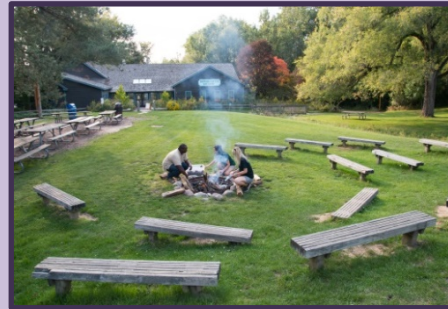


CITY OF FARMINGTON HILLS, MICHIGAN

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021



City of Farmington Hills

Annual Comprehensive Financial Report

County of Oakland

State of Michigan

Fiscal Year Ended June 30, 2021



Prepared by:

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November 29, 2021

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

We are pleased to submit the annual comprehensive financial report (ACFR) of the City of Farmington Hills (the "City") for the fiscal year ended June 30, 2021. This report was prepared by the Finance Department in conformance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, generally accepted accounting principles (GAAP), the Treasurer of the State of Michigan, and the Government Finance Officers Association (GFOA). This report consists of management representations concerning the finances of the City of Farmington Hills. Therefore, responsibility for the accuracy, completeness, reliability, and fairness of the financial data herein, including all disclosures, rests with the administration and management of the City of Farmington Hills. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The statements have been audited in accordance with generally accepted auditing standards by Yeo & Yeo, a certified public accounting firm licensed by the State of Michigan.

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

Yeo & Yeo has audited the City of Farmington Hills' financial statements to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Farmington Hills' financial statements for the fiscal year ended June 30, 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

Profile of the Government

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

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

The community offers a wide range of quality housing featuring homes in every style and price range. There are many premier residential areas providing housing options including more than 21,000 single-family homes and over 13,000 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$3 million, with the average home priced at approximately \$259,000.

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

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy - The City of Farmington Hills possesses a diversified property tax base with residential currently comprising 70 percent, commercial 21 percent, industrial 3 percent, and personal property (business equipment, furniture, and machinery) 6 percent. No one taxpayer exceeds 1.91 percent of the tax roll and the top 10 taxpayers combined account for approximately 7.16 percent of the total tax roll. Farmington Hills is home to approximately 4,700 businesses, 75 Fortune 500 companies, and more than 100 international firms. The City's residents are employed predominantly in management, professional sales, and related occupations.

In FY 2020-2021, the ad valorem taxable value of the City increased by 3.96 percent. The projection for FY 2021-2022 is a 3.97 percent increase in ad valorem taxable value. Citizens and business owners in Farmington Hills have shared in the economic environment of the nation, state, and metro-Detroit area due to the COVID-19 pandemic.

The City's unemployment rate of 2.4 percent at September 2021 is an decrease from 16 percent in June 2020, slightly higher than the county unemployment rate of 2.2 percent, but lower than the state unemployment rate of 4.6 percent. Gross Domestic Product in the 3rd Quarter of 2021 was 2.0 percent, after an increase of 6.7 percent. COVID cases and related deaths have increased in the Fall of 2021, leading to a seasonally-adjusted annual death toll of over 450,000 based on July – October 2021 figures. COVID phenomenon and the policy response to it continue to hang over the economy, as businesses and government are currently rolling out vaccination and mask mandates that may

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

Oakland County continues to embrace the "emerging sectors" initiative, an aggressive plan to attract the top new and emerging businesses to Oakland County. Over the last several years over 500 emerging sector endeavors have generated over \$5 billion in investment while creating or retaining over 89,000 jobs. These sectors are:

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

Oakland County's per capita income of \$56,138 is the highest among Michigan's 83 counties. Oakland County, as well as the City of Farmington Hills, continues to enjoy a AAA bond rating from Standard & Poor's, the highest bond rating achievable. The AAA bond rating allows the City to borrow at the lowest possible interest rate, saving City's taxpayers significant dollars in future borrowing costs.

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.

The World Bank currently projects a 4.9 percent annualized increase in GDP in 2021, and a 1.7 increase in 2022. Inflation is expected to increase at a transitory rate of 6.2 percent in 2021 before falling back to 2.3 percent in 2022. Personal income is projected to fall by 1 percent in 2021, and grow very slowly by 0.3 percent in 2022.

In Michigan, the House Fiscal Agency in May 2021 estimated wage and salary employment growth will increase by 3.5 percent in 2021 and by 3.8 percent in 2022. The state unemployment rate is forecast to be 5.5 percent in 2021, before dropping to 4.3 percent in 2022.

Personal income in the state is forecast to increase 6.7 percent in 2021 and increase 0.5 percent in 2022, according to the House Fiscal Agency, while wage and salary income is projected to increase 3.5 percent in 2021 and climb 4.2 percent in 2022.

The City Council annually reviews and accepts the updated “Six-year Capital Improvement Program,” as prepared by staff and adopted by the City’s Planning Commission, which directly impacts the City’s infrastructure. The City Council adopts many of the projects in the first year of this program in the annual budget. In addition to road construction and utility projects, the following categories of acquisitions or improvements are planned for FY 2021-2022:

- \$2,524,000 for drainage projects
- \$963,000 for sidewalk and bike path improvements/replacements
- \$1,158,000 for Fire Department vehicles and equipment
- \$1,048,000 for Public Services Department equipment
- \$2,500,000 for technology equipment, software and upgrades
- \$2,633,300 for public facility improvements

Financial Policies - The following financial policies of the City had a significant impact on the City’s FY 2020-2021 financial statements:

Revenue Policy to Maintain a Diversified and Stable Taxable Revenue Base - Although the tax base remains diversified with approximately 70 percent residential and 30 percent nonresidential, the tax base had an increase in taxable values of approximately 3.96 percent in FY 2020-21. Taxable values are projected to increase by 3.97 percent in FY 2021-2022.

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

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

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

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

Accounting Changes

The City is implementing a new GASB pronouncement for fiscal year end June 30, 2021.

Statement No. 84, *Fiduciary Activities* improves the identification, accounting and reporting of fiduciary activities. GASB 84 requires a review and identification of all current activities recorded in the fiduciary funds to determine if they meet the revised definition of a fiduciary activity. The definition of fiduciary activity in GASB 84 is detailed, but in brief it involves funds held by the City in trust or on behalf of an organization, where the City does not have “administrative involvement” in the use of those funds, and those funds are not derived from providing goods and services to the organization.

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

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington Hills for its ACFR for the fiscal year ended June 30, 2020. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2020. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This was the 37th consecutive year the City received this award.

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

Respectfully submitted,



Gary Mekjian
Interim City Manager



Thomas C. Skrobola
Finance Director/Treasurer



Elizabeth Gaines
Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Farmington Hills
Michigan**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Farmington Hills
List of Elected and Principal Officials
June 30, 2021

Mayor and City Council

Title	Name
Mayor	Vickie Barnett
Mayor Pro Tem	Jackie Boleware
Council Member	Valerie Knol
Council Member	Michael Bridges
Council Member	Ken Massey
Council Member	Mary Newlin
Council Member	Matthew Strickfaden

City of Farmington Hills
List of Elected and Principal Officials
June 30, 2021

Principal Officials

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

City Profile



Farmington Hills is a 34 square mile suburban community with a pastoral and gently rolling terrain in Oakland County, MI, located 17 miles from downtown Detroit. It is one of the largest cities in Oakland County, the most prosperous county in Michigan and one of the most prosperous counties in America. Incorporated in 1973, the City quickly grew from its rural roots, and today offers a unique blend of historic charm, international diversity, and cutting-edge commerce, making it one of the most desirable locations to live and work in the United States. The City's tax base of \$3,722,663,480 is comprised of 70 percent residential property and 30 percent commercial, industrial, and personal property. The community's estimated 83,986 residents live in approximately 33,972 households with a median household income of \$83,268.

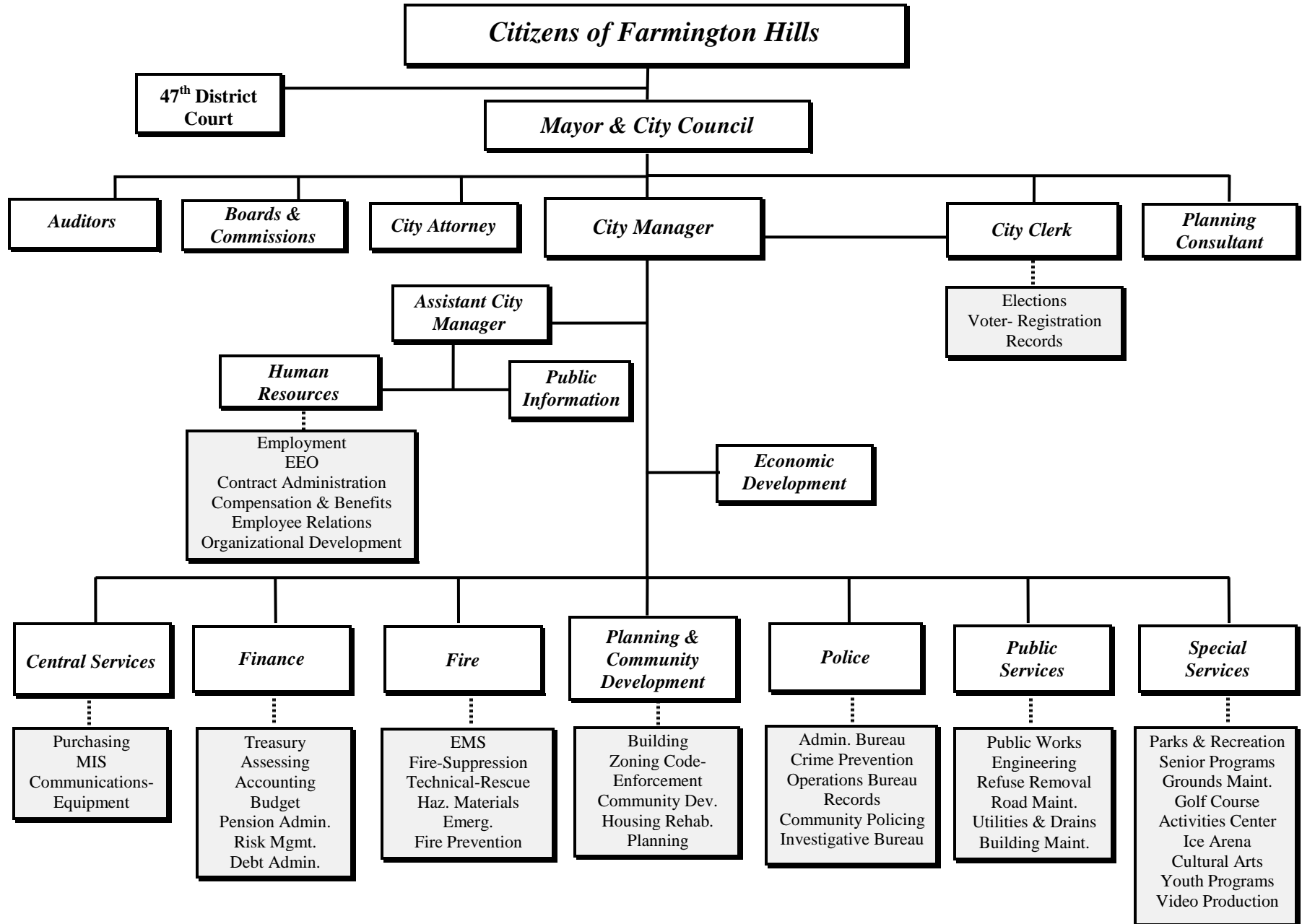
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit Metro Airport, and at the focal point of a north/south and east/west freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing and Toledo, Ohio, as well as the Ann Arbor technology corridor are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

