u>	<u>\$ 5,337,424</u>	<u>\$ 23,044,610</u>

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2012, the City's portion of bonds outstanding that are considered defeased approximates \$10,209,000.

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. Proceeds from the County bonds provided financing for the construction of the storm drains. The remaining principal and interest to be paid on the bonds total \$393,808. During the current year, net revenue of the system, excluding depreciation, was \$1,780,679 compared to the annual debt requirements of \$127,683.

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, 2012, there is approximately \$14,110,000 of no commitment debt outstanding.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 8 - Defined Benefit Pension Plan

Plan Description - The City of Farmington Hills Employees' Retirement System (the "Plan") is a single-employer defined benefit pension plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. Plan benefits accrue to all general, court, police, and fire employees who qualify under the Plan. The Plan provides retirement and disability benefits to plan members and their beneficiaries. In addition to providing pension benefits, the Plan provides healthcare benefits (in accordance with certain union contracts) for plan members if they reach the normal retirement age while working for the City (see Note 9). Prior to January 1, 2005, accounts of the City of Farmington Hills Employees' Retirement System were maintained on a calendar year basis. As of January 1, 2005, the retirement system's year end was changed to June 30, the same fiscal year end as the City. The amounts included in the financial statements for this fund are as of June 30, 2012. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. 11 Mile Road, Farmington Hills, MI 48336.

Basis of Accounting - The Plan uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs of the Plan are paid by the General Fund.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 4.5 percent of base, longevity, and holiday (for certain groups) earnings for pension benefits plus an additional 1.5 percent for health insurance. The funding policy provides for periodic employer contributions at actuarially determined rates.

Employer contributions represented approximately 21.1 percent of covered payroll as reported on June 30, 2011.

Annual Pension Cost - For the year ended June 30, 2012, the City's annual pension cost of \$4,482,745 for the Plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2010	2011	2012
Annual pension cost (APC)	\$ 3,710,289	\$ 4,008,049	\$ 4,482,745
Percentage of APC contributed	100 %	100 %	100 %

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 8 - Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress - The funding status for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2009	2010	2011
Actuarial value of assets	\$ 123,309,158	\$ 122,384,733	\$ 126,993,894
Actuarial accrued liability (AAL) (entry age)	\$ 140,261,150	\$ 149,204,540	\$ 152,271,739
Unfunded AAL (UAAL)	\$ 16,951,992	\$ 26,819,807	\$ 25,277,845
Funded ratio	87.9 %	82.0 %	83.4 %
Covered payroll	\$ 24,904,782	\$ 21,749,242	\$ 21,236,510
UAAL as a percentage of covered payroll	68.1 %	123.3 %	119.0 %

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2010 using the individual entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.0 percent per year, (c) additional projected salary increases ranging from 4.0 percent to 24.0 percent per year, depending on age and employee group, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The police and fire unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis with an amortization period of 30 years. The general unfunded actuarial liability is being amortized as a level dollar amount on a closed basis with an amortization period of 16 years.

Reserves - As of June 30, 2012, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 14,925,239
Reserve for retired benefit payments	59,945,847

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 9 - Defined Contribution Pension Plan

The City provides retirement benefits through a defined contribution plan for eligible employees. The plan covers AFSCME, executive, and general employees hired on or after July 1, 2006, dispatch employees hired on or after January 1, 2007, and Teamster employees 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 \$1,961,297, resulting in an employer contribution of \$196,129 and employee contributions of \$98,065.

Note 10 - Other Postemployment Benefits

Plan Description - The City of Farmington Hills Postretirement Healthcare Finance Fund (the "Plan") is a single-employer other postemployment benefit plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. The City provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. At June 30, 2010, the date of the most recent actuarial valuation, 169 individuals are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, which generally requires employee contributions of 1.5 percent of earnings not in excess of the employee wage base. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. 11 Mile Road, Farmington Hills, MI 48336.

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

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 10 - Other Postemployment Benefits (Continued)

Funding Progress - For the year beginning July 1, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 21 years. Expenditures for postemployment healthcare benefits are funded on an actuarial basis. The City's actuarial required contribution for the year ended June 30, 2012 was \$3,955,250. The City contributed \$3,164,198 to the plan and received Medicare subsidies of \$146,953 for the fiscal year ended June 30, 2012. At June 30, 2010, the date of the most recent actuarial report, assets available for postemployment healthcare benefits totaled \$44,004,631, including amounts held by the City of Farmington Hills Employees' Retirement System and the Postretirement Health Care Finance Fund. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 3,955,250
Amounts contributed - Advance funding	<u>(3,311,151)</u>
Increase in net OPEB obligation	644,099
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 644,099</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Annual OPEB Costs	Net OPEB Obligation
6/30/10	6/30/08	\$ 2,971,747	\$ 2,971,747	\$ -
6/30/11	6/30/09	3,186,426	3,186,426	-
6/30/12	6/30/10	3,955,250	3,311,151	644,099

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

The funding progress of the Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 40,551,285	\$ 57,063,627	\$ 16,512,342	71.1	\$ 24,662,884	67.0
6/30/09	41,318,315	59,275,315	17,957,000	69.7	24,904,782	72.1
6/30/10	44,004,631	72,230,135	28,225,504	60.9	21,494,819	131.3

Note 10 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2010 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.00 percent after seven years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a dollar amount of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 20 years.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 11 - Other Postemployment Benefits - Defined Contribution Plan

The City provides a Retirement Health Savings (RHS) account for eligible employees and their dependents. The plan covers AFSCME, executive, and general employees hired on or after July 1, 2006, dispatch employees hired on or after January 1, 2007, Teamster and POAM employees hired on or after January 1, 2008, and IAFF employees hired on or after July 1, 2008. This is a defined contribution plan administered by the City. The collective bargaining agreements and/or city ordinance require all employees to contribute 1.5 percent of their base salary or wage plus longevity pay. The City contributes \$100 per month for the dispatch employees and \$125 per month for all other participating employee groups. All contributions plus interest allocated to the employees' accounts are fully vested after seven years of service. Once plan members terminate employment, they are eligible to use all vested contributions for allowable medical related expenses.

During the year ended June 30, 2012, the City made contributions of \$61,925 and the plan members contributed \$34,691 to the plan.

Note 12 - Risk Management

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

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

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

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 12 - Risk Management (Continued)

The City estimates the liability for medical and general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the General Fund and within the governmental activities column in the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	
	2012	2011
Unpaid claims - Beginning of year	\$ 1,180,654	\$ 1,294,038
Estimated incurred claims, including changes in estimates	4,394,323	4,871,972
Claim payments	<u>(4,254,444)</u>	<u>(4,985,356)</u>
Unpaid claims - End of year	<u>\$ 1,320,533</u>	<u>\$ 1,180,654</u>

A total of \$561,000 of the estimated liability for claims incurred but not reported is included as a general long-term liability in the governmental activities. Included in June 30, 2012 unpaid claims liability is \$563,833, which represents the accrual for claims incurred for medical costs and an estimated liability for general claims of \$195,700, both of which are reported in accrued and other liabilities in the General Fund.

Note 13 - Joint Ventures

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington and in the Southwest Oakland Cable Commission source with the cities of Farmington and Novi. The City provides approximately 86.4 percent of the funding for the Michigan 47th District Court Administration Fund. The Southwest Oakland Cable Commission currently does not receive a subsidy from the City.

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission for the acquisition of equipment and improvements to a new facility to be used in its operation. As of June 30, 2012, the total receivable advance is \$940,783. The advances will be repaid to the City in annual installments of approximately \$221,000, including interest at 4 percent, through 2017. Fund balance in the General Fund has been recorded as "nonspendable" for this advance since these amounts are not available for use to finance operations as of year end.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 13 - Joint Ventures (Continued)

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

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

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

Note 14 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds	
	Unavailable	Unearned
Special assessments	\$ 5,962,155	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	104,266
Total	<u>\$ 5,962,155</u>	<u>\$ 104,266</u>

Note 15 - Fund Balance Constraints

The fund balance assignment for future expenditures of \$7,017,349 includes \$114,464 for subsequent year expenditures, \$3,650,000 for retiree health care, \$786,086 for activities center, \$400,000 for buses, \$300,000 each for future inspections, \$300,000 for sidewalks/bikepaths, \$500,000 for finance software, \$250,000 for storm water, \$200,000 for police patrol cars, \$200,000 for communications, and \$316,799 for miscellaneous capital expenditures.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2012

Note 16 - Subsequent Events

In July 2012, the City issued \$3,440,000 in limited tax general obligation bonds. The issuance includes \$2,470,000 for 2012 Special Assessment Bonds maturing through April 2022 with interest rates ranging from 2.00 percent to 2.50 percent and \$970,000 for 2012 General Obligation Bonds maturing through April 2027 with interest rates ranging from 2.00 percent to 3.00 percent. Interest on the bonds will be payable semiannually on April 1 and October 1 of each year beginning on April 1, 2013. Principal payments will begin October 1, 2013.

In July 2012, Oakland County issued bonds in the amount of \$6,800,000 on behalf of the City for the construction of a water tower. The 2012 Oakland County Farmington Hills Water Supply System Bonds mature through October 2032 with interest rates ranging from 2.000 percent to 3.125 percent. Interest on the bonds will be payable semiannually on April 1 and October 1 of each year beginning on April 1, 2013. Principal payments will begin October 1, 2013.

Required Supplemental Information

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 30,014,070	\$ 30,006,970	\$ 29,937,954	\$ (69,016)
Other licenses and permits	718,325	753,443	828,944	75,501
Grants	144,780	131,674	161,074	29,400
State-shared revenue	5,689,369	6,308,415	6,394,827	86,412
Charges for services to external parties	9,711,761	9,702,337	10,094,367	392,030
Fines and forfeitures	2,175,000	2,100,833	2,042,286	(58,547)
Investment income	200,500	102,200	98,321	(3,879)
Local donations	1,000	10,000	5,000	(5,000)
Other miscellaneous income	1,310,647	1,773,700	2,004,233	230,533
Total revenue	49,965,452	50,889,572	51,567,006	677,434
Expenditures				
General government:				
City Council	112,622	105,740	103,398	2,342
Boards and commissions	2,828,631	2,785,125	2,689,287	95,838
City administration	838,707	826,247	871,581	(45,334)
Public information	420,192	403,558	391,259	12,299
Finance department	1,785,036	1,723,069	1,694,768	28,301
Clerk	638,060	650,354	637,811	12,543
Attorney	586,330	575,130	568,065	7,065
Human resources/personnel	468,122	418,086	402,148	15,938
Central services	1,350,907	1,303,701	1,263,966	39,735
Support services	2,117,806	2,348,426	1,304,800	1,043,626
Total general government	11,146,413	11,139,436	9,927,083	1,212,353
Public safety:				
Police	16,212,269	15,676,545	15,358,669	317,876
Fire	6,174,297	5,798,483	5,753,028	45,455
Total public safety	22,386,566	21,475,028	21,111,697	363,331
Public works:				
Road maintenance	2,149,148	1,978,495	1,917,500	60,995
Administration	457,258	467,850	426,384	41,466
Maintenance facility	1,312,889	1,281,275	1,207,337	73,938
Building maintenance	442,902	437,751	453,114	(15,363)
General refuse removal	3,512,660	3,535,470	3,536,076	(606)
Engineering	1,511,927	1,343,271	1,305,653	37,618
Public service reimbursement from road fund	(2,003,850)	(1,690,715)	(1,667,207)	(23,508)
Total public works	7,382,934	7,353,397	7,178,857	174,540

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Expenditures (Continued)				
Community and economic development	\$ 1,798,288	\$ 1,722,361	\$ 1,675,066	\$ 47,295
Recreation and culture	7,465,727	7,238,747	7,433,857	(195,110)
Total expenditures	<u>50,179,928</u>	<u>48,928,969</u>	<u>47,326,560</u>	<u>1,602,409</u>
Excess of Revenue (Under) Over Expenditures	(214,476)	1,960,603	4,240,446	2,279,843
Other Financing Sources (Uses)				
Transfers in	1,494,517	1,494,517	1,494,517	-
Transfers out	<u>(2,433,906)</u>	<u>(2,433,906)</u>	<u>(2,433,906)</u>	<u>-</u>
Total other financing uses	<u>(939,389)</u>	<u>(939,389)</u>	<u>(939,389)</u>	<u>-</u>
Net Change in Fund Balance	(1,153,865)	1,021,214	3,301,057	2,279,843
Fund Balance - Beginning of year	<u>14,709,886</u>	<u>14,709,886</u>	<u>14,709,886</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 13,556,021</u>	<u>\$ 15,731,100</u>	<u>\$ 18,010,943</u>	<u>\$ 2,279,843</u>

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

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund - Special Assessment Debt Service Major Roads Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 97,094	\$ 253,888	\$ 134,439	\$ (119,449)
Intergovernmental revenue	3,393,525	4,134,244	4,222,287	88,043
Investment income	1,500	1,500	1,644	144
Other revenue	-	1,739	6,627	4,888
Total revenue	<u>3,492,119</u>	<u>4,391,371</u>	<u>4,364,997</u>	<u>(26,374)</u>
Expenditures - Current - Public works	<u>4,118,507</u>	<u>4,253,061</u>	<u>3,789,982</u>	<u>463,079</u>
Excess of Revenue (Under) Over Expenditures	(626,388)	138,310	575,015	436,705
Other Financing Uses - Transfers out	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,076,388)	(311,690)	125,015	436,705
Fund Balance - Beginning of year	<u>2,708,619</u>	<u>2,708,619</u>	<u>2,708,619</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,632,231</u></u>	<u><u>\$ 2,396,929</u></u>	<u><u>\$ 2,833,634</u></u>	<u><u>\$ 436,705</u></u>

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund - Special Assessment Debt Service Local Roads Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 1,312,000	\$ 1,355,671	\$ 1,350,660	\$ (5,011)
Fines and forfeitures	-	-	107,561	107,561
Investment income	800	265	198	(67)
Total revenue	1,312,800	1,355,936	1,458,419	102,483
Expenditures - Current - Public works	3,240,600	2,233,589	2,412,416	(178,827)
Excess of Expenditures Over Revenue	(1,927,800)	(877,653)	(953,997)	(76,344)
Other Financing Sources				
Face value of debt issue	1,145,000	3,610,000	-	(3,610,000)
Transfers in	450,000	461,435	844,641	383,206
Total other financing sources	1,595,000	4,071,435	844,641	(3,226,794)
Net Change in Fund Balance	(332,800)	3,193,782	(109,356)	(3,303,138)
Fund Balance - Beginning of year	616,157	616,157	616,157	-
Fund Balance - End of year	<u>\$ 283,357</u>	<u>\$ 3,809,939</u>	<u>\$ 506,801</u>	<u>\$ (3,303,138)</u>

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund - Special Assessment Debt Service Public Safety Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,815,259	\$ 4,784,368	\$ 4,778,477	\$ (5,891)
Investment income	9,238	2,650	3,252	602
Total revenue	4,824,497	4,787,018	4,781,729	(5,289)
Expenditures - Current - Public safety	5,213,047	5,153,860	5,195,973	(42,113)
Net Change in Fund Balance	(388,550)	(366,842)	(414,244)	(47,402)
Fund Balance - Beginning of year	1,584,886	1,584,886	1,584,886	-
Fund Balance - End of year	\$ 1,196,336	\$ 1,218,044	\$ 1,170,642	\$ (47,402)

Other Supplemental Information

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Major Capital Projects Fund - Capital Improvement Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ -	\$ -	\$ 94,521	\$ 94,521
Intergovernmental revenue	-	40,000	24,000	(16,000)
Investment income	11,007	3,000	2,692	(308)
Other revenue	4,000	3,500	9,368	5,868
Total revenue	15,007	46,500	130,581	84,081
Expenditures - Capital outlay	2,297,534	1,922,853	874,411	1,048,442
Excess of Expenditures Over Revenue	(2,282,527)	(1,876,353)	(743,830)	1,132,523
Other Financing Sources -				
Transfers in	903,108	870,484	788,369	(82,115)
Net Change in Fund Balance	(1,379,419)	(1,005,869)	44,539	1,050,408
Fund Balance - Beginning of year	3,652,005	3,652,005	3,652,005	-
Fund Balance - End of year	<u>\$ 2,272,586</u>	<u>\$ 2,646,136</u>	<u>\$ 3,696,544</u>	<u>\$ 1,050,408</u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund - Special Assessment Debt Service Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 50,000	\$ 215,722	\$ 219,160	\$ 3,438
Other revenue	425,932	777,235	825,939	48,704
Total revenue	475,932	992,957	1,045,099	52,142
Expenditures				
Current - Capital outlay	-	-	20,490	(20,490)
Debt service:				
Principal	450,000	450,000	450,000	-
Interest on long-term debt	25,932	25,932	23,717	2,215
Total expenditures	475,932	475,932	494,207	(18,275)
Excess of Revenue Over Expenditures	-	517,025	550,892	33,867
Other Financing Uses - Transfers out	-	(651,480)	(1,034,413)	(382,933)
Net Change in Fund Balance	-	(134,455)	(483,521)	(349,066)
Fund Balance - Beginning of year	1,394,373	1,394,373	1,394,373	-
Fund Balance - End of year	<u>\$ 1,394,373</u>	<u>\$ 1,259,918</u>	<u>\$ 910,852</u>	<u>\$ (349,066)</u>