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

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

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

CITY OF FARMINGTON HILLS



**City of Farmington Hills
Fund Organization Chart**

Governmental Funds

General

General Fund

Debt Service

Building Authority
General Debt Service

Capital Projects

Capital Improvement
Community Center Renovations

Special Revenue

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

Proprietary Funds - Enterprise

Water and Sewer

Fiduciary Funds

Custodial

Tax Collections

Component Units

Economic Development Corporation
Corridor Improvement Authority

Brownfield Redevelopment Authority



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Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund

information of the City of Farmington Hills, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, City of Farmington Hills Employees' Retirement System schedules and City of Farmington Hills Post-Retirement Healthcare Finance Fund schedules, 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington Hills' basic financial statements. The introductory section, statistical section and other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 on our consideration of the City of Farmington Hills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Farmington Hills' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Farmington Hills' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
November 29, 2021

City of Farmington Hills
Management's Discussion and Analysis
June 30, 2021

Using this Annual Report

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

The City of Farmington Hills as a Whole

The City's combined primary government net position increased \$33.2 million or 10.2 percent, from \$323.3 million to \$356.5 million, due primarily to the net increase of \$27.8 million of capital assets due to the acquisition of infrastructure, facilities, and equipment, and the net increase the pension and retiree health care systems of \$7.6 million, due to positive investment returns. Of that amount, \$81.8 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens/creditors. Governmental activities net position increased by \$33.7 million or 19 percent. Unrestricted net deficit of the governmental activities was approximately \$6.8 million as of June 30, 2021. Business-type activities net position decreased by approximately \$0.5 million in net position or 0.3 percent. The unrestricted net position of business-type activities was approximately \$75.0 million as of June 30, 2021.

City of Farmington Hills
Management's Discussion and Analysis
June 30, 2021

In condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2021 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	\$ 94.4	\$ 89.8	\$ 79.4	\$ 80.9	\$ 173.8	\$ 170.7
Noncurrent assets:						
Noncapital assets	20.5	1.9	-	-	20.5	1.9
Capital assets	224.2	196.5	98.5	97.5	322.7	294.0
Total assets	339.1	288.2	177.9	178.4	517.0	466.6
Deferred Outflows of Resources	7.8	20.7	-	-	7.8	20.7
Liabilities						
Current liabilities	28.9	16.5	6.0	4.0	34.9	20.5
Long-term liabilities	63.8	110.3	26.5	28.6	90.3	138.9
Total liabilities	92.7	126.9	32.5	32.5	125.2	159.4
Deferred Inflows of Resources	43.1	4.6	-	-	43.1	4.6
Net Position						
Invested in capital assets	189.1	172.7	70.4	68.9	259.5	241.6
Restricted	15.2	9.6	-	-	15.2	9.6
Unrestricted (deficit)	6.8	(4.9)	75.0	77.0	81.8	72.1
Total net position	\$ 211.1	\$ 177.4	\$ 145.4	\$ 145.9	\$ 356.5	\$ 323.3

City of Farmington Hills
Management's Discussion and Analysis
June 30, 2021

The following table shows the changes in net position (in millions of dollars) for the years ended June 30, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 15.8	\$ 16.8	\$ 30.2	\$ 27.2	\$ 46.0	\$ 44.0
Operating grants and contributions	20.0	11.8	-	-	20.0	11.8
Capital grants and contributions	-	-	2.1	1.2	2.1	1.2
General revenue:						
Property taxes	63.0	61.2	-	-	63.0	61.2
State-shared revenue	9.8	8.5	-	-	9.8	8.5
Interest	0.6	2.2	0.5	1.7	1.1	3.9
Other	0.6	0.9	-	-	0.6	0.9
Total revenue	<u>109.8</u>	<u>101.4</u>	<u>32.8</u>	<u>30.1</u>	<u>142.6</u>	<u>131.5</u>
Program Expenses						
General government	10.6	17.0	-	-	10.6	17.0
Public safety	30.5	37.3	-	-	30.5	37.3
Public services	21.8	21.9	-	-	21.8	21.9
Community and economic development	2.6	2.0	-	-	2.6	2.0
Recreation and culture	9.7	9.4	-	-	9.7	9.4
Interest on long-term debt	0.9	1.2	-	-	0.9	1.2
Water and sewer	-	-	33.3	28.9	33.3	28.9
Total program expenses	<u>76.1</u>	<u>88.8</u>	<u>33.3</u>	<u>28.9</u>	<u>109.4</u>	<u>117.7</u>
Change in Net Position	33.7	12.6	(0.5)	1.2	33.2	13.8
Net Position - Beginning of year	<u>177.4</u>	<u>164.8</u>	<u>145.9</u>	<u>144.7</u>	<u>323.3</u>	<u>309.5</u>
Net Position - End of year	<u><u>\$ 211.1</u></u>	<u><u>\$ 177.4</u></u>	<u><u>\$ 145.4</u></u>	<u><u>\$ 145.9</u></u>	<u><u>\$ 356.5</u></u>	<u><u>\$ 323.3</u></u>

Governmental Activities

The City's total governmental activities revenue increased by \$6.3 million or 8.2 percent. This was primarily attributed to increases in property tax revenue and the receipt of CARES Act grants from the Federal Government. The City's total governmental program expenses decreased by \$12.7 million or 14.3 percent. This is mostly attributable to favorable investment returns for the pension and retiree health care funds, which lowered the net liability recognized in this Net Position statement.

City of Farmington Hills
Management's Discussion and Analysis
June 30, 2021

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

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water distribution and sanitary sewer disposal services, which are supplied by the Great Lakes Water Authority and operated, maintained, and administered by the Oakland County Water Resources Commissioner. The utility system incurred a \$4.9 million operating loss during fiscal year 2020-2021 compared to an operating loss of \$3.3 million in the previous fiscal period. The \$1.6 million decrease in operating loss, when compared to the previous fiscal period, is primarily the result of the positive differential between Water revenue of \$1.8 million versus the increase in Water purchase expenses from the Great Lakes Water Authority of \$3.7 million, causing a net negative differential of \$1.9 million. The Water and Sewer Fund maintained a net position of \$145.4 million at year end, of which approximately \$75.0 million (unrestricted net position) may be used to meet the fund's ongoing obligations to citizens and creditors.

The City's Funds

An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to state legislative requirements to maintain separate funds for Act 51 major and local road money, the City Council creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by the citizens and earmarked bond proceeds. The City's major funds for fiscal year 2020-2021 include the General Fund, the Major Roads Fund, the Local Roads Fund and the Public Safety Millage Fund. Capital improvements in the major funds category primarily include major and local road reconstruction/resurfacing.

General Fund:

The FY 2020-2021 General Fund budget reflected a \$4.4 million reduction to fund balance at year end. Instead, the General Fund's fund balance increased by \$5.4 million or 13.4 percent, due primarily to the a \$5.8 million increase in actual revenue compared to the original budget, due primarily to the addition of \$5 million of federal CARES Act grant dollars, and \$3.5 million of State Shared Revenue, which was budgeted low in anticipation of negative COVID impacts on State Revenue that did not materialize; on the other hand there were \$2.5 million of decreases in Special Services revenue, due primarily to negative COVID impacts on Parks and Recreation programming, as well as a \$1.8 million decrease in actual expenditures compared to the original budget.

Major Special Revenue Funds:

The Major Roads Fund fund balance increased by approximately \$6.2 million or 207 percent. Total revenue and transfers in was \$0.7 million more than the previous year, due to increases in Act 51 Gas and Weight Tax revenue, while total expenditures and transfers out were \$9.2 million less than the previous year, due to a \$2 million decrease in transfers to the Local Street Fund and planned construction expenditures that are being executed after June 30, 2021. The Local Roads Fund fund balance decreased by approximately \$3.6 million or 34 percent. Total revenue and other financing sources was roughly the same as the previous year, while total expenditures and transfers out were \$0.5 million more than the previous year for local street construction projects, net of a scheduled \$0.8 million drop in debt service due to the maturity of SAD debt. The Public Safety Millage Fund fund balance decreased by \$13,396 or ½ of a percent. Total revenue was \$147,410 more than the previous year due to increased property tax values,

City of Farmington Hills
Management's Discussion and Analysis
June 30, 2021

while total expenditures were \$156,619 more than the previous year to support public safety staffing. The Municipal Street Fund was inaugurated in 2019 – 2020; year-end fund balance is \$90,088, a \$51,494 increase, due to better than expected State Gas and Weight tax revenue. Revenue and other financing sources equaled \$16.317 million, while expenditures and transfers out totaled \$16.265 million.

Major Capital Improvement Funds:

The Community Center Renovations Fund decreased its fund balance by \$14.6 million as the result of \$16.7 million of construction costs related to the completion of the new Hawk Community Center, offset partially by a \$1.7 million contribution from the City's Brownfield Redevelopment Authority's Fund.

General Fund Budgetary Highlights

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

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

- The approximately \$0.5 million or 0.7 percent decrease in total revenue from the final amended budget reflected a shortfall of normal insurance refunds.
- The approximate \$1.8 million or 3.4 percent decrease in total expenditures from the final amended budget are based primarily on staff vacancy gaps due to normal retirement and departures.

Capital Assets and Debt Administration

On June 30, 2021, the City had approximately \$322 million in total net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure (roads, sidewalks, drains, water, and sewer) assets included in this report, net of depreciation and exclusive of construction on progress, is approximately \$178.3 million (see Note 5 of the notes to financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and community center and is reported as a liability on the statement of net position. The City's total debt for governmental activities increased by \$3.1 million (6.7 percent). The decrease was the result of the payoff of annual maturities on pre-existing debt (see Note 7 of the notes to financial statements- for additional information). The City maintained its AAA noninsured rating from Standard & Poor's and Aa1 noninsured rating from Moody's.

City of Farmington Hills
Management's Discussion and Analysis
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2020-2021 tax rate decreased to 16.8566 mills due to the Headlee rollback on the General Operating, Economic Development PA 59 Millage, Parks Millage, Public Safety Millages, and 2014 Municipal Roads Millage. The City's tax base increased by 3.97 percent in fiscal year 2020-2021, and is projected to increase 3.96 percent for fiscal year 2020-2021. Our state equalized value (SEV) was \$4.65 billion in fiscal year 2020-2021, which is \$1.178 billion more than our taxable value. This is significant because taxes are based on taxable value, not SEV. The tax base is well diversified with residential accounting for 70 percent, commercial 21 percent, industrial 3 percent, and personal property 6 percent. Tax base diversification is further demonstrated by the fact that the top 10 taxpayers combined account for approximately 7.1 percent of the tax roll.

Taxes account for approximately 55 percent of the fiscal year 2021-2022 General Fund budgeted revenue, while state-shared revenue accounts for approximately 15 percent of the fiscal year 2021-2022 General Fund budgeted revenue. The fiscal year 2021-2022 General Fund adopted budget reflects the use of fund balance of \$6 million, which includes a continued contribution to the Capital Improvement Program.

On the expense side, the City operates with a relatively small labor force and low personnel costs, while maintaining all city services, with some inflationary cost increases. The City will continue to adjust expenditures through cost savings and efficiencies in fiscal year 2021-2022 to match revenue projections as they are revised.