City of Farmington Hills, Michigan

	Special Revenue Funds					
	Fire Grant	Community Development Block Grant	Neighborhood Stabilization	EECBG	Nutrition Grant	Forfeiture Funds
Assets						
Cash and investments	\$ 22,366	\$ -	\$ 100	\$ 8,164	\$ 107,084	\$ 1,734,467
Receivables	-	7,756	-	-	23,433	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 22,366</u>	<u>\$ 7,756</u>	<u>\$ 100</u>	<u>\$ 8,164</u>	<u>\$ 130,517</u>	<u>\$ 1,734,467</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 7,756	\$ -	\$ -	\$ 24	\$ 446,926
Due to other funds	-	-	100	-	95,472	50,000
Deferred revenue	-	-	-	8,164	35,021	-
Total liabilities	-	7,756	100	8,164	130,517	496,926
Fund Balances						
Restricted:						
Police	-	-	-	-	-	1,237,541
Grants - Fire protection	22,366	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Committed - Special assessment projects	-	-	-	-	-	-
Assigned:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total fund balances	<u>22,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,237,541</u>
Total liabilities and fund balances	<u>\$ 22,366</u>	<u>\$ 7,756</u>	<u>\$ 100</u>	<u>\$ 8,164</u>	<u>\$ 130,517</u>	<u>\$ 1,734,467</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total
Parks and Recreation Special Millage	Deferred Special Assessment	Building Authority	General Debt Service	Golf Course Capital Improvement	Revolving Special Assessment	Nonmajor Governmental Funds
\$ 1,011,270	\$ 52,953	\$ 164,589	\$ 22,255	\$ 48,167	\$ 1,125,181	\$ 4,296,596
64,317	-	-	-	702	-	96,208
-	-	-	-	-	180	180
\$ 1,075,587	\$ 52,953	\$ 164,589	\$ 22,255	\$ 48,869	\$ 1,125,361	\$ 4,392,984
\$ 28,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 482,850
16	-	-	-	-	-	145,588
-	-	-	-	-	-	43,185
28,160	-	-	-	-	-	671,623
-	-	-	-	-	-	1,237,541
-	-	-	-	-	-	22,366
1,047,427	-	-	-	-	-	1,047,427
-	52,953	-	-	-	1,125,361	1,178,314
-	-	-	-	48,869	-	48,869
-	-	164,589	22,255	-	-	186,844
1,047,427	52,953	164,589	22,255	48,869	1,125,361	3,721,361
\$ 1,075,587	\$ 52,953	\$ 164,589	\$ 22,255	\$ 48,869	\$ 1,125,361	\$ 4,392,984

City of Farmington Hills, Michigan

	Special Revenue Funds					
		Community	Neighborhood		Nutrition	Forfeiture
	Fire Grant	Development Block Grant	Stabilization	EECBG	Grant	Funds
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	342,854	-	29,864	220,072	570,266
State-shared revenue and grants	-	-	-	-	73,807	-
Investment income	20	-	-	-	55	1,456
Other revenue	-	-	-	-	141,691	302,575
Total revenue	20	342,854	-	29,864	435,625	874,297
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	564,413
Community and economic development	-	342,593	-	29,864	-	-
Recreation and culture	-	-	-	-	435,625	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	-	342,593	-	29,864	435,625	564,413
Excess of Revenue Over (Under) Expenditures	20	261	-	-	-	309,884
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(261)	-	-	-	-
Total other financing (uses) sources	-	(261)	-	-	-	-
Net Change in Fund Balances	20	-	-	-	-	309,884
Fund Balances - Beginning of year	22,346	-	-	-	-	927,657
Fund Balances - End of year	\$ 22,366	\$ -	\$ -	\$ -	\$ -	\$ 1,237,541

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

Special Revenue Funds		Debt Service Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
Parks and Recreation Special Millage	Deferred Special Assessment	Building Authority	General Debt Service	Golf Course Capital Improvement	Revolving Special Assessment	
\$ 1,579,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,579,997
-	-	-	-	-	-	1,163,056
-	-	-	-	-	-	73,807
1,915	24	125	-	35	293	3,923
-	-	-	222,296	22,487	-	689,049
<u>1,581,912</u>	<u>24</u>	<u>125</u>	<u>222,296</u>	<u>22,522</u>	<u>293</u>	<u>3,509,832</u>
-	100	-	-	-	-	100
-	-	-	-	-	-	564,413
-	-	975	-	-	1,425	374,857
-	-	-	-	-	-	435,625
191,374	-	-	-	200	-	191,574
-	-	1,078,708	1,145,084	-	-	2,223,792
<u>191,374</u>	<u>100</u>	<u>1,079,683</u>	<u>1,145,084</u>	<u>200</u>	<u>1,425</u>	<u>3,790,361</u>
1,390,538	(76)	(1,079,558)	(922,788)	22,322	(1,132)	(280,529)
-	-	1,078,708	1,795,798	-	642,333	3,516,839
(1,644,517)	-	-	(1,078,708)	-	(16,446)	(2,739,932)
<u>(1,644,517)</u>	<u>-</u>	<u>1,078,708</u>	<u>717,090</u>	<u>-</u>	<u>625,887</u>	<u>776,907</u>
(253,979)	(76)	(850)	(205,698)	22,322	624,755	496,378
<u>1,301,406</u>	<u>53,029</u>	<u>165,439</u>	<u>227,953</u>	<u>26,547</u>	<u>500,606</u>	<u>3,224,983</u>
<u>\$ 1,047,427</u>	<u>\$ 52,953</u>	<u>\$ 164,589</u>	<u>\$ 22,255</u>	<u>\$ 48,869</u>	<u>\$ 1,125,361</u>	<u>\$ 3,721,361</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Fire Grant Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ -	\$ 20	\$ 20
Fund Balance - Beginning of year	22,346	22,346	-
Fund Balance - End of year	<u>\$ 22,346</u>	<u>\$ 22,366</u>	<u>\$ 20</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Community Development Block Grant Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 412,026	\$ 342,854	\$ (69,172)
Expenditures - Community and economic development	<u>353,650</u>	<u>342,593</u>	<u>11,057</u>
Excess of Revenue Over Expenditures	58,376	261	(58,115)
Other Financing Uses - Transfers out	<u>(58,376)</u>	<u>(261)</u>	<u>58,115</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - EECBG Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 30,854	\$ 29,864	\$ (990)
Expenditures - Community and economic development	30,854	29,864	990
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Revolving Special Assessment Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 500	\$ 293	\$ (207)
Expenditures - Community and economic development	1,425	1,425	-
Excess of Expenditures Over Revenue	(925)	(1,132)	(207)
Other Financing Sources (Uses)			
Transfers in	642,333	642,333	-
Transfers out	(2,287)	(16,446)	(14,159)
Total other financing sources	640,046	625,887	(14,159)
Net Change in Fund Balance	639,121	624,755	(14,366)
Fund Balance - Beginning of year	500,606	500,606	-
Fund Balance - End of year	<u>\$ 1,139,727</u>	<u>\$ 1,125,361</u>	<u>\$ (14,366)</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Nutrition Grant Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue			
Federal grants	\$ 265,388	\$ 220,072	\$ (45,316)
State-shared revenue and grants	-	73,807	73,807
Investment income	500	55	(445)
Other revenue	134,887	141,691	6,804
Total revenue	400,775	435,625	34,850
Expenditures - Recreation and culture	400,775	435,625	(34,850)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Forfeiture Funds Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue			
Federal grants	\$ 280,000	\$ 570,266	\$ 290,266
Investment income	280	1,456	1,176
Other revenue	32,517	302,575	270,058
Total revenue	312,797	874,297	561,500
Expenditures - Public safety	75,780	564,413	(488,633)
Net Change in Fund Balance	237,017	309,884	72,867
Fund Balance - Beginning of year	927,657	927,657	-
Fund Balance - End of year	<u>\$ 1,164,674</u>	<u>\$ 1,237,541</u>	<u>\$ 72,867</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parks and Recreation Special Millage Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue			
Property taxes	\$ 1,581,662	\$ 1,579,997	\$ (1,665)
Investment income	2,000	1,915	(85)
Other revenue	524	-	(524)
Total revenue	1,584,186	1,581,912	(2,274)
Expenditures - Capital outlay	235,693	191,374	44,319
Excess of Revenue Over Expenditures	1,348,493	1,390,538	42,045
Other Financing Uses - Transfers out	(1,644,517)	(1,644,517)	-
Net Change in Fund Balance	(296,024)	(253,979)	42,045
Fund Balance - Beginning of year	1,301,406	1,301,406	-
Fund Balance - End of year	<u>\$ 1,005,382</u>	<u>\$ 1,047,427</u>	<u>\$ 42,045</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Deferred Special Assessment Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 40	\$ 24	\$ (16)
Expenditures - Current - General government	300	100	200
Net Change in Fund Balance	(260)	(76)	184
Fund Balance - Beginning of year	53,029	53,029	-
Fund Balance - End of year	<u>\$ 52,769</u>	<u>\$ 52,953</u>	<u>\$ 184</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Building Authority Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 120	\$ 125	\$ 5
Expenditures - Current			
Community and economic development	975	975	-
Debt service	<u>1,078,733</u>	<u>1,078,708</u>	<u>25</u>
Total expenditures	<u>1,079,708</u>	<u>1,079,683</u>	<u>25</u>
Excess of Expenditures Over Revenue	(1,079,588)	(1,079,558)	30
Other Financing Sources - Transfers in	<u>1,078,733</u>	<u>1,078,708</u>	<u>(25)</u>
Net Change in Fund Balance	(855)	(850)	5
Fund Balance - Beginning of year	<u>165,439</u>	<u>165,439</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 164,584</u></u>	<u><u>\$ 164,589</u></u>	<u><u>\$ 5</u></u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - General Debt Service Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 219,778	\$ 222,296	\$ 2,518
Expenditures - Debt service			
Principal	751,273	751,273	-
Interest on long-term debt	394,107	393,811	296
Total expenditures	1,145,380	1,145,084	296
Excess of Expenditures Over Revenue	(925,602)	(922,788)	2,814
Other Financing Sources (Uses)			
Transfers in	1,795,798	1,795,798	-
Transfers out	(1,078,733)	(1,078,708)	25
Total other financing sources	717,065	717,090	25
Net Change in Fund Balance	(208,537)	(205,698)	2,839
Fund Balance - Beginning of year	227,953	227,953	-
Fund Balance - End of year	<u>\$ 19,416</u>	<u>\$ 22,255</u>	<u>\$ 2,839</u>

City of Farmington Hills, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Golf Course Capital Improvement Budgetary Comparison Schedule Year Ended June 30, 2012

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue			
Investment income	\$ 20	\$ 35	\$ 15
Other revenue	<u>21,000</u>	<u>22,487</u>	<u>1,487</u>
Total revenue	21,020	22,522	1,502
Expenditures - Current - Capital outlay	<u>210</u>	<u>200</u>	<u>10</u>
Net Change in Fund Balance	20,810	22,322	1,512
Fund Balance - Beginning of year	<u>26,547</u>	<u>26,547</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 47,357</u></u>	<u><u>\$ 48,869</u></u>	<u><u>\$ 1,512</u></u>

City of Farmington Hills, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2012

	Pension Trust Funds			Agency Funds			
	Pension Fund	Closed Healthcare Fund	Postretirement Health Care Finance Fund	Total Pension Trust Funds	Tax Collections	General Agency	Total Agency Funds
Assets							
Cash and cash equivalents	\$ 4,286,036	\$ 75,247	\$ 3,145,736	\$ 7,507,019	\$ 91,984	\$ 4,304,926	\$ 4,396,910
Investments:							
Stocks	41,017,827	2,508,288	11,535,972	55,062,087	-	-	-
Pooled funds	78,625,041	1,380,373	32,016,020	112,021,434	-	-	-
Receivables	167,944	2,948	153,874	324,766	-	2,512	2,512
Total assets	<u>124,096,848</u>	<u>3,966,856</u>	<u>46,851,602</u>	<u>174,915,306</u>	<u>\$ 91,984</u>	<u>\$ 4,307,438</u>	<u>\$ 4,399,422</u>
Liabilities							
Accounts payable	143,661	152,054	39,475	335,190	\$ -	\$ -	\$ -
Other payables	588,398	10,330	-	598,728	84,889	910,862	995,751
Due to primary government	57,229	1,639,634	-	1,696,863	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	7,095	3,396,576	3,403,671
Total liabilities	<u>789,288</u>	<u>1,802,018</u>	<u>39,475</u>	<u>2,630,781</u>	<u>\$ 91,984</u>	<u>\$ 4,307,438</u>	<u>\$ 4,399,422</u>
Net Assets Held in Trust for Pension and Other Employee Benefits	<u>\$ 123,307,560</u>	<u>\$ 2,164,838</u>	<u>\$ 46,812,127</u>	<u>\$ 172,284,525</u>			

City of Farmington Hills, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2012

	Pension Fund	Closed Healthcare Fund	Postretirement Health Care Finance Fund	Total
Additions				
Investment income (loss):				
Interest and dividends	\$ 1,245,923	\$ 41,597	\$ 1,330,830	\$ 2,618,350
Net decrease in fair value of investments	(2,435,457)	(81,311)	(1,258,441)	(3,775,209)
Investment-related expenses	(623,911)	(20,830)	(158,065)	(802,806)
Net investment loss	(1,813,445)	(60,544)	(85,676)	(1,959,665)
Contributions:				
Employer	4,482,745	-	3,164,198	7,646,943
Employee	977,298	-	320,958	1,298,256
Other	-	-	146,953	146,953
Net contributions	5,460,043	-	3,632,109	9,092,152
Total additions - Net	3,646,598	(60,544)	3,546,433	7,132,487
Deductions				
Benefit payments	6,023,706	1,972,907	-	7,996,613
Refunds of contributions	2,050,144	66,302	-	2,116,446
Total deductions	8,073,850	2,039,209	-	10,113,059
Net (Decrease) Increase in Net Assets Held in Trust	(4,427,252)	(2,099,753)	3,546,433	(2,980,572)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	127,734,812	4,264,591	43,265,694	175,265,097
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	\$ 123,307,560	\$ 2,164,838	\$ 46,812,127	\$ 172,284,525

City of Farmington Hills, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds June 30, 2012

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
<u>Tax Collections</u>				
Assets				
Cash and investments	\$ 83,670	\$ 143,881,131	\$ (143,872,817)	\$ 91,984
Due from other funds	-	48,113	(48,113)	-
Total assets	<u>\$ 83,670</u>	<u>\$ 143,929,244</u>	<u>\$ (143,920,930)</u>	<u>\$ 91,984</u>
Liabilities				
Tax collections distributable	\$ -	\$ 147,156,950	\$ (147,156,950)	\$ -
Due to other governmental units	81,133	84,889	(81,133)	84,889
Refundable deposits, bonds, etc.	2,537	7,095	(2,537)	7,095
Total liabilities	<u>\$ 83,670</u>	<u>\$ 147,248,934</u>	<u>\$ (147,240,620)</u>	<u>\$ 91,984</u>
<u>General Agency</u>				
Assets				
Cash and investments	\$ 4,127,561	\$ 2,003,463	\$ (1,826,098)	\$ 4,304,926
Receivables	-	2,512	-	2,512
Total assets	<u>\$ 4,127,561</u>	<u>\$ 2,005,975</u>	<u>\$ (1,826,098)</u>	<u>\$ 4,307,438</u>
Liabilities				
Due to other governmental units	\$ 927,396	\$ 1,012,409	\$ (1,028,943)	\$ 910,862
Refundable deposits, bonds, etc.	3,200,165	993,569	(797,158)	3,396,576
Total liabilities	<u>\$ 4,127,561</u>	<u>\$ 2,005,978</u>	<u>\$ (1,826,101)</u>	<u>\$ 4,307,438</u>

City of Farmington Hills, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds (Continued) June 30, 2012

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
<u>Total Agency Funds</u>				
Assets				
Cash and investments	\$ 4,211,231	\$ 145,884,594	\$ (145,698,915)	\$ 4,396,910
Receivables	-	2,512	-	2,512
Due from other funds	-	48,113	(48,113)	-
Total assets	\$ 4,211,231	\$ 145,935,219	\$ (145,747,028)	\$ 4,399,422
Liabilities				
Tax collections distributable	\$ -	\$ 147,156,950	\$ (147,156,950)	\$ -
Due to other governmental units	1,008,529	1,097,298	(1,110,076)	995,751
Refundable deposits, bonds, etc.	3,202,702	1,000,664	(799,695)	3,403,671
Total liabilities	\$ 4,211,231	\$ 149,254,912	\$ (149,066,721)	\$ 4,399,422

Statistical Section

City of Farmington Hills, Michigan

Description of Statistical Section

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

Contents

Financial Trends:

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

Revenue Capacity:

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

Debt Capacity:

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

Demographic Information:

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

Operating Information:

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules representing government-wide information include information beginning in that year. The reported numbers begin with the year for which information is available.

City of Farmington Hills, Michigan

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
Invested in capital assets - Net of related debt	\$ 121,573,154	\$ 123,530,837	\$ 122,136,048	\$ 125,093,866
Restricted	13,858,968	13,100,188	13,052,018	12,944,910
Unrestricted	20,915,089	19,867,990	23,301,442	25,761,491
Business-type Activities				
Invested in capital assets - Net of related debt	87,392,224	87,270,670	85,618,579	84,322,367
Restricted	-	-	-	-
Unrestricted	50,165,269	51,494,296	53,730,183	54,179,717
Primary Government in Total				
Invested in capital assets - Net of related debt	208,965,378	210,801,507	207,754,627	209,416,233
Restricted	13,858,968	13,100,188	13,052,018	12,944,910
Unrestricted	71,080,358	71,362,286	77,031,625	79,941,208

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

**Financial Trend Information
Net Assets by Component**

Fiscal Year			
2009	2010	2011	2012
\$ 128,237,651	\$ 140,816,579	\$ 144,671,857	\$ 139,887,283
16,711,375	12,389,692	12,908,263	14,068,925
24,924,231	17,849,645	13,872,733	16,988,436
82,314,724	80,875,970	77,009,256	75,525,323
-	-	-	-
56,555,093	59,332,378	60,957,980	61,849,983
210,552,375	221,692,549	221,681,113	215,412,606
16,711,375	12,389,692	12,908,263	14,068,925
81,479,324	77,182,023	74,830,713	78,838,419