Contacting the City's Management

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

City of Farmington Hills
Statement of Net Position
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,280,793	\$ 30,344,135	\$ 33,624,928	\$ 141,121
Investments	84,426,020	40,294,308	124,720,328	1,177,327
Receivables:				
Customers	1,046,585	9,183,324	10,229,909	-
Due from other units of government	3,909,237	-	3,909,237	-
Internal balances	397,485	(397,485)	-	-
Inventories	729,012	-	729,012	-
Prepaid items	304,826	5	304,831	-
Deposits	276,621	-	276,621	-
Capital assets not being depreciated	72,530,100	3,422,402	75,952,502	-
Capital assets, net of accumulated depreciation	151,712,654	95,092,831	246,805,485	-
Net OPEB asset	20,484,443	-	20,484,443	-
Total assets	<u>339,097,776</u>	<u>177,939,520</u>	<u>517,037,296</u>	<u>1,318,448</u>
Deferred Outflows of Resources				
Deferred charges on bond refunding	394,976	-	394,976	-
Deferred amount relating to net pension liability	5,523,960	-	5,523,960	-
Deferred amount relating to net OPEB asset	1,882,821	-	1,882,821	-
Total deferred outflows of resources	<u>7,801,757</u>	<u>-</u>	<u>7,801,757</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Statement of Net Position
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 10,830,959	\$ 4,228,214	\$ 15,059,173	\$ 914
Accrued and other liabilities	8,301,351	176,344	8,477,695	-
Due to other units of government	101,050	17,451	118,501	-
Unearned revenue	4,478,971	11,000	4,489,971	-
Noncurrent liabilities due within one year:				
Current portion of compensated absences	2,603,495	-	2,603,495	-
Debt due within one year	2,270,000	1,554,735	3,824,735	-
Claims due within one year	284,000	-	284,000	-
Noncurrent liabilities due in more than one year:				
Noncurrent portion of compensated absences	3,354,440	-	3,354,440	-
Debt due in more than one year	34,646,571	26,523,971	61,170,542	-
Net pension liability	25,804,703	-	25,804,703	-
Total liabilities	<u>92,675,540</u>	<u>32,511,715</u>	<u>125,187,255</u>	<u>914</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	23,759,155	-	23,759,155	-
Deferred amount relating to net OPEB asset	19,301,425	-	19,301,425	-
Total deferred inflows of resources	<u>43,060,580</u>	<u>-</u>	<u>43,060,580</u>	<u>-</u>
Net Position				
Net investment in capital assets	189,055,502	70,436,527	259,492,029	-
Restricted for:				
Roads	11,546,394	-	11,546,394	-
Parks and recreation	678,795	-	678,795	-
OPEB asset	3,065,839	-	3,065,839	-
Unrestricted	<u>6,816,883</u>	<u>74,991,278</u>	<u>81,808,161</u>	<u>1,317,534</u>
 Total net position	 <u>\$ 211,163,413</u>	 <u>\$ 145,427,805</u>	 <u>\$ 356,591,218</u>	 <u>\$ 1,317,534</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 10,616,854	\$ 6,989,875	\$ 905,260	\$ -	\$ (2,721,719)	\$ -	\$ (2,721,719)	\$ -
Public safety	30,488,230	2,181,621	5,538,972	-	(22,767,637)	-	(22,767,637)	-
Public works	21,792,879	2,796,015	10,294,604	-	(8,702,260)	-	(8,702,260)	-
Community and economic development	2,550,617	-	843,502	-	(1,707,115)	-	(1,707,115)	-
Recreation and culture	9,703,991	3,781,843	2,419,494	-	(3,502,654)	-	(3,502,654)	-
Interest and fiscal charges on long-term debt	918,731	-	-	-	(918,731)	-	(918,731)	-
Total governmental activities	76,071,302	15,749,354	20,001,832	-	(40,320,116)	-	(40,320,116)	-
Business-type activities - Water and Sewer	33,297,760	30,238,018	-	2,083,715	-	(976,027)	(976,027)	-
 Total primary government	 <u>\$ 109,369,062</u>	 <u>\$ 45,987,372</u>	 <u>\$ 20,001,832</u>	 <u>\$ 2,083,715</u>	 <u>(40,320,116)</u>	 <u>(976,027)</u>	 <u>(41,296,143)</u>	 <u>-</u>
 Component units								
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Brownfield Redevelopment Authority	1,570,724	-	-	-	-	-	-	(1,570,724)
Corridor Improvement Authority	50	-	-	-	-	-	-	(50)
Total component units	<u>\$ 1,570,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,570,774)</u>
 General revenues								
Property taxes					62,969,729	-	62,969,729	496,772
State-shared revenue					9,759,804	-	9,759,804	-
Unrestricted investment earnings					600,963	529,829	1,130,792	7,065
Gain on sale of capital assets					160,606	-	160,606	-
Miscellaneous					438,153	-	438,153	4,000
Total general revenues					<u>73,929,255</u>	<u>529,829</u>	<u>74,459,084</u>	<u>507,837</u>
 Change in net position					<u>33,609,139</u>	<u>(446,198)</u>	<u>33,162,941</u>	<u>(1,062,937)</u>
 Net position - beginning of year					177,399,662	145,874,003	323,273,665	2,380,471
 Prior period adjustment					154,612	-	154,612	-
 Net position - beginning of year, as restated					<u>177,554,274</u>	<u>145,874,003</u>	<u>323,428,277</u>	<u>2,380,471</u>
 Net position - end of year					<u>\$ 211,163,413</u>	<u>\$ 145,427,805</u>	<u>\$ 356,591,218</u>	<u>\$ 1,317,534</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Governmental Funds
Balance Sheet
June 30, 2021

	General	Municipal Street Fund	Local Roads Fund	Public Safety Millage Fund	Community Center Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,336,110	\$ -	\$ 35,903	\$ -	\$ 44,790	\$ 863,990	\$ 3,280,793
Investments	51,660,976	426,450	6,398,989	4,021,574	3,662,035	18,255,996	84,426,020
Receivables:							
Other receivables	739,064	-	-	-	257,408	50,113	1,046,585
Due from other units of government	2,070,378	-	419,291	-	-	1,419,568	3,909,237
Due from other funds	3,007,816	-	-	-	-	538,676	3,546,492
Prepaid items	304,826	-	-	-	-	-	304,826
Deposits	276,621	-	-	-	-	-	276,621
Total assets	\$ 60,395,791	\$ 426,450	\$ 6,854,183	\$ 4,021,574	\$ 3,964,233	\$ 21,128,343	\$ 96,790,574

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Governmental Funds
Balance Sheet
June 30, 2021

	General	Municipal Street Fund	Local Roads Fund	Public Safety Millage Fund	Community Center Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities							
Accounts payable	\$ 2,140,628	\$ -	\$ 4,422,386	\$ -	\$ 2,420,884	\$ 1,847,061	\$ 10,830,959
Accrued and other liabilities	8,050,135	-	-	-	-	-	8,050,135
Due to other funds	10,022	-	567,787	1,537,580	209,006	824,612	3,149,007
Unearned revenue	4,455,879	-	-	-	-	23,092	4,478,971
Total liabilities	<u>14,656,664</u>	<u>-</u>	<u>4,990,173</u>	<u>1,537,580</u>	<u>2,629,890</u>	<u>2,694,765</u>	<u>26,509,072</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	-	-	50,028	50,028
Miscellaneous	210,239	-	-	-	-	-	210,239
Total deferred inflows of resources	<u>210,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,028</u>	<u>260,267</u>
Fund Balances							
Non-spendable:							
Prepaid items	304,826	-	-	-	-	-	304,826
Restricted for:							
Roads	-	426,450	1,864,010	-	-	9,246,237	11,536,697
Police and fire	-	-	-	2,483,994	-	1,046,353	3,530,347
Parks and recreation	-	-	-	-	-	678,795	678,795
Capital projects	-	-	-	-	1,334,343	-	1,334,343
Assigned:							
Capital projects	-	-	-	-	-	7,323,118	7,323,118
Debt service	-	-	-	-	-	89,047	89,047
Future expenditures	19,711,996	-	-	-	-	-	19,711,996
Unassigned	25,512,066	-	-	-	-	-	25,512,066
Total fund balances	<u>45,528,888</u>	<u>426,450</u>	<u>1,864,010</u>	<u>2,483,994</u>	<u>1,334,343</u>	<u>18,383,550</u>	<u>70,021,235</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 60,395,791</u>	<u>\$ 426,450</u>	<u>\$ 6,854,183</u>	<u>\$ 4,021,574</u>	<u>\$ 3,964,233</u>	<u>\$ 21,128,343</u>	<u>\$ 96,790,574</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Total fund balances for governmental funds	\$ 70,021,235
Total net position for governmental activities in the statement of net position is different because:	
Inventories used in governmental activities are reported on the purchase method in the funds.	729,012
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	151,712,654
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	72,530,100
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	260,267
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds.	394,976
Net OPEB asset is not reported in the funds.	20,484,443
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(251,216)
Compensated absences	(5,957,935)
Claims and judgments	(284,000)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(23,759,155)
Deferred inflows of resources resulting from net OPEB asset	(19,301,425)
Deferred outflows of resources resulting from net pension liability	5,523,960
Deferred outflows of resources resulting from net OPEB asset	1,882,821
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds and notes payable	(36,916,571)
Net pension liability	(25,804,703)
Amounts due to Oakland County for drain projects are not included as a liability in the governmental funds.	(101,050)
Net position of governmental activities	<u>\$ 211,163,413</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Municipal Street Fund	Local Roads Fund	Public Safety Millage Fund	Community Center Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 33,956,529	\$ 16,455,485	\$ -	\$ 10,883,839	\$ -	\$ 1,673,876	\$ 62,969,729
Licenses and permits	1,620,709	-	-	-	-	-	1,620,709
Federal grants	5,143,443	-	-	-	-	1,613,772	6,757,215
State and other sources	9,674,791	539,061	2,560,700	146,030	-	7,981,857	20,902,439
Local contributions	-	-	-	-	1,799,758	225,204	2,024,962
Charges for services	10,736,549	-	-	-	-	-	10,736,549
Fines and forfeitures	1,647,759	-	-	-	-	-	1,647,759
Interest income	382,974	32,173	29,598	44,734	16,528	94,989	600,996
Other revenue:							
Other grants and contributions	42,104	-	-	-	-	-	42,104
Equipment rental	1,463,133	-	-	-	-	-	1,463,133
Other miscellaneous income	330,872	-	-	-	-	249,575	580,447
Total revenues	64,998,863	17,026,719	2,590,298	11,074,603	1,816,286	11,839,273	109,346,042