City of Farmington Hills, Michigan

	Fiscal Year Ended June 30			
	2005	2006	2007	2008
Expenses				
General government	\$ 14,919,138	\$ 11,260,973	\$ 12,731,683	\$ 12,047,284
Public safety	25,760,614	26,100,754	28,359,188	29,864,624
Public works	18,599,140	17,614,606	16,157,867	16,809,129
Community and economic development	2,692,660	2,640,978	2,520,118	2,585,741
Recreation and culture	8,180,487	8,176,207	8,668,447	9,222,890
Interest on long-term debt	1,163,016	1,297,138	1,191,848	1,206,196
Total expenses	71,315,055	67,090,656	69,629,151	71,735,864
Program Revenues				
Charges for services:				
General government	3,029,686	2,798,752	3,043,892	3,466,163
Public safety	1,438,731	1,378,268	1,519,253	1,766,051
Public works	876,887	1,237,028	1,132,419	3,430,421
Community and economic development	2,097,060	1,450,251	1,436,038	1,258,701
Recreation and culture	2,858,758	3,232,637	3,308,205	3,631,709
Total charges for services	10,301,122	10,096,936	10,439,807	13,553,045
Operating grants and contributions	7,242,617	7,120,431	7,182,121	6,959,267
Capital grants and contributions	1,568,492	729,827	589,014	2,204,359
Total program revenues	19,112,231	17,947,194	18,210,942	22,716,671
Net Expenses	(52,202,824)	(49,143,462)	(51,418,209)	(49,019,193)
General Revenue				
Property taxes	40,837,672	39,833,977	43,648,073	45,132,374
State-shared revenue	6,966,481	6,897,159	6,683,814	6,683,814
Investment earnings	1,448,433	2,890,491	3,582,399	3,044,879
Gain (loss) on disposal	899,655	148,951	74,575	162,230
Miscellaneous	103,326	102,436	223,542	251,130
Total general revenue	50,255,567	49,873,014	54,212,403	55,274,427
Transfers	(5,064,518)	(577,747)	(803,700)	(746,700)
Change in Net Assets	\$ (7,011,775)	\$ 151,805	\$ 1,990,494	\$ 5,508,534

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

Source: Annual financial statements

Financial Trend Information
Changes in Governmental Net Assets

Fiscal Year Ended June 30			
2009	2010	2011	2012
\$ 12,594,812	\$ 11,834,878	\$ 11,447,146	\$ 11,860,089
31,276,618	29,303,406	28,145,708	27,907,504
15,339,315	15,012,680	14,050,633	16,618,458
2,557,494	2,627,503	2,551,394	2,127,764
8,952,811	8,660,742	8,292,558	9,656,597
1,026,617	1,542,089	820,126	826,341
71,747,667	68,981,298	65,307,565	68,996,753
3,973,987	4,290,538	4,454,832	4,266,458
1,722,334	1,609,738	1,998,642	1,785,872
3,147,925	2,381,587	606,504	3,732,813
1,063,207	521,998	320,955	339,168
3,558,097	3,287,044	3,259,108	4,733,470
13,465,550	12,090,905	10,640,041	14,857,781
6,961,336	8,331,014	7,329,185	7,622,017
5,216,521	2,509,096	2,171,050	952,324
25,643,407	22,931,015	20,140,276	23,432,122
(46,104,260)	(46,050,283)	(45,167,289)	(45,564,631)
44,515,945	41,422,186	37,311,396	36,296,428
6,359,311	5,655,971	5,668,550	6,162,235
1,514,504	433,574	281,532	329,190
101,777	(109,127)	-	-
440,413	520,769	1,171,166	2,282,454
52,931,950	47,923,373	44,432,644	45,070,307
(754,700)	(690,431)	1,131,582	(13,885)
\$ 6,072,990	\$ 1,182,659	\$ 396,937	\$ (508,209)

City of Farmington Hills, Michigan

	Fiscal Year Ended June 30			
	2005	2006	2007	2008
Expenses				
Water and sewer	\$ 21,586,633	\$ 22,586,352	\$ 26,287,370	\$ 24,558,909
Ice arena	1,442,721	1,328,061	1,365,602	1,358,224
Interest expense	342,185	307,746	270,218	230,614
Other	(150,649)	(104,394)	6,023	7,978
Total expenses	23,220,890	24,117,765	27,929,213	26,155,725
Program Revenue				
Water and sewer	18,302,420	19,577,393	20,306,011	21,329,632
Ice arena	1,455,787	1,523,295	1,460,261	1,456,179
Operating grants and contributions	125,630	-	-	-
Capital grants and contributions	-	998,320	36,281	11,046
Capital and debt service charges	2,721,633	1,623,650	1,383,576	1,402,096
Total program revenue	22,605,470	23,722,658	23,186,129	24,198,953
Net Expenses	(615,420)	(395,107)	(4,743,084)	(1,956,772)
General Revenue - Investment and other	1,039,658	1,990,401	2,707,526	2,179,139
Transfers	5,064,518	577,747	803,700	746,700
Total change in net assets	\$ 5,488,756	\$ 2,173,041	\$ (1,231,858)	\$ 969,067

Financial Trend Information
Changes in Business-type Net Assets

Fiscal Year Ended June 30			
2009	2010	2011	2012
\$ 24,687,573	\$ 24,571,599	\$ 26,181,647	\$ 27,121,031
1,421,484	1,272,895	1,229,841	-
185,705	142,699	120,815	-
<u>7,637</u>	<u>5,950</u>	<u>34,972</u>	<u>36,645</u>
26,302,399	25,993,143	27,567,275	27,157,676
22,141,498	23,908,712	24,279,215	26,095,005
1,396,199	1,219,251	1,184,769	-
-	-	-	-
851,445	598,881	271,651	89,998
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>24,389,142</u>	<u>25,726,844</u>	<u>25,735,635</u>	<u>26,185,003</u>
(1,913,257)	(266,299)	(1,831,640)	(972,673)
1,526,290	914,399	722,110	366,858
<u>754,700</u>	<u>690,431</u>	<u>(1,131,582)</u>	<u>13,885</u>
<u>\$ 367,733</u>	<u>\$ 1,338,531</u>	<u>\$ (2,241,112)</u>	<u>\$ (591,930)</u>

City of Farmington Hills, Michigan

	June 30				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 2,797,226	\$ 2,455,421	\$ 2,261,661	\$ 2,171,865	\$ 2,109,393
Unreserved	16,148,367	13,628,760	13,867,351	13,419,323	14,836,555
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	18,945,593	16,084,181	16,129,012	15,591,188	16,945,948
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds	8,901,028	10,342,849	9,969,961	9,591,399	10,338,792
Capital project funds	5,907,486	1,337,173	1,594,421	6,522,937	4,242,341
Debt service funds	9,991,355	5,748,253	6,110,990	5,622,287	4,975,369
SAD capital project funds	(975,155)	110,739	(133,343)	(238,861)	(230,599)
Nonspendable, reported in:					
Special Revenue Funds	-	-	-	-	-
Restricted, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
SAD capital project funds	-	-	-	-	-
Committed, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
SAD capital project funds	-	-	-	-	-
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
SAD capital project funds	-	-	-	-	-
Unassigned, reported in -					
Special revenue funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 42,770,307</u>	<u>\$ 33,623,195</u>	<u>\$ 33,671,041</u>	<u>\$ 37,088,950</u>	<u>\$ 36,271,851</u>

Source: Annual financial statements

** Fund balance classifications were changed as a result of implementation of GASB No. 54

Financial Trend Information Fund Balances - Governmental Funds

June 30					
2007	2008	2009	2010	2011**	2012**
\$ 1,768,931	\$ 1,817,933	\$ 1,619,626	\$ 1,417,815	\$ -	\$ -
16,849,172	16,858,200	16,044,583	12,307,283	-	-
-	-	-	-	1,117,317	945,439
-	-	-	-	4,155,457	7,017,349
-	-	-	-	9,437,112	10,048,155
18,618,103	18,676,133	17,664,209	13,725,098	14,709,886	18,010,943
11,727,791	11,442,855	9,186,589	8,767,426	-	-
5,719,111	8,449,244	11,606,989	6,110,338	-	-
4,191,743	3,823,728	3,127,737	1,941,551	-	-
(42,248)	1,080,855	1,080,855	(367,906)	-	-
-	-	-	-	-	122,063
-	-	-	-	7,161,071	7,984,707
-	-	-	-	-	-
-	-	-	-	1,620,018	-
-	-	-	-	2,308	-
-	-	-	-	-	52,953
-	-	-	-	-	1,125,361
-	-	-	-	-	-
-	-	-	-	553,635	-
-	-	-	-	-	-
-	-	-	-	3,678,552	3,745,413
-	-	-	-	165,439	186,844
-	-	-	-	-	-
-	-	-	-	-	(377,507)
<u>\$ 40,214,500</u>	<u>\$ 43,472,815</u>	<u>\$ 42,666,379</u>	<u>\$ 30,176,507</u>	<u>\$ 27,890,909</u>	<u>\$ 30,850,777</u>

City of Farmington Hills, Michigan

	Year Ended June 30				
	2002	2003	2004	2005	2006
Revenue					
Property taxes	\$ 35,798,125	\$ 38,112,953	\$ 39,581,555	\$ 40,837,672	\$ 39,833,977
Federal grants	1,168,058	758,164	1,527,819	2,066,806	1,470,397
State-shared revenue and grants	14,267,451	15,544,463	13,365,212	13,107,584	12,898,513
Other grants and contributions	191,730	154,823	151,902	226,058	194,731
Special assessments	-	1,405,077	1,637,106	967,958	799,797
Charges for services	7,490,817	6,835,109	6,930,483	7,528,987	7,412,005
Fines and forfeitures	2,226,312	2,087,250	2,406,863	2,405,719	2,262,481
Interest and rentals	1,879,853	1,383,409	999,237	1,432,381	2,661,066
Other	2,103,407	1,223,970	3,711,650	1,787,527	1,121,134
Total revenue	65,125,753	67,505,218	70,311,827	70,360,692	68,654,101
Expenditures					
Current:					
General government	12,422,185	12,937,292	13,408,345	13,504,759	10,102,475
Public safety	21,480,500	23,192,361	23,722,620	24,526,966	25,335,913
Fire	-	-	-	-	-
Public works	13,145,615	10,936,157	11,836,694	13,505,680	12,307,550
Community and economic development	793,490	2,251,107	2,381,404	2,475,478	2,556,411
Recreation and culture	-	5,855,834	5,975,789	6,278,393	6,403,457
Other	-	-	-	-	34,289
Capital outlay*	18,952,148	18,941,512	8,102,545	5,126,521	7,548,051
Debt service principal	3,125,413	3,241,072	3,592,560	3,560,105	3,216,331
Debt service interest	1,390,073	1,565,841	1,041,824	1,100,363	1,388,976
Total expenditures	71,309,424	78,921,176	70,061,781	70,078,265	68,893,453
Excess of Revenue (Under) Over Expenditures	(6,183,671)	(11,415,958)	250,046	282,427	(239,352)
Other Financing Sources (Uses)					
Debt issuance	11,000,000	4,482,836	3,960,000	8,200,000	-
Transfers in	6,619,741	13,146,991	9,227,229	7,855,405	5,635,903
Transfers out	(6,947,237)	(12,463,145)	(10,479,429)	(12,919,923)	(6,213,650)
Debt defeasance	-	(2,897,836)	(2,910,000)	-	-
Total other financing sources (uses)	10,672,504	2,268,846	(202,200)	3,135,482	(577,747)
Special Item	143,439	-	-	-	-
Net Change in Fund Balances	4,632,272	(9,147,112)	47,846	3,417,909	(817,099)
Fund Balances - Beginning of year	38,138,035	42,770,307	33,623,195	33,671,041	37,088,950
Fund Balances - End of year	\$ 42,770,307	\$ 33,623,195	\$ 33,671,041	\$ 37,088,950	\$ 36,271,851
Ratio of Total Debt Service to Noncapital Expenditures	9.44%	8.71%	8.08%	7.73%	8.12%

Source: Annual financial statements

* Capital outlay includes Road Funds.

Change in Fund Balances Governmental Funds

Year Ended June 30						
	2007	2008	2009	2010	2011	2012
\$	43,648,073	\$ 45,132,374	\$ 44,515,945	\$ 41,422,186	\$ 37,310,917	\$ 36,296,428
	1,633,930	1,034,220	2,864,889	1,657,364	1,570,264	1,553,090
	12,735,007	12,737,789	12,378,168	11,261,806	11,403,975	12,065,581
	178,317	211,653	224,610	1,244,571	78,239	9,442
	522,985	489,779	1,100,546	1,371,632	1,180,232	825,939
	7,350,847	8,123,042	8,119,940	8,705,438	9,255,698	10,094,367
	2,498,603	2,667,589	2,706,691	2,490,154	2,264,792	2,149,847
	3,581,579	3,021,337	1,514,504	433,574	281,532	329,190
	<u>1,219,932</u>	<u>1,324,773</u>	<u>1,426,202</u>	<u>1,091,066</u>	<u>1,542,806</u>	<u>3,533,779</u>
	73,369,273	74,742,556	74,851,495	69,677,791	64,888,455	66,857,663
	11,937,785	10,918,120	11,352,739	11,168,240	9,944,032	9,927,183
	27,262,343	28,685,731	30,110,010	28,579,181	26,678,671	26,872,083
	-	-	-	-	-	-
	11,017,922	10,690,331	8,579,318	9,627,908	8,842,900	13,381,255
	2,587,708	2,488,079	2,491,450	2,678,034	2,544,986	2,049,923
	7,267,798	7,433,871	7,620,314	7,071,455	7,000,012	7,869,482
	13,554	12,099	10,194	-	-	-
	4,126,914	8,398,153	8,574,340	18,219,667	8,672,572	1,086,475
	3,193,368	3,053,526	2,709,552	2,510,789	2,492,362	1,886,273
	<u>1,173,866</u>	<u>1,227,694</u>	<u>1,087,476</u>	<u>1,621,958</u>	<u>840,828</u>	<u>811,236</u>
	<u>68,581,258</u>	<u>72,907,604</u>	<u>72,535,393</u>	<u>81,477,232</u>	<u>67,016,363</u>	<u>63,883,910</u>
	4,788,015	1,834,952	2,316,102	(11,799,441)	(2,127,908)	2,973,753
	6,916,604	-	-	-	-	-
	3,103,486	7,742,935	9,478,961	9,612,220	6,637,322	6,644,366
	(3,907,186)	(8,489,635)	(10,233,661)	(10,302,651)	(6,795,012)	(6,658,251)
	<u>(6,958,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(845,366)	(746,700)	(754,700)	(690,431)	(157,690)	(13,885)
	-	-	-	-	-	-
	3,942,649	1,088,252	1,561,402	(12,489,872)	(2,285,598)	2,959,868
	<u>36,271,851</u>	<u>40,016,725</u>	<u>41,104,977</u>	<u>42,666,379</u>	<u>30,176,507</u>	<u>27,890,909</u>
\$	<u>40,214,500</u>	<u>41,104,977</u>	<u>42,666,379</u>	<u>30,176,507</u>	<u>27,890,909</u>	<u>30,850,777</u>
	7.27%	7.1%	6.31%	6.99%	6.06%	4.49%

City of Farmington Hills, Michigan

Taxable Value by Property Type				
Real Property				
Tax Year	Residential	Commercial	Industrial	Personal Property
2002	\$ 2,404,894,930	\$ 751,530,320	\$ 239,069,180	\$ 299,294,170
2003	2,494,573,160	790,858,870	244,276,060	300,524,080
2004	2,601,427,910	817,606,480	248,911,830	306,640,780
2005	2,714,015,100	855,500,180	265,554,000	285,526,350
2006	2,846,495,290	882,999,590	273,655,430	291,027,340
2007	2,961,431,410	907,534,470	279,338,250	290,225,360
2008	2,924,723,280	921,565,770	280,643,650	284,610,560
2009	2,678,367,510	922,563,600	287,879,390	276,198,070
2010	2,265,145,125	842,383,500	246,302,990	259,823,290
2011	2,070,714,280	814,312,450	146,524,070	252,232,440
2012	1,998,603,460	734,201,260	102,233,330	245,166,290

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

Source: City assessing department records

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes				
	General Operating*	Debt	Voted Special Purpose	Total Direct Taxes	County	OCPTA	Library	Oakland Community College	Schoolcraft Community College
2001	7.2193	0.7432	2.2025	10.1650	4.6438	0.3207	0.5933	1.5952	1.8193
2002	7.2193	0.8117	2.1911	10.2221	4.6523	0.6000	0.5887	1.6090	1.8043
2003	7.5705	0.7932	1.8584	10.2221	4.6497	0.5974	0.5866	1.5983	1.8024
2004	7.7142	0.7014	1.8065	10.2221	4.6476	0.5962	0.5856	1.5889	1.7967
2005	6.9452	0.6318	1.9451	9.5221	4.6461	0.5950	1.5856	1.5844	1.7967
2006	6.9408	0.6362	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844	1.7967
2007	6.9423	0.6347	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844	1.7967
2008	7.0368	0.5402	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844	1.7467
2009	7.5301	0.5269	1.9646	10.0216	4.6461	0.5900	1.5856	1.5844	1.7967
2010	7.4089	0.6481	1.9646	10.0216	4.6461	0.5900	1.5856	1.5844	1.7967
2011	8.1522	0.5012	1.9646	10.6180	4.6461	0.5900	1.5856	1.5844	1.7967