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Municipal Street Fund	Local Roads Fund	Public Safety Millage Fund	Community Center Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures							
Current:							
General government	\$ 13,189,248	\$ -	\$ -	\$ -	-	\$ -	\$ 13,189,248
Public safety	21,296,312	-	-	11,087,999	-	179,671	32,563,982
Public works	7,580,395	-	17,211,845	-	-	6,029,329	30,821,569
Community and economic development	1,712,828	-	-	-	-	843,502	2,556,330
Recreation and culture	7,989,288	-	-	-	-	546,280	8,535,568
Capital outlay	-	-	-	-	16,753,519	5,878,657	22,632,176
Debt service	-	-	926,663	-	-	3,714,734	4,641,397
	<u>51,768,071</u>	<u>-</u>	<u>18,138,508</u>	<u>11,087,999</u>	<u>16,753,519</u>	<u>17,192,173</u>	<u>114,940,270</u>
Total expenditures							
Excess (deficiency) of revenues over expenditures	<u>13,230,792</u>	<u>17,026,719</u>	<u>(15,548,210)</u>	<u>(13,396)</u>	<u>(14,937,233)</u>	<u>(5,352,900)</u>	<u>(5,594,228)</u>
Other financing sources (uses)							
Transfers in	1,307,850	-	12,017,057	-	318,216	15,082,260	28,725,383
Transfers out	(9,200,000)	(16,690,357)	(77,725)	-	-	(2,757,301)	(28,725,383)
Issuance of debt	-	-	-	-	-	4,125,000	4,125,000
Payment to refunded bond escrow agent	-	-	-	-	-	(3,600,278)	(3,600,278)
Sale of capital assets	63,561	-	-	-	-	98,610	162,171
	<u>(7,828,589)</u>	<u>(16,690,357)</u>	<u>11,939,332</u>	<u>-</u>	<u>318,216</u>	<u>12,948,291</u>	<u>686,893</u>
Total other financing sources and uses							
Net change in fund balance	<u>5,402,203</u>	<u>336,362</u>	<u>(3,608,878)</u>	<u>(13,396)</u>	<u>(14,619,017)</u>	<u>7,595,391</u>	<u>(4,907,335)</u>
Fund balance - beginning of year	39,972,073	90,088	5,472,888	2,497,390	15,953,360	10,788,159	74,773,958
Prior period adjustment	154,612	-	-	-	-	-	154,612
Fund balance - beginning of year as restated	<u>40,126,685</u>	<u>90,088</u>	<u>5,472,888</u>	<u>2,497,390</u>	<u>15,953,360</u>	<u>10,788,159</u>	<u>74,928,570</u>
Fund balance - end of year	<u>\$ 45,528,888</u>	<u>\$ 426,450</u>	<u>\$ 1,864,010</u>	<u>\$ 2,483,994</u>	<u>\$ 1,334,343</u>	<u>\$ 18,383,550</u>	<u>\$ 70,021,235</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ (4,907,335)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report inventory purchases as expenditures. However in the statement of activities purchases are recognized as inventory and expensed when consumed.	90,951
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(9,539,293)
Capital outlay	37,288,970
Sale of capital assets (net book value)	(1,565)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	173,793
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	6,046
Compensated absences	(31,362)
Claims and judgments	(175,000)
Changes in the amount due to Oakland County for drain projects not included as a liability in the governmental funds	(19,829)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	34,590,914
Net change in the deferred inflow of resources related to the net pension liability	(21,242,727)
Net change in the deferred outflow of resources related to the net pension liability	(10,176,435)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	24,300,151
Net change in the deferred inflow of resources related to the net OPEB asset	(17,204,703)
Net change in the deferred outflow of resources related to the net OPEB asset	(2,735,335)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Debt issued	(4,125,000)
Repayments of long-term debt including premium amortization	7,302,742
Amortization deferred outflows related to debt refundings	14,156
Change in net position of governmental activities	\$ 33,609,139

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Proprietary Funds
Statement of Net Position
June 30, 2021

	Enterprise Fund
	Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 30,344,135
Investments	40,294,308
Receivables	9,183,324
Due from other funds	10,004
Prepaid items	5
Total current assets	79,831,776
Noncurrent assets:	
Capital assets not being depreciated	3,422,402
Capital assets, net of accumulated depreciation	95,092,831
Total noncurrent assets	98,515,233
Total assets	178,347,009
Liabilities	
Current liabilities:	
Accounts payable	4,228,214
Accrued and other liabilities	176,344
Due to other funds	407,489
Due to other units of government	17,451
Unearned revenue	11,000
Current portion of noncurrent liabilities	1,554,735
Total current liabilities	6,395,233
Noncurrent liabilities:	
Long-term debt net of current portion	26,523,971
Total liabilities	32,919,204
Net Position	
Net investment in capital assets	70,436,527
Unrestricted	74,991,278
Total net position	\$ 145,427,805

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Enterprise Fund
	Water and Sewer
Operating revenue	
Sale of water	\$ 14,370,414
Sewage disposal charges	13,016,590
Other operating revenue	246,174
Total operating revenue	27,633,178
Operating expenses	
Cost of water	10,917,672
Cost of sewage treatment	10,972,794
Other operating and maintenance costs	4,549,073
Billing and administrative costs	1,650,821
Depreciation	4,476,744
Total operating expenses	32,567,104
Operating loss	(4,933,926)
Nonoperating revenue (expenses)	
Interest income	529,829
Interest expense	(730,656)
Debt service charge	2,604,840
Total nonoperating revenues (expenses)	2,404,013
Loss before capital contributions	(2,529,913)
Tap-in fees	182,440
Lines donated by developers	1,901,275
Change in net position	(446,198)
Net position - beginning of year	145,874,003
Net position - end of year	\$ 145,427,805

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
Cash flows from operating activities	
Receipts from customers	\$ 27,884,453
Payments to other funds	(57,666)
Payments to suppliers	<u>(27,624,586)</u>
Net cash provided by operating activities	<u>202,201</u>
Cash flows from capital and related financing activities	
Proceeds from capital debt	5,627,631
Tap-in fees and other	182,440
Purchases/construction of capital assets	(3,616,071)
Principal and interest paid on long-term debt	(6,854,541)
Debt service charge	<u>2,604,840</u>
Net cash used by capital and related financing activities	<u>(2,055,701)</u>
Cash flows from investing activities	
Sale of investments	788,776
Interest received	<u>529,829</u>
Net cash provided by investing activities	<u>1,318,605</u>
Net change in cash and cash equivalents	(534,895)
Cash and cash equivalents - beginning of year	<u>30,879,030</u>
Cash and cash equivalents - end of year	<u><u>\$ 30,344,135</u></u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Fund
	Water and Sewer
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (4,933,926)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	4,476,744
Changes in assets and liabilities:	
Receivables	240,275
Due from other funds	(10,004)
Accounts payable	467,496
Due to other funds	(47,662)
Due to other units of government	(1,722)
Unearned revenue	11,000
Net cash provided by operating activities	\$ 202,201
Noncash transactions - lines donated by developers	\$ 1,901,275

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 66,519
Liabilities	
Other liabilities	45,328
Refundable deposits and bonds	<u>21,191</u>
Total liabilities	<u>66,519</u>
Net Position	<u><u>\$ -</u></u>

City of Farmington Hills
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	<u>Custodial Fund</u>
Additions	
Property tax collections for other governments	\$ <u>114,243,656</u>
Deductions	
Payments of property tax to other governments	<u>114,243,656</u>
Change in net position	-
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ -</u></u>

City of Farmington Hills
Component Units
Statement of Net Position
June 30, 2021

	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Corridor Improvement Authority</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ 5,325	\$ 135,796	\$ 141,121
Investments	<u>671</u>	<u>994,751</u>	<u>181,905</u>	<u>1,177,327</u>
Total assets	<u>671</u>	<u>1,000,076</u>	<u>317,701</u>	<u>1,318,448</u>
Liabilities				
Accounts payable	<u>-</u>	<u>-</u>	<u>914</u>	<u>914</u>
Net Position				
Unrestricted	<u>\$ 671</u>	<u>\$ 1,000,076</u>	<u>\$ 316,787</u>	<u>\$ 1,317,534</u>

City of Farmington Hills
Component Units
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	
Functions/Programs								
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	1,570,724	-	-	-	-	(1,570,724)	-	(1,570,724)
Corridor Improvement Authority	50	-	-	-	-	-	(50)	(50)
Total component units	<u>\$ 1,570,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(1,570,724)</u>	<u>(50)</u>	<u>(1,570,774)</u>
General revenues								
Property taxes					-	361,699	135,073	496,772
Unrestricted investment earnings					4	5,924	1,137	7,065
Miscellaneous					-	4,000	-	4,000
Total general revenues					<u>4</u>	<u>371,623</u>	<u>136,210</u>	<u>507,837</u>
Change in net position					4	(1,199,101)	136,160	(1,062,937)
Net position - beginning of year					667	2,199,177	180,627	2,380,471
Net position - end of year					<u>\$ 671</u>	<u>\$ 1,000,076</u>	<u>\$ 316,787</u>	<u>\$ 1,317,534</u>

See Accompanying Notes to the Financial Statements

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Reporting entity

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

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

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

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

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

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

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

The City is party to the following jointly governed organizations:

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington, Michigan. The City provides approximately 82.81 percent of the funding for the Michigan 47th District Court Administration Fund.

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

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

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

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

Government-wide and fund financial statements

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

The City reports the following major governmental funds:

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

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

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

Public Safety Millage Fund – The Public Safety Millage Fund accounts for police and fire department staffing and equipment needs of the City. Financing is provided by a dedicated millage adopted by the electorate of the City.

Community Center Renovations Fund – The Community Center Renovations Fund accounts for the expenditures for the capital outlays related to the Hawk Community Center.

The City reports the following major proprietary funds:

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

Additionally, the government reports the following fiduciary funds:

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

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services.

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

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

Assets, liabilities, and net position or equity

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

Investments – Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value, as determined by management.

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

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

Property tax revenue – Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. The related property taxes are billed on July 1 and become a lien at that time. These taxes are payable at the City until August 31 without

penalty. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 final amended taxable valuation of the City totaled \$3,752,276,788 on which ad valorem taxes levied consisted of 8.1006 mills for operating purposes, 0.4691 mills for parks and recreation, 0.7530 mills for refuse, 0.0139 mills for economic development, 4.6215 for roads, and 3.0536 mills for public safety. This resulted in approximately \$28,933,000 for operations, \$1,676,000 for parks and recreation, \$2,688,000 for refuse, \$49,000 for economic development, \$16,474,000 for roads, and \$10,883,000 for public safety. These amounts are recognized in the respective General Fund, special revenue fund, and debt service fund financial statements as tax revenue, subsequent to Brownfield captures.

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

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

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

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

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

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

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

government-wide financial statements. In prior years, the General Fund has been used to liquidate the liability for compensated absences.

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

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

Other post employment benefits (OPEB) – The City offers retiree healthcare benefits to retirees. The City records a net OPEB asset or liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset or liability, deferred outflows of

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

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

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

Fund balance flow assumption – The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In

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

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

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

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

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discussed above, an additional action is essential to either remove or revise a commitment.

Use of Estimates

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

Adoption of New Accounting Standards

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting

for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Statement No. 98, *The Annual Comprehensive Financial Report* establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

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

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statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

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

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a

nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

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

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Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

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

The budget is adopted on a departmental and activity total basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2021 for all funds is not significant. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

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

Excess of expenditures over appropriations

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

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
Community Development Block Grant Fund			
Community and economic development	\$ 831,083	\$ 843,502	\$ 12,419
Nutrition Grant Fund			
Recreation and culture	509,424	546,280	36,856
Forfeiture Funds			
Public safety	8,648	179,671	171,023

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, 2020		\$ (932,307)
Current year permit revenue		1,551,176
Related expenses		
Direct costs	(1,038,116)	
Estimated indirect costs	<u>(224,679)</u>	
Total related expenses		<u>(1,262,795)</u>
Cumulative shortfall at June 30, 2021		<u>\$ (643,926)</u>

City of Farmington Hills
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Note 3 - Deposits and Investments

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

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

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 3,280,793	\$ 84,426,020	\$ 87,706,813
Business-type activities	<u>30,344,135</u>	<u>40,294,308</u>	<u>70,638,443</u>
Total	33,624,928	124,720,328	158,345,256
Fiduciary funds	66,519	-	66,519
Component unit	<u>141,121</u>	<u>1,177,327</u>	<u>1,318,448</u>
Total	<u>\$ 33,832,568</u>	<u>\$ 125,897,655</u>	<u>\$ 159,730,223</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 33,617,488	\$ 66,519	\$ 141,121	\$ 33,825,128
Investments in securities, mutual funds and similar vehicles	124,720,328	-	1,177,327	125,897,655
Petty cash and cash on hand	<u>7,440</u>	<u>-</u>	<u>-</u>	<u>7,440</u>
	<u>\$ 158,345,256</u>	<u>\$ 66,519</u>	<u>\$ 1,318,448</u>	<u>\$ 159,730,223</u>

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

Investment	Carrying value	Weighted- average Maturity	Rating	Rating Organization
MI CLASS Investment Pool	\$ 1,000,257	79 days	AAAm	S&P
Oakland County LGIP	<u>124,897,398</u>	260 days	Not Rated	N/A
Total	<u>\$ 125,897,655</u>			

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

Custodial credit risk of bank deposits – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy strives to minimize custodial credit risk by prequalifying the financial institutions, brokers/dealers, and intermediaries with which the City does business. At year-end, the City had \$31,411,927 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. City policy – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

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

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

Note 4 - Fair Value Measurements

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

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

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

Investments in entities that calculate net asset value per share – The City holds shares or interests in investment companies whereby the fair

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value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient and is presented in the following table.

As of June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Redemption Frequency	Redemption Notice Period
External investment pools	\$ <u>125,897,655</u>	N/A	N/A

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

At year end, the net asset value of the City's investment in Michigan CLASS was \$1,000,257. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies. Financial statements for Michigan CLASS may be obtained from the website: www.michiganclass.org.

At year end, the net asset value of the City's investment in the Oakland County Local Government Investment Pool was \$124,897,398. The

Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost. Financial statements for the Oakland County LGIP are included in Oakland County's financial statements and may be obtained from the website: www.oakgov.com.

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Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 17,587,532	\$ -	\$ -	\$ -	\$ 17,587,532
Construction in progress	32,684,226	14,424,967	-	(23,728,555)	23,380,638
Right of way	31,561,930	-	-	-	31,561,930
Total capital assets not being depreciated	<u>81,833,688</u>	<u>14,424,967</u>	<u>-</u>	<u>(23,728,555)</u>	<u>72,530,100</u>
Capital assets being depreciated					
Sidewalks	16,112,841	-	-	219,081	16,331,922
Drain rights	20,365,513	-	-	-	20,365,513
Buildings and improvements	64,073,306	16,586,231	-	10,923,609	91,583,146
Machinery and equipment	15,035,303	1,970,953	848,395	669,467	16,827,328
Vehicles	18,609,711	1,401,759	726,988	322,786	19,607,268
Office furnishings	2,813,269	263,233	44,725	-	3,031,777
Land improvements	20,268,008	64,529	4,136	-	20,328,401
Major roads	82,120,325	43,421	-	1,294,500	83,458,246
Local roads	100,193,355	2,533,877	-	10,299,112	113,026,344
Total capital assets being depreciated	<u>339,591,631</u>	<u>22,864,003</u>	<u>1,624,244</u>	<u>23,728,555</u>	<u>384,559,945</u>
Less accumulated depreciation for					
Sidewalks	10,933,855	334,307	-	-	11,268,162
Drain rights	9,930,952	407,310	-	-	10,338,262
Buildings and improvements	40,058,615	1,556,672	-	-	41,615,287
Machinery and equipment	10,743,517	961,690	846,829	-	10,858,378
Vehicles	10,423,142	1,470,909	726,989	-	11,167,062
Office furnishings	2,638,652	81,204	44,725	-	2,675,131
Land improvements	16,331,150	528,902	4,136	-	16,855,916
Major roads	48,141,341	2,538,771	-	-	50,680,112
Local roads	75,729,453	1,659,528	-	-	77,388,981
Total accumulated depreciation	<u>224,930,677</u>	<u>9,539,293</u>	<u>1,622,679</u>	<u>-</u>	<u>232,847,291</u>
Net capital assets being depreciated	<u>114,660,954</u>	<u>13,324,710</u>	<u>1,565</u>	<u>23,728,555</u>	<u>151,712,654</u>
Governmental activities capital assets, net	<u>\$ 196,494,642</u>	<u>\$ 27,749,677</u>	<u>\$ 1,565</u>	<u>\$ -</u>	<u>\$ 224,242,754</u>

City of Farmington Hills
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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Construction in progress	\$ 3,773,257	\$ 3,272,349	\$ -	\$ (3,623,204)	\$ 3,422,402
Capital assets being depreciated					
Sewage disposal system	98,965,191	960,875	-	408,380	100,334,446
Water and sewer lines	117,495,597	1,284,122	-	3,214,824	121,994,543
Total capital assets being depreciated	216,460,788	2,244,997	-	3,623,204	222,328,989
Less accumulated depreciation for					
Sewage disposal system	66,700,857	1,674,472	-	-	68,375,329
Water and sewer lines	56,058,557	2,802,272	-	-	58,860,829
Total accumulated depreciation	122,759,414	4,476,744	-	-	127,236,158
Net capital assets being depreciated	93,701,374	(2,231,747)	-	3,623,204	95,092,831
Business-type capital assets, net	<u>\$ 97,474,631</u>	<u>\$ 1,040,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,515,233</u>

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

Governmental activities

General government	\$ 993,332
Public safety	1,633,047
Public services	5,735,909
Recreation and culture	<u>1,177,005</u>
 Total governmental activities	 9,539,293

Business-type activities

Water and sewer	<u>4,476,744</u>
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Total primary government \$ 14,016,037

Construction Commitments

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

	Contract Amount	Spent to Date	Remaining Commitment
Local Roads	\$ 20,231,139	\$ 12,802,535	\$ 7,428,603
Major Roads	5,138,085	4,100,474	1,037,611
Water	3,298,916	2,697,634	601,282
Public Safety	519,713	434,895	84,818
Capital Improvement	<u>325,000</u>	<u>14,026</u>	<u>310,974</u>
 Total	 <u>\$ 29,512,853</u>	 <u>\$ 20,049,564</u>	 <u>\$ 9,463,288</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	NGF*	\$ 429,612
General Fund	Local Roads Fund	567,787
General Fund	Water and Sewer Fund	407,489
General Fund	Public Safety Millage Fund	1,537,580
NGF*	NGF*	395,000
NGF*	Community Center Renovations Fund	143,658
NGF*	General Fund	18
Water and Sewer Fund	General Fund	10,004
General Fund	Community Center Renovations Fund	<u>65,348</u>
		<u>\$ 3,556,496</u>

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

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	NGF*	\$ 9,200,000
Municipal Street Fund	NGF*	4,673,300
Municipal Street Fund	Local Roads Fund	12,017,057
Local Roads Fund	NGF*	77,725
NGF*	NGF*	1,131,235
NGF*	General Fund	1,307,850
NGF*	Community Center Renovation Fund	<u>318,216</u>
		<u>\$ 28,725,383</u>

*Denotes nonmajor governmental funds.

The transfers from the General Fund to the nonmajor funds represent the movement of resources for debt service payments and capital

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improvements. The transfer from the Local Roads Fund to the nonmajor governmental funds represents the transfer of resources for debt service payments. The transfer from nonmajor funds to nonmajor governmental funds represents the transfer of resources for debt service payments. The transfer from the Municipal Streets Fund to the Local Roads Fund and nonmajor funds represents the movement of resources for road improvements from the property tax millage. Transfers from the nonmajor governmental funds to the Community Center Renovation Fund represents transfers to provide improvements to the Hawk. The transfer from nonmajor governmental funds to the General Fund represents the movement of restricted funds to be used for restricted purposes in the General Fund.

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Note 7 - Long-Term Debt

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

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2012 General Obligation Bonds	\$ 970,000	2026	N/A	N/A	\$ 545,000	\$ -	\$ 545,000	\$ -	\$ -
2019 Capital Improvement Bonds	23,925,000	2040	2.00% - 3.00%	975,000 - 1,545,000	23,925,000	-	955,000	22,970,000	975,000
2020 Refunding Bonds	4,125,000	2031	1.10% - 1.85%	125,000 - 565,000	-	4,125,000	-	4,125,000	125,000
Building authority bonds									
District Court Refunding Bonds, Series 2017	3,805,000	2021	N/A	N/A	1,000,000	-	1,000,000	-	-
County contractual obligations									
2013 Refunding Bonds - Golf Course	6,545,000	2031	2.00% - 2.50%	415,000 - 435,000	5,030,000	-	3,755,000	1,275,000	425,000
Districts 345, 346, and 347 - 2016 Capital									
Improvement Bonds	8,475,000	2030	2.00% - 5.00%	505,000 - 665,000	6,515,000	-	655,000	5,860,000	660,000
District 349 - 2017 Capital Improvement Bonds	1,225,000	2031	2.00% - 3.00%	85,000 - 90,000	1,070,000	-	85,000	985,000	85,000
Deferred amounts									
For issuance premiums					2,009,313	-	307,742	1,701,571	-
Total					40,094,313	4,125,000	7,302,742	36,916,571	2,270,000
Claims and judgments									
Compensated absences					247,323	1,625,354	1,588,677	284,000	284,000
					5,926,573	1,299,111	1,267,749	5,957,935	2,603,495
Total governmental activities					<u>\$ 46,268,209</u>	<u>\$ 7,049,465</u>	<u>\$ 10,159,168</u>	<u>\$ 43,158,506</u>	<u>\$ 5,157,495</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds and notes payable									
Limited tax general obligation bonds									
2013 Water Supply System Bonds	\$ 6,800,000	2032	N/A	N/A	\$ 4,865,000	\$ -	\$ 4,865,000	\$ -	\$ -
2014 Water Supply System Bonds	8,800,000	2034	2.00% - 3.00%	375,000 - 600,000	7,100,000	-	375,000	6,725,000	400,000
2014 Evergreen and Middlebelt Transport and Storage Tunnel Bonds	19,750,005*	2036	2.50%	844,290 - 1,194,750	16,166,805	980,027	825,705	16,321,127	844,290
2017 Evergreen and Farmington Sewage Disposal Systems Middlebelt Transport and Storage Tunnel Project Bonds	528,345	2027	2.14%	50,445 - 61,065	432,765	-	47,790	384,975	50,445
2021A Water Supply System Refunding Bonds	3,990,000	2033	2.00% - 5.00%	255,000 - 420,000	-	3,990,000	-	3,990,000	260,000
Deferred amounts									
For issuance premiums					-	657,604	-	657,604	-
Total business-type activities					<u>\$ 28,564,570</u>	<u>\$ 5,627,631</u>	<u>\$ 6,113,495</u>	<u>\$ 28,078,706</u>	<u>\$ 1,554,735</u>

* Issue of \$19,750,005 but only \$19,504,472 was drawn down in total as of June 30, 2021.