* Includes refuse removal and economic development millages

Source: City treasury and assessing records

Revenue Capacity Information Assessed Value and Actual Value of Taxable Property

IFT	Total Taxable	Tax Rate (Mills)	Total SEV	Taxable Value as a Percentage of SEV
\$ 19,117,510	\$ 3,713,906,110	10.1650	\$ 4,277,835,510	86.82
18,491,200	3,848,723,370	10.2221	4,504,750,120	85.44
21,201,670	3,995,788,670	10.2221	4,629,979,870	86.30
13,611,350	4,134,206,980	9.5221	4,741,538,300	87.19
14,649,020	4,308,826,670	10.0216	4,873,928,140	88.41
14,001,540	4,452,531,030	10.0216	4,959,218,650	89.78
14,403,740	4,425,947,000	10.0216	4,757,901,480	93.02
2,954,480	4,167,963,050	10.0216	4,300,702,530	96.91
1,962,820	3,615,617,725	10.0216	3,681,476,945	98.21
2,145,600	3,285,928,840	10.6180	3,316,262,400	99.09
1,871,620	3,082,075,960	12.3506	3,109,995,440	99.10

Direct and Overlapping Property Tax Rates

Overlapping Taxes								
Intermediate School District	State Education	School: Homestead Farmington	School: Homestead Clarenceville	School: Homestead Walled Lake	School: Non- homestead Farmington	School: Non- homestead Clarenceville	School: Non- homestead Walled Lake	Zoo Authority
3.4526	6.0000	12.8633	4.5920	7.9538	20.0000	21.6745	23.1000	0.0000
3.4224	6.0000	12.4459	4.7548	7.4728	19.9388	21.8907	22.9884	0.0000
3.3991	5.0000	11.8783	4.7114	7.5248	19.9388	21.8771	23.1000	0.0000
3.3789	6.0000	11.5466	4.5763	7.0548	19.9388	21.7522	22.7900	0.0000
3.3690	6.0000	11.1596	4.3392	6.8975	19.9388	21.5727	22.7900	0.0000
3.3690	6.0000	10.6511	5.1766	6.7841	19.7388	22.5000	22.7900	0.0000
3.3690	6.0000	10.1784	5.1324	6.6700	19.8000	22.5000	22.7900	0.0000
3.3690	6.0000	9.6915	5.0892	6.5722	19.8000	22.5000	22.7900	0.0000
3.3690	6.0000	10.1442	5.1146	6.4793	19.8000	22.5000	22.5000	0.1000
3.3690	6.0000	12.0278	5.1922	6.7508	20.1000	22.5000	22.5000	0.1000
3.3690	6.0000	12.3334	4.5000	6.8812	20.1800	22.5000	22.5000	0.1000

City of Farmington Hills, Michigan

Revenue Capacity Information Principal Property Taxpayers

Taxpayer	2012 Taxable Value	Percentage of Total	2003 Taxable Value	Percentage of Total	2003 Rank
1 Oakland Management Co.	\$ 62,437,280	2.03	\$ 70,511,140	1.84	1
2 FH Corporate Investors (Kojaian)	33,354,140	1.08	49,580,110	1.29	2
3 Detroit Edison	30,602,120	0.99	40,505,850	1.06	4
4 Robert Bosch Corp.	29,667,110	0.96	42,816,560	1.12	3
5 Nissan	28,287,090	0.92	28,820,270	0.75	5
6 Green Hill Apts.	16,710,850	0.54	15,821,790	0.41	N/A
7 Arboretum Development	16,677,640	0.54	21,353,420	0.56	7
8 Chrysler Financial	14,760,000	0.48	21,913,000	0.57	6
9 Ramco/Lion Venture (Sherr)	14,560,060	0.47	18,540,050	0.48	9
10 Aimco (Independence Green)	12,457,410	0.40	17,402,670	0.45	10

Source: City assessing department records

City of Farmington Hills, Michigan

Property Tax Levies and Collections

Fiscal Year Ended June 30	Tax Levy (I)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
2002	\$ 35,771,438	\$ 35,031,887	97.93	\$ 16,431	\$35,048,318	97.98
2003	37,737,279	36,903,184	97.79	18,324	36,921,508	97.84
2004	39,101,846	38,244,628	97.81	21,482	38,266,110	97.86
2005	40,428,497	39,824,096	98.51	16,868	39,840,964	98.55
2006	39,553,780	38,817,558	98.14	22,108	38,839,666	98.19
2007	42,813,720	41,829,579	97.70	12,546	41,842,125	97.73
2008	44,751,466	43,356,322	96.88	15,638	43,371,960	96.92
2009	44,006,766	42,669,852	96.96	11,513	42,681,365	96.99
2010	41,425,383	40,166,471	96.96	7,669	40,174,140	96.98
2011	35,915,797	34,911,860	97.20	34,159	34,946,019	97.30
2012	34,427,859	33,549,142	97.45	71,773	33,620,915	97.66

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

City of Farmington Hills, Michigan

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
General obligation bonds	\$ 22,440,000	\$ 21,200,000	\$ 20,045,000	\$ 18,920,000
County contractual obligations	6,696,107	5,829,778	4,856,409	3,762,883
Installment purchase agreements	-	-	-	-
Special assessment bonds	5,670,000	4,560,000	3,495,000	2,660,000
Highway loan program	-	-	-	-
Total governmental activities	34,806,107	31,589,778	28,396,409	25,342,883
Business-type Activities				
General obligation bonds	3,906,250	3,593,750	3,256,250	2,923,750
County contractual obligations	2,459,082	1,953,253	1,446,653	860,022
Total business-type activities	6,365,332	5,547,003	4,702,903	3,783,772
Total debt of the government	<u>\$ 41,171,439</u>	<u>\$ 37,136,781</u>	<u>\$ 33,099,312</u>	<u>\$ 29,126,655</u>
Total taxable value	\$ 3,974,587,000	\$ 4,120,595,630	\$ 4,294,177,650	\$ 4,438,529,490
Ratio of total debt to taxable value	1.04%	0.90%	0.77%	0.66%
Total population	80,895	80,486	80,280	79,327
Total debt per capita	\$ 509	\$ 461	\$ 412	\$ 367
Total personal income	2,270,734,492	2,271,139,450	2,277,213,820	2,255,076,116
Ratio of total debt to personal income	1.81%	1.64%	1.45%	1.29%

Source: City annual financial statements: Population data reported from demographics data

**Debt Capacity Information
Ratios of Outstanding Debt**

		Fiscal Year					
		2009	2010	2011	2012		
\$	18,105,000	\$	17,280,000	\$	18,246,250	\$	16,953,750
	2,691,610		1,590,821		483,459		372,186
	-		-		-		-
	1,880,000		1,295,000		750,000		300,000
	-		-		-		-
	<u>22,676,610</u>		<u>20,165,821</u>		<u>19,479,709</u>		<u>17,625,936</u>
	2,775,000		2,345,000		-		-
	209,656		-		-		-
	<u>2,984,656</u>		<u>2,345,000</u>		<u>-</u>		<u>-</u>
\$	<u>25,661,266</u>	\$	<u>22,510,821</u>	\$	<u>19,479,709</u>	\$	<u>17,625,936</u>
\$	4,411,543,260	\$	4,165,008,570	\$	3,613,654,905	\$	3,283,783,240
	0.58%		0.54%		0.54%		0.54%
	79,152		79,740		79,740		79,777
\$	324	\$	282	\$	244	\$	221
	2,255,818,539		2,251,971,438		2,275,400,877		2,277,570,573
	1.14%		1.00%		0.86%		0.77%

City of Farmington Hills, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding

Fiscal Year Ended June 30	Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
2002	\$ 3,945,512,540	83,500	\$ 18,430,000	0.47	\$ 220.72
2003	4,277,835,510	82,274	17,090,000	0.40	207.72
2004	4,504,750,120	81,058	15,825,000	0.35	195.23
2005	4,629,979,870	80,895	22,440,000	0.48	277.40
2006	4,741,538,300	80,486	21,200,000	0.45	263.40
2007	4,873,928,140	80,280	20,090,000	0.41	250.25
2008	4,959,218,650	79,327	18,920,000	0.38	238.51
2009	4,757,901,480	79,152	18,105,000	0.38	228.74
2010	4,300,702,530	79,740	17,280,000	0.40	216.70
2011	* 3,681,476,945	79,740	18,246,250	0.50	228.82
2012	* 3,316,262,400	79,777	16,953,750	0.51	212.51

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

* General bonded debt now also includes General Obligation Bonds for the ice arena.