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

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 2,270,000	\$ 880,173	\$ 1,554,735	\$ 696,465
2023	2,280,000	822,049	1,570,975	674,605
2024	2,325,000	762,219	1,617,525	630,061
2025	2,330,000	713,838	1,681,420	583,239
2026	2,365,000	670,787	1,720,315	532,949
2027-2031	11,185,000	2,572,789	9,353,045	1,866,950
2032-2036	6,550,000	1,383,900	8,764,665	542,792
2037-2040	5,910,000	361,350	1,158,422	2,079
	<u>\$ 35,215,000</u>	<u>\$ 8,167,105</u>	<u>\$ 27,421,102</u>	<u>\$ 5,529,140</u>

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Debt Issuance

The Evergreen and Middlebelt Sanitary Sewer Transport and Storage Tunnel Bonds are State Revolving Fund bonds, and the county has drawn down an additional \$1,845,625, of which 53.10 percent, or \$980,027, is the City's share. The bond interest rate is 2.50 percent. The proceeds were used for the construction on the sanitary sewer system.

Defeased Refundings

The City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2021, the City's portion of bonds outstanding that are considered defeased approximates \$8,050,000.

Deferred Amount on Debt Refunding

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Deferred amount on refunding	\$ 380,820	\$ 301,782	\$ 287,626	\$ 394,976	\$ 165,375

Debt Refunding

The City has issued the General Obligation Limited Tax Refunding Bonds, Series 2020 in the amount of \$4,125,000 to refund the City's 2012 General Obligation Bonds (Limited Tax), and partially advance refund the 2013 General Obligation Limited Tax Refunding Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The refunding resulting in savings of \$202,027 and an economic gain of \$188,887.

The City has also issued the 2021A Water Supply System Refunding Bonds in the amount of \$3,990,000 to refund the City's 2013 Water Supply System Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Water and Sewer Fund and business-type activities. The refunding resulting in savings of \$493,764 and an economic gain of \$460,861.

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, 2021, there is approximately \$9,690,000 of no commitment debt outstanding.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims.

As of September 2005, the City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations, including \$120,000 per specific claim and a 120 percent stop loss with approximately \$3 million in aggregate claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The Michigan Municipal Risk Management Authority ("MMRMA") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MMRMA that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Depending upon the type of claim, stop-loss coverage for specific claims ranges from \$15,000 to \$200,000 and \$5.0 million in aggregate.

The City maintains insurance coverage through Blue Cross Blue Shield ("BCBS") for medical and general claims and estimates the liability for medical and general claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the General Fund and within the governmental activities column in the statement of net position.

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

	BCBS	
	2021	2020
Estimated liability - beginning of year	\$ 138,324	\$ 86,485
Estimated claims incurred, including changes in estimates	1,555,350	2,411,506
Claim payments	(1,539,674)	(2,359,667)
Estimated liability - end of year	\$ 154,000	\$ 138,324

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

	MMRMA	
	2021	2020
Estimated liability - beginning of year	\$ 109,000	\$ 406,000
Estimated claims incurred, including changes in estimates	70,004	(276,615)
Claim payments	(49,004)	(20,385)
Estimated liability - end of year	\$ 130,000	\$ 109,000

Note 9 - Employee Retirement and Benefit Systems

Defined benefit pension plan

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

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

Employees covered by benefit terms – At the June 30, 2020 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	347
Inactive employees entitled to, but not yet receiving benefits	10
Active employees	<u>247</u>
	<u><u>604</u></u>

The general group was closed to new hires as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) Straight-life Retirement Benefits

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

2) Survivor Allowance Options

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

The survivor allowance options are:

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

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

3) Annuity Option

In addition to the above survivor allowance options, all city and court employees may elect an annuity option.

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the pension board in accordance with the city ordinance, union contracts, and plan provisions. For the year ended June 30, 2021, the average active member contribution rate was 4.50 percent of annual pay. The City's average contribution was 32.82 percent of annual payroll for police members and 23.86 percent of annual payroll for fire members. For general and court members, the City's contribution was \$2,152,007 and \$281,742, respectively.

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

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

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

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

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

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 147,428,768	\$ 147,428,768
Employee reserve	16,877,692	16,877,692
Employer reserve	-	28,590,161

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

At June 30, 2021, the City reported a liability of \$25,804,703 for its proportionate share of the City of Farmington Hills Employees Retirement System's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from June 30, 2020. The City's proportion of the net pension liability was determined by dividing each employer's actuarially determined pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At June 30, 2021, the City's proportion was 95.78175 percent, which was an increase of .19678 percent compared to its proportion of 95.58497 percent from its proportion measured as of June 30, 2020. For the year ending June 30, 2021, the City recognized pension expense of \$3,225,624.

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At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 1,276,600	\$ (1,372,179)	\$ (95,579)
Differences in assumptions	4,134,596	-	4,134,596
Change in proportionate share	112,764	-	112,764
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>(22,386,976)</u>	<u>(22,386,976)</u>
Total	<u>\$ 5,523,960</u>	<u>\$ (23,759,155)</u>	<u>\$ (18,235,195)</u>

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

<u>Year ended June 30,</u>	
2022	\$ (2,365,052)
2023	(3,425,981)
2024	(5,269,637)
2025	<u>(7,174,525)</u>
	<u>\$ (18,235,195)</u>

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following tables:

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

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

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 32.20 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 50,363,815	\$ 25,804,703	\$ 5,034,204

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

Note 10 - Defined Contribution Pension Plan

The City provides retirement benefits through a defined contribution plan to all of its full-time employees in the AFSCME, executive, and general employee groups hired on or after July 1, 2006; in the dispatcher group hired on or after January 1, 2007; and in the Teamster group hired on or after January 1, 2008. In a defined contribution plan,

benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by city ordinance and collective bargaining agreements, the City contributes 10 percent of the employees’ base salary or wages plus longevity pay, and employees contribute 5 percent of their base salary or wage plus longevity pay. All contributions plus interest allocated to the employee’s account are fully vested after seven years of service.

The current year contribution was calculated based on covered payroll of \$7,647,525, resulting in an employer contribution of \$763,388 and employee contributions of \$378,405. The City has recorded a payable to the defined contribution plan in the amount of \$24,518 at June 30, 2021.

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, \$208 per month for police employees, \$225 per month for tier 2 police command, and \$146 per month for all other participating employee groups. All contributions plus interest allocated to the employees’ accounts are fully vested after seven years of service. Once plan members terminate employment, they are eligible to use all vested contributions for allowable medical related expenses.

During the year ended June 30, 2021, the City made contributions of \$395,771, and the plan members contributed \$205,448 to the plan.

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Note 12 - Other Postemployment Benefits

Defined benefit OPEB plan

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

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

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

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

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

The plan is closed to new members.

Contributions – Contribution requirements of plan members are established and may be amended by the pension board in accordance with city ordinance, union contracts, and plan provisions. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2021, the City's contribution was \$504,451. Plan members are required to contribute at 1.50 percent of pay.

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

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

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

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

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve		Amount Funded
Retiree reserve	\$ 63,295,388	\$	63,295,388
Employee reserve	5,289,138		5,289,138
Employer reserve	-		32,476,649

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

At June 30, 2021, the City reported an asset of \$20,484,443 for its proportionate share of the City of Farmington Hills OPEB plan's net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from June 30, 2020. The City's proportion of the net OPEB asset was determined by

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

dividing each employers' actuarially determined OPEB contributions to the plan during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At June 30, 2021, the City's proportion was 93.30161 percent, which was an increase of .25223 percent compared to its proportion of 93.04938 percent from its proportion measured as of June 30, 2020. For the year ending June 30, 2021, the City recognized OPEB expense of \$(3,855,662).

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ -	\$ (6,992,887)	\$ (6,992,887)
Differences in assumptions	1,879,060	(524,652)	1,354,408
Change in proportionate share	3,761	-	3,761
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>(11,783,886)</u>	<u>(11,783,886)</u>
Total	<u>\$ 1,882,821</u>	<u>\$ (19,301,425)</u>	<u>\$ (17,418,604)</u>

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

<u>Year ended June 30,</u>	
2022	\$ (4,895,538)
2023	(4,729,340)
2024	(4,005,248)
2025	<u>(3,788,478)</u>
	<u>\$ (17,418,604)</u>

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

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

Inflation	3.00%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	9.0%, graded down to 3.50%

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

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

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

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

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

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

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 32.62 percent.

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

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

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability (asset)	\$ (11,754,855)	\$ (20,484,443)	\$ (27,828,135)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate – The following presents the net OPEB liability (asset), calculated using the healthcare cost trend rate of 8.00%, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.00%, decreasing to 2.5%) or 1% higher (9.00% decreasing to 4.5%).

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (28,954,539)	\$ (20,484,443)	\$ (10,323,935)

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

Note 13 - Fund Balance Assignments

The General Fund fund balance assignment for future expenditures of \$19,711,996 includes \$920,000 for the Corridor Improvement Authority, \$5,000,000 for the retirement system, \$400,000 for buses, \$6,434,027 for storm water, \$1,000,000 for citywide facilities improvements, and \$5,957,969 for subsequent years’ budget requests.

City of Farmington Hills
Notes to the Financial Statements
June 30, 2021

Note 14 - Change in Accounting Principle

As a result of the adoption of GASB Statement No. 84, *Fiduciary Activities*, the City has restated the fund balance of the General Fund, increasing it by \$154,612 from \$39,972,073 to \$40,126,685. Governmental activities were increased by the same, from \$177,399,662 to \$177,554,274.

City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Property taxes	\$ 33,915,664	\$ 34,086,042	\$ 33,956,529	\$ (129,513)
Licenses and permits	1,698,200	1,860,836	1,620,709	(240,127)
Federal grants	265,000	5,265,000	5,143,443	(121,557)
State-shared revenue and grants	6,160,160	9,058,556	9,674,791	616,235
Charges for services	12,626,519	10,758,946	10,736,549	(22,397)
Fines and forfeitures	1,829,000	1,562,115	1,647,759	85,644
Interest income	500,000	332,600	382,974	50,374
Other revenue:				
Local donations	40,000	42,216	42,104	(112)
Equipment rental	1,300,000	1,473,362	1,463,133	(10,229)
Other miscellaneous income	847,966	1,024,472	330,872	(693,600)
Total revenues	<u>59,182,509</u>	<u>65,464,145</u>	<u>64,998,863</u>	<u>(465,282)</u>
Expenditures				
General government:				
City Council	98,300	93,729	82,194	(11,535)
Board and commissions	2,785,728	2,682,394	2,540,866	(141,528)
City administration	650,737	690,650	569,607	(121,043)
Public information	438,931	390,534	395,298	4,764
Finance department	1,967,302	1,859,542	1,774,518	(85,024)
Clerk	770,863	907,404	900,496	(6,908)
Attorney	789,700	734,848	763,885	29,037
Human resources/personnel	498,742	531,141	470,420	(60,721)
Central services	1,002,681	1,029,802	1,005,407	(24,395)
Support services	4,742,951	4,887,903	4,686,557	(201,346)
Total general government	<u>13,745,935</u>	<u>13,807,947</u>	<u>13,189,248</u>	<u>(618,699)</u>

City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety:				
Police	\$ 15,421,072	\$ 15,246,557	\$ 14,762,275	\$ (484,282)
Fire	6,638,367	6,745,941	6,534,037	(211,904)
Total public safety	<u>22,059,439</u>	<u>21,992,498</u>	<u>21,296,312</u>	<u>(696,186)</u>
Public services:				
Road maintenance	2,481,318	2,363,178	2,171,117	(192,061)
Administration	473,311	516,422	428,019	(88,403)
General refuse removal	4,169,071	4,172,871	4,183,606	10,735
Building maintenance	475,163	478,995	466,840	(12,155)
Maintenance facility	1,219,490	1,219,324	1,116,299	(103,025)
Engineering	1,305,851	1,203,215	1,099,829	(103,386)
Public service reimbursement from road fund	<u>(2,159,761)</u>	<u>(2,049,464)</u>	<u>(1,885,315)</u>	<u>164,149</u>
Total public services	<u>7,964,443</u>	<u>7,904,541</u>	<u>7,580,395</u>	<u>(324,146)</u>
Community and economic development	<u>1,835,277</u>	<u>1,852,956</u>	<u>1,712,828</u>	<u>(140,128)</u>
Recreation and culture	<u>10,234,932</u>	<u>8,039,703</u>	<u>7,989,288</u>	<u>(50,415)</u>
Total expenditures	<u>55,840,026</u>	<u>53,597,645</u>	<u>51,768,071</u>	<u>(1,829,574)</u>
Excess of revenues over expenditures	<u>3,342,483</u>	<u>11,866,500</u>	<u>13,230,792</u>	<u>1,364,292</u>

City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Other Financing Sources (Uses)				
Sale of capital assets	\$ 115,000	\$ 78,257	\$ 63,561	\$ (14,696)
Transfers in	1,307,850	1,307,850	1,307,850	-
Transfers out	(9,218,861)	(9,268,861)	(9,200,000)	68,861
Total other financing sources (uses)	(7,796,011)	(7,882,754)	(7,828,589)	54,165
Net change in fund balance	(4,453,528)	3,983,746	5,402,203	1,418,457
Fund balance - beginning of year	40,126,685	40,126,685	39,972,073	(154,612)
Prior period adjustment	-	-	154,612	154,612
Fund balance - beginning of year, as restated	40,126,685	40,126,685	40,126,685	-
Fund balance - end of year	\$ 35,673,157	\$ 44,110,431	\$ 45,528,888	\$ 1,418,457

City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
Municipal Street Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Property taxes	\$ 16,570,357	\$ 16,507,896	\$ 16,455,485	\$ (52,411)
State and other sources	100,000	426,019	539,061	113,042
Interest income	20,000	20,237	32,173	11,936
	<u>16,690,357</u>	<u>16,954,152</u>	<u>17,026,719</u>	<u>72,567</u>
Other Financing Sources (Uses)				
Transfers out	<u>(16,690,357)</u>	<u>(16,690,357)</u>	<u>(16,690,357)</u>	<u>-</u>
Net change in fund balance	-	263,795	336,362	72,567
Fund balance - beginning of year	<u>90,088</u>	<u>90,088</u>	<u>90,088</u>	<u>-</u>
Fund balance - end of year	<u>\$ 90,088</u>	<u>\$ 353,883</u>	<u>\$ 426,450</u>	<u>\$ 72,567</u>

City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
Local Roads Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State and other sources	\$ 1,925,486	\$ 2,817,545	\$ 2,560,700	\$ (256,845)
Interest income	<u>75,000</u>	<u>75,000</u>	<u>29,598</u>	<u>(45,402)</u>
Total revenues	<u>2,000,486</u>	<u>2,892,545</u>	<u>2,590,298</u>	<u>(302,247)</u>
Expenditures				
Public works	19,255,006	18,213,292	17,211,845	(1,001,447)
Debt service	<u>927,200</u>	<u>927,000</u>	<u>926,663</u>	<u>(337)</u>
Total expenditures	<u>20,182,206</u>	<u>19,140,292</u>	<u>18,138,508</u>	<u>(1,001,784)</u>
Deficiency of revenues over expenditures	<u>(18,181,720)</u>	<u>(16,247,747)</u>	<u>(15,548,210)</u>	<u>699,537</u>
Other Financing Sources (Uses)				
Transfers in	12,017,057	12,017,057	12,017,057	-
Transfers out	<u>(85,000)</u>	<u>(77,725)</u>	<u>(77,725)</u>	<u>-</u>
Total other financing sources (uses)	<u>11,932,057</u>	<u>11,939,332</u>	<u>11,939,332</u>	<u>-</u>
Net change in fund balance	(6,249,663)	(4,308,415)	(3,608,878)	699,537
Fund balance - beginning of year	<u>5,472,888</u>	<u>5,472,888</u>	<u>5,472,888</u>	<u>-</u>
Fund balance - end of year*	<u>\$ (776,775)</u>	<u>\$ 1,164,473</u>	<u>\$ 1,864,010</u>	<u>\$ 699,537</u>

*The City did not adopt a deficit fund balance for the original budget. At the time the original budget was adopted, the estimated fund balance at July 1, 2020 was \$6,822,535, which would have resulted in the adopted ending fund balance to be \$572,872.

City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
Public Safety Millage Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 10,948,662	\$ 10,897,875	\$ 10,883,839	\$ (14,036)
Other state grants	125,000	192,728	146,030	(46,698)
Interest income	75,000	61,302	44,734	(16,568)
	<u>11,148,662</u>	<u>11,151,905</u>	<u>11,074,603</u>	<u>(77,302)</u>
Total revenues	11,148,662	11,151,905	11,074,603	(77,302)
Expenditures				
Public safety	<u>11,537,222</u>	<u>11,310,205</u>	<u>11,087,999</u>	<u>(222,206)</u>
	(388,560)	(158,300)	(13,396)	144,904
Net change in fund balance	(388,560)	(158,300)	(13,396)	144,904
Fund balance - beginning of year	<u>2,497,390</u>	<u>2,497,390</u>	<u>2,497,390</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,108,830</u>	<u>\$ 2,339,090</u>	<u>\$ 2,483,994</u>	<u>\$ 144,904</u>

**City of Farmington Hills
Required Supplementary Information
Budgetary Comparison Schedule
Community Center Renovations Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local contributions	\$ -	\$ 1,667,016	\$ 1,799,758	\$ 132,742
Interest income	<u>30,000</u>	<u>30,000</u>	<u>16,528</u>	<u>(13,472)</u>
Total revenues	30,000	1,697,016	1,816,286	119,270
Expenditures				
Capital outlay	<u>14,927,528</u>	<u>17,711,698</u>	<u>16,753,519</u>	<u>(958,179)</u>
Deficiency of revenues over expenditures	(14,897,528)	(16,014,682)	(14,937,233)	1,077,449
Other Financing Sources				
Transfers in	<u>-</u>	<u>318,216</u>	<u>318,216</u>	<u>-</u>
Net change in fund balance	(14,897,528)	(15,696,466)	(14,619,017)	1,077,449
Fund balance - beginning of year	<u>15,953,360</u>	<u>15,953,360</u>	<u>15,953,360</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,055,832</u>	<u>\$ 256,894</u>	<u>\$ 1,334,343</u>	<u>\$ 1,077,449</u>

City of Farmington Hills
Required Supplementary Information
Employees' Retirement System
Schedule of the City's Proportionate Share of the Net Pension Liability
June 30, 2021

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

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

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

City of Farmington Hills
Required Supplementary Information
Employees' Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2021

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll (level dollar method for general and court divisions)
Remaining amortization period	Police and fire employees: 24 years (closed) General and Court employees: 20 years (closed)
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increases	4.00 to 7.00 percent (general and court), 4.00 to 23.00 percent (police), 4.00 to 20.00 percent (fire)
Investment rate of return	7.00 percent (net of investment expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	General and Court: Pub-2010 amount-weighted tables Police and Fire: Pub-2010 headcount-weighted tables All tables include future mortality improvements projected to 2025 using scale MP-2018

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

City of Farmington Hills
Required Supplementary Information
Employees' Retirement System
Schedule of Investment Returns
June 30, 2021

Fiscal Year Ended	Annual Return*
2012	-1.70%
2013	10.70%
2014	16.50%
2015	-0.40%
2016	-1.80%
2017	12.30%
2018	7.26%
2019	3.64%
2020	1.36%
2021	32.20%

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

City of Farmington Hills
Required Supplementary Information
Other Post Employment Benefits
Schedule of the City's Proportionate Share of the Net OPEB Liability
June 30, 2021

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

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

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

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

City of Farmington Hills
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
June 30, 2021

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

Notes to Schedule of Contributions

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

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar (closed)
Remaining amortization period	11 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Healthcare cost trend rates	3.50 to 9.00 percent
Investment rate of return	7.00 percent (net of investment expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB

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

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

City of Farmington Hills
Required Supplementary Information
Other Post Employment Benefits
Schedule of Investment Returns
June 30, 2021

Fiscal Year Ended	Annual Return*
2012	-0.10%
2013	9.30%
2014	16.20%
2015	-0.50%
2016	-1.70%
2017	11.90%
2018	7.16%
2019	3.66%
2020	1.36%
2021	32.62%

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

City of Farmington Hills
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds					Debt Service Funds		Capital Projects Funds	
	Major Roads Fund	Community Development Block Grant	Nutrition Grant	Forfeiture Funds	Parks and Recreation Special Millage	Building Authority	General Debt Service	Capital Improvement Fund	Total Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 109,013	\$ 86,803	\$ 119,799	\$ 102,012	\$ 46,186	\$ -	\$ 64,852	\$ 335,325	\$ 863,990
Investments	8,545,394	118	2,185	1,185,441	764,820	-	24,195	7,733,843	18,255,996
Receivables	59	-	-	-	-	-	-	50,054	50,113
Due from other units of government	1,186,783	106,102	39,822	-	-	-	-	86,861	1,419,568
Due from other funds	247,000	-	-	-	109,406	-	-	182,270	538,676
Total assets	\$ 10,088,249	\$ 193,023	\$ 161,806	\$ 1,287,453	\$ 920,412	\$ -	\$ 89,047	\$ 8,388,353	\$ 21,128,343
Liabilities									
Accounts payable	\$ 579,554	\$ 159,159	\$ -	\$ 90,017	\$ 241,617	\$ -	\$ -	\$ 776,714	\$ 1,847,061
Due to other funds	252,761	33,860	138,718	151,083	-	-	-	248,190	824,612
Unearned revenue	-	4	23,088	-	-	-	-	-	23,092
Total liabilities	832,315	193,023	161,806	241,100	241,617	-	-	1,024,904	2,694,765
Deferred Inflows of Resources									
Unavailable grant revenue	9,697	-	-	-	-	-	-	40,331	50,028
Fund Balances									
Restricted for:									
Roads	9,246,237	-	-	-	-	-	-	-	9,246,237
Police and fire	-	-	-	1,046,353	-	-	-	-	1,046,353
Parks and recreation	-	-	-	-	678,795	-	-	-	678,795
Assigned:									
Capital projects	-	-	-	-	-	-	-	7,323,118	7,323,118
Debt service	-	-	-	-	-	-	89,047	-	89,047
Total fund balances	9,246,237	-	-	1,046,353	678,795	-	89,047	7,323,118	18,383,550
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,088,249	\$ 193,023	\$ 161,806	\$ 1,287,453	\$ 920,412	\$ -	\$ 89,047	\$ 8,388,353	\$ 21,128,343