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

Direct and Overlapping Debt

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct debt - City of Farmington Hills	\$ 17,335,000	100.00	\$ 17,335,000
Overlapping debt:			
Farmington School District	41,595,000	87.53	36,408,104
Walled Lake School District	127,690,000	3.22	4,111,618
Oakland County at Large	95,078,060	6.46	6,142,043
Oakland County Intermediate School District	61,705,000	6.48	3,998,484
Oakland Community College	4,435,000	6.31	279,849
Farmington Community Library	1,255,000	91.16	1,144,058
Total overlapping debt	331,758,060		52,084,156
Total	<u>\$ 349,093,060</u>		<u>\$ 69,419,156</u>

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

Source: Municipal Advisory Council of Michigan

City of Farmington Hills, Michigan

	2002	2003	2004	2005
Debt Limit (Fiscal Year Ended) (1)				
State equalized valuation (previous year)	\$ 3,945,512,540	\$ 4,277,835,510	\$ 4,504,750,120	\$ 4,629,979,870
Debt limit (10 percent of state equalized valuation) (2)	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
Total debt limit	394,551,254	427,783,551	450,475,012	462,997,987
Debt Applicable to Debt Limit				
Total bonded debt	43,499,820	40,562,006	37,321,245	41,171,439
Less deductions allowed by law:				
Special assessment bonds	6,420,000	6,955,000	6,810,000	5,670,000
Michigan transportation bonds	<u>2,400,000</u>	<u>1,950,000</u>	<u>1,500,000</u>	<u>1,050,000</u>
Total amount of debt applicable to debt limit	<u>34,679,820</u>	<u>31,657,006</u>	<u>29,011,245</u>	<u>34,451,439</u>
Legal Debt Margin	<u>\$ 359,871,434</u>	<u>\$ 396,126,545</u>	<u>\$ 421,463,767</u>	<u>\$ 428,546,548</u>
Net Debt Subject to Limit				
as Percentage of Debt Limit	8.79%	7.40%	6.44%	7.44%

(1) The legal debt limit continues to be derived from state equalized value (SEV), not taxable value (TV)

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

Source: City budget and financial statements

Debt Capacity Information
Legal Debt Margins

2006	2007	2008	2009	2010	2011	2012
\$ 4,741,538,300	\$ 4,873,928,140	\$ 4,959,218,650	\$ 4,757,901,480	\$ 4,300,702,530	\$ 3,681,476,945	3,316,262,400
10.00	10.00	10.00	10.00	10.00	10.00	10.00
474,153,830	487,392,814	495,921,865	475,790,148	430,070,253	368,147,695	331,626,240
37,136,781	33,099,312	29,126,655	25,661,266	22,510,821	19,479,709	17,625,936
4,560,000	3,495,000	2,660,000	1,880,000	1,295,000	750,000	300,000
600,000	300,000	-	-	-	-	-
31,976,781	29,304,312	26,466,655	23,781,266	21,215,821	18,729,709	17,325,936
<u>\$ 442,177,049</u>	<u>\$ 458,088,502</u>	<u>\$ 469,455,210</u>	<u>\$ 452,008,882</u>	<u>\$ 408,854,432</u>	<u>\$ 349,417,986</u>	<u>\$ 314,300,304</u>
6.74%	6.01%	5.34%	5.00%	4.93%	5.09%	5.22%

City of Farmington Hills, Michigan

Demographic and Economic Statistics Principal Employers

Fiscal Year	Source	Population	Median Personal Income Per Household	Median Per Capita Personal Income	Unemployment Rate	Number of Households	Total Personal Income
2002	1	83,500	\$ 67,493	\$ 27,251	3.7	33,714	\$ 2,275,459,002
2003	1	82,274	67,493	27,772	3.7	33,854	2,284,908,022
2004	1	81,058	67,493	27,990	4.7	33,615	2,268,777,195
2005	1	80,895	67,493	28,070	5.1	33,644	2,270,734,492
2006	1	80,486	67,493	28,218	5.0	33,650	2,271,139,450
2007	2	80,280	67,493	28,366	5.5	33,740	2,277,213,820
2008	2	79,327	67,493	28,428	6.1	33,412	2,255,076,116
2009	2	79,152	67,493	28,500	11.7	33,423	2,255,818,539
2010	2	79,740	67,493	28,241	10.8	33,366	2,251,971,438
2011	2	79,740	67,803	28,535	9.2	33,559	2,275,400,877
2012	2	79,777	67,803	28,549	7.4	33,591	2,277,570,573

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

Sources for unemployment rate:

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

Taxpayer	2012 Employees	Percentage of Total	2002 Employees	Percentage of Total	2002 Rank
1 Botsford Hospital	2,000	4.94	1,900	4.67	(1)
2 Robert Bosch Corporation	1,600	3.96	1,000	2.46	(1)
3 Farmington Public Schools	1,418	3.51	1,700	4.18	(1)
4 Quicken Loans	1,000	2.47	(1)	(1)	(1)
5 Cengage Learning Gale	850	2.10	(1)	(1)	(1)
6 Aditya Birla Minacs	700	1.73	(1)	(1)	(1)
7 Mercedes-Benz Financial Services	600	1.48	(1)	(1)	(1)
8 TRW Automotive Electronics	600	1.48	516	1.27	(1)
9 ACO Hardware	500	1.24	150	0.37	(1)
10 Nissan Technical Center North America	500	1.24	555	1.36	(1)

Source: SEMCOG + City economic development records + U.S. Census Bureau

(1) Not available

City of Farmington Hills, Michigan

Operating Information Full-time Equivalent Government Employees (I)

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

Source: City personnel/budget records

- (1) General government FTEs decreased by 0.77 or 1.6% in 2012.
- (2) Public safety FTEs decreased by 1.03 or 0.45% in 2012.
- (3) Public services FTEs decreased by 0.50 or 0.92% in 2012.
- (4) Planning and community development FTEs decreased by 0.40 or 2.1% in 2012.
- (5) Special services FTEs increased by 4.39 or 4.16% in 2012.
- (6) City-wide FTEs increased by 1.69 or 0.37% in 2012.

City of Farmington Hills, Michigan

Function/Program	2002	2003	2004	2005	2006
Police:					
Physical arrests	3,463	3,060	3,230	3,328	2,789
Traffic violations	19,832	19,081	18,991	17,646	13,347
Fire:					
Total incidents	6,746	6,432	6,487	6,645	6,818
Public education programs	275	244	451	218	109
Fire loss	\$4,531,661	\$5,967,485	\$5,735,652	\$3,427,891	\$2,490,598
Public works:					
Dwelling units receiving refuse service	22,581	22,661	22,665	22,750	22,790
% of waste stream recycled	30.54	28.46	30.91	30.94	30.98
Parks and recreation - Recreation programs	(I)	1,710	2,008	2,329	2,329
Water:					
Water customers	21,981	22,198	22,331	22,473	22,672
Water main breaks	121	134	161	82	77
Total consumption (mcf)	543,716	562,976	508,604	493,433	529,758
Average consumption per user (mcf/year)	24.70	25.40	22.80	22.00	23.40
Sewer:					
Average consumption per user (mcf/year)	23.90	21.70	20.60	20.70	19.30
Sewer customers	21,724	21,913	22,051	22,152	22,363

(I) Information not available

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

Operating Information
Operating Indicators

2007	2008	2009	2010	2011	2012
3,482	4,013	4,478	2,614	2,148	2,298
17,770	19,754	20,224	17,990	17,414	9,039
6,668	7,026	7,060	6,886	7,278	7,696
111	102	94	61	37	37
\$3,401,006	\$9,026,874	\$4,469,795	\$4,909,621	\$4,837,303	\$1,640,525
22,980	23,049	23,050	22,137	23,160	23,179
32.48	32.50	35.00	36.20	36.21	36.80
2,454	2,450	2,459	2,500	2,565	2,581
22,713	22,725	22,742	22,734	22,707	22,698
65	76	63	60	56	59
490,831	514,878	471,985	431,059	427,336	396,125
21.60	22.70	20.80	18.96	18.82	17.45
20.40	19.10	17.90	17.60	17.40	16.10
22,393	22,407	22,420	22,407	22,383	22,379

City of Farmington Hills, Michigan

Operating Information Capital Asset Statistics

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Fleet vehicles	78	82	82	82	82	82	82	82	73	64	64
Fire:											
Stations	5	5	5	5	5	5	5	5	5	5	5
Trucks (4)	15 (**)	18 (*)	16	16	17	16	16	16	16	16	16
Public works - Streets (miles):											
Major	58	58	58	58	58	58	58	58	58	58	58
Local	242	243	243	243	243	245	245	245	246	246	246
Parks and recreation:											
Acreage	629	629	629	629	629	629	629	629	633	636	636
Playgrounds	4	4	4	4	4	4	4	4	3	3	4
Football/Soccer fields (2)	15	15	15	15	15	15	15	15	17	17	19
Baseball/Softball diamonds (3)	10	10	10	10	10	10	10	10	12	12	12
Pools	1	1	1	1	1	1	1	1	1	1	1
Ice arena	1	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1	1
Water:											
Mains (miles)	443	449	450	454	457	460	454	454	471	471	472
Fire hydrants	(1)	(1)	4,703	4,883	5,008	5,033	5,084	5,090	5,045	5,047	5,127
Storage capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Sewer:											
Miles of sanitary sewers	317	320	322	323	325	326	327	327	327	327	329
Treatment capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

(1) Information not available

(2) Plus the City maintains 32 football/soccer fields for other entities.

(3) Plus the City maintains 38 baseball/softball diamonds for other entities.

(4) Plus 13 other vehicles and equipment.

(*) Two are temporary

(**) Three are temporary