City of Farmington Hills
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Funds					Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Major Roads Fund	Community Development Block Grant	Nutrition Grant	Forfeiture Funds	Parks and Recreation Special Millage	Building Authority	General Debt Service	Capital Improvement Fund	
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,673,876	\$ -	\$ -	\$ -	\$ 1,673,876
Federal grants	26,735	843,502	232,626	76,428	-	-	-	434,481	1,613,772
State and other sources	7,514,911	-	173,773	60,646	54,713	-	-	177,814	7,981,857
Local contributions	18,465	-	-	-	-	-	175,252	31,487	225,204
Interest income	38,008	-	33	6,876	9,312	-	247	40,513	94,989
Other revenue	269	-	139,848	-	-	-	52,241	57,217	249,575
Total revenues	<u>7,598,388</u>	<u>843,502</u>	<u>546,280</u>	<u>143,950</u>	<u>1,737,901</u>	<u>-</u>	<u>227,740</u>	<u>741,512</u>	<u>11,839,273</u>
Expenditures									
Current:									
Public safety	-	-	-	179,671	-	-	-	-	179,671
Public works	6,029,329	-	-	-	-	-	-	-	6,029,329
Community and economic development	-	843,502	-	-	-	-	-	-	843,502
Recreation and culture	-	-	546,280	-	-	-	-	-	546,280
Capital outlay	-	-	-	-	331,632	-	-	5,547,025	5,878,657
Debt service	-	-	-	-	-	1,019,500	2,695,234	-	3,714,734
Total expenditures	<u>6,029,329</u>	<u>843,502</u>	<u>546,280</u>	<u>179,671</u>	<u>331,632</u>	<u>1,019,500</u>	<u>2,695,234</u>	<u>5,547,025</u>	<u>17,192,173</u>
Excess (deficiency) of revenues over expenditures	<u>1,569,059</u>	<u>-</u>	<u>-</u>	<u>(35,721)</u>	<u>1,406,269</u>	<u>(1,019,500)</u>	<u>(2,467,494)</u>	<u>(4,805,513)</u>	<u>(5,352,900)</u>
Other Financing Sources (Uses)									
Sale of capital assets	-	-	-	57,424	9,860	-	-	31,326	98,610
Transfers in	4,673,300	-	-	-	-	1,019,235	2,777,725	6,612,000	15,082,260
Transfers out	-	-	-	-	(1,738,066)	-	(1,019,235)	-	(2,757,301)
Bond/note proceeds	-	-	-	-	-	-	4,125,000	-	4,125,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	(3,600,278)	-	(3,600,278)
Total other financing sources (uses)	<u>4,673,300</u>	<u>-</u>	<u>-</u>	<u>57,424</u>	<u>(1,728,206)</u>	<u>1,019,235</u>	<u>2,283,212</u>	<u>6,643,326</u>	<u>12,948,291</u>
Net change in fund balance	<u>6,242,359</u>	<u>-</u>	<u>-</u>	<u>21,703</u>	<u>(321,937)</u>	<u>(265)</u>	<u>(184,282)</u>	<u>1,837,813</u>	<u>7,595,391</u>
Fund balance - beginning of year	<u>3,003,878</u>	<u>-</u>	<u>-</u>	<u>1,024,650</u>	<u>1,000,732</u>	<u>265</u>	<u>273,329</u>	<u>5,485,305</u>	<u>10,788,159</u>
Fund balance - end of year	<u>\$ 9,246,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046,353</u>	<u>\$ 678,795</u>	<u>\$ -</u>	<u>\$ 89,047</u>	<u>\$ 7,323,118</u>	<u>\$ 18,383,550</u>

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Major Roads Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Federal grants	\$ 240,000	\$ -	\$ 26,735	\$ 26,735
State and other sources	5,685,467	7,140,131	7,514,911	374,780
Local contributions	309,000	151,117	18,465	(132,652)
Interest income	75,000	75,000	38,008	(36,992)
Other revenue	190	190	269	79
	<u>6,309,657</u>	<u>7,366,438</u>	<u>7,598,388</u>	<u>231,950</u>
Expenditures				
Public works	<u>13,341,868</u>	<u>8,792,910</u>	<u>6,029,329</u>	<u>(2,763,581)</u>
Excess (deficiency) of revenues over expenditures	(7,032,211)	(1,426,472)	1,569,059	2,995,531
Other Financing Sources (Uses)				
Transfers in	<u>4,673,300</u>	<u>4,673,300</u>	<u>4,673,300</u>	<u>-</u>
Net change in fund balance	(2,358,911)	3,246,828	6,242,359	2,995,531
Fund balance - beginning of year	<u>3,003,878</u>	<u>3,003,878</u>	<u>3,003,878</u>	<u>-</u>
Fund balance - end of year	<u>\$ 644,967</u>	<u>\$ 6,250,706</u>	<u>\$ 9,246,237</u>	<u>\$ 2,995,531</u>

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Community Development Block Grant Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Federal grants	\$ 408,080	\$ 831,083	\$ 843,502	\$ 12,419
Expenditures				
Community and economic development	408,080	831,083	843,502	12,419
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Nutrition Grant Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Federal grants	\$ 286,722	\$ 287,371	\$ 232,626	\$ (54,745)
State and other sources	-	-	173,773	173,773
Interest income	32,358	32,358	33	(32,325)
Other revenue	120,834	120,834	139,848	19,014
	<u>439,914</u>	<u>440,563</u>	<u>546,280</u>	<u>105,717</u>
Expenditures				
Recreation and culture	<u>508,775</u>	<u>509,424</u>	<u>546,280</u>	<u>36,856</u>
Deficiency of revenues over expenditures	(68,861)	(68,861)	-	68,861
Other Financing Sources (Uses)				
Transfers in	<u>68,861</u>	<u>68,861</u>	<u>-</u>	<u>(68,861)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Forfeiture Funds
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Federal grants	\$ -	\$ 72,000	\$ 76,428	\$ 4,428
State and other sources	-	34,964	60,646	25,682
Interest income	-	1,000	6,876	5,876
	<u>-</u>	<u>107,964</u>	<u>143,950</u>	<u>35,986</u>
Expenditures				
Public safety	<u>283,767</u>	<u>8,648</u>	<u>179,671</u>	<u>171,023</u>
Excess (deficiency) of revenues over expenditures	(283,767)	99,316	(35,721)	(135,037)
Other Financing Sources (Uses)				
Sale of capital assets	<u>-</u>	<u>18,471</u>	<u>57,424</u>	<u>38,953</u>
Net change in fund balance	(283,767)	117,787	21,703	(96,084)
Fund balance - beginning of year	<u>1,024,650</u>	<u>1,024,650</u>	<u>1,024,650</u>	<u>-</u>
Fund balance - end of year	<u>\$ 740,883</u>	<u>\$ 1,142,437</u>	<u>\$ 1,046,353</u>	<u>\$ (96,084)</u>

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Parks and Recreation Special Millage Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 1,681,955	\$ 1,651,869	\$ 1,673,876	\$ 22,007
State and other sources	25,000	22,359	54,713	32,354
Interest income	25,000	1,776	9,312	7,536
	<u>1,731,955</u>	<u>1,676,004</u>	<u>1,737,901</u>	<u>61,897</u>
Expenditures				
Capital outlay	<u>705,716</u>	<u>392,868</u>	<u>331,632</u>	<u>(61,236)</u>
	<u>1,026,239</u>	<u>1,283,136</u>	<u>1,406,269</u>	<u>123,133</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	9,860	9,860	-
Transfers out	<u>(1,307,850)</u>	<u>(1,738,066)</u>	<u>(1,738,066)</u>	<u>-</u>
	<u>(1,307,850)</u>	<u>(1,728,206)</u>	<u>(1,728,206)</u>	<u>-</u>
Net change in fund balance	(281,611)	(445,070)	(321,937)	123,133
Fund balance - beginning of year	<u>1,000,732</u>	<u>1,000,732</u>	<u>1,000,732</u>	<u>-</u>
Fund balance - end of year	<u>\$ 719,121</u>	<u>\$ 555,662</u>	<u>\$ 678,795</u>	<u>\$ 123,133</u>

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Building Authority Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ -	\$ -
Expenditures				
Community and economic development	500	-	-	-
Debt service	1,019,500	1,019,500	1,019,500	-
Total expenditures	<u>1,020,000</u>	<u>1,019,500</u>	<u>1,019,500</u>	<u>-</u>
Deficiency of revenues over expenditures	(1,020,000)	(1,019,500)	(1,019,500)	-
Other Financing Sources (Uses)				
Transfers in	1,019,660	1,019,236	1,019,235	(1)
Net change in fund balance	(340)	(264)	(265)	(1)
Fund balance - beginning of year	265	265	265	-
Fund balance - end of year*	<u>\$ (75)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

*The City did not adopt a deficit fund balance for the original budget. At the time the original budget was adopted, the estimated fund balance at July 1, 2020 was \$340, which would have resulted in the adopted ending fund balance to be \$0.

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
General Debt Service Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local contributions	\$ 175,350	\$ 175,252	\$ 175,252	\$ -
Interest income	5,000	200	247	47
Other revenue	70,000	48,000	52,241	4,241
	<u>250,350</u>	<u>223,452</u>	<u>227,740</u>	<u>4,288</u>
Expenditures				
Debt service	<u>2,220,328</u>	<u>2,216,814</u>	<u>2,695,234</u>	<u>478,420</u>
Deficiency of revenues over expenditures	<u>(1,969,978)</u>	<u>(1,993,362)</u>	<u>(2,467,494)</u>	<u>(474,132)</u>
Other Financing Sources (Uses)				
Bond/note proceeds	-	4,125,000	4,125,000	-
Payments to refunded bond escrow agent	-	(4,079,799)	(3,600,278)	479,521
Transfers in	2,735,000	2,777,725	2,777,725	-
Transfers out	<u>(1,019,660)</u>	<u>(1,019,236)</u>	<u>(1,019,235)</u>	<u>1</u>
	<u>1,715,340</u>	<u>1,803,690</u>	<u>2,283,212</u>	<u>479,522</u>
Net change in fund balance	(254,638)	(189,672)	(184,282)	5,390
Fund balance - beginning of year	<u>273,329</u>	<u>273,329</u>	<u>273,329</u>	<u>-</u>
Fund balance - end of year	<u>\$ 18,691</u>	<u>\$ 83,657</u>	<u>\$ 89,047</u>	<u>\$ 5,390</u>

City of Farmington Hills
Other Supplementary Information
Budgetary Comparison Schedule
Capital Improvement Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Federal grants	\$ -	\$ -	\$ 434,481	\$ 434,481
State and other sources	-	792,011	177,814	(614,197)
Local contributions	-	235,000	31,487	(203,513)
Interest income	30,000	30,000	40,513	10,513
Other revenue	-	57,217	57,217	-
	<u>30,000</u>	<u>1,114,228</u>	<u>741,512</u>	<u>(372,716)</u>
Expenditures				
Capital outlay	<u>6,165,850</u>	<u>9,977,365</u>	<u>5,547,025</u>	<u>(4,430,340)</u>
Deficiency of revenues over expenditures	<u>(6,135,850)</u>	<u>(8,863,137)</u>	<u>(4,805,513)</u>	<u>4,057,624</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	6,091	31,326	25,235
Transfers in	<u>6,500,000</u>	<u>6,612,000</u>	<u>6,612,000</u>	<u>-</u>
Total other financing sources (uses)	<u>6,500,000</u>	<u>6,618,091</u>	<u>6,643,326</u>	<u>25,235</u>
Net change in fund balance	364,150	(2,245,046)	1,837,813	4,082,859
Fund balance - beginning of year	<u>5,485,305</u>	<u>5,485,305</u>	<u>5,485,305</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,849,455</u>	<u>\$ 3,240,259</u>	<u>\$ 7,323,118</u>	<u>\$ 4,082,859</u>

City of Farmington Hills

Description of Statistical Section

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

Contents

Financial Trends:

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

Revenue Capacity:

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

Debt Capacity:

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

Demographic Information:

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

Operating Information:

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities:										
Net investment in capital assets	\$ 139,887,283	\$ 134,600,611	\$ 133,625,640	\$ 132,814,511	\$ 136,304,301	\$ 140,687,061	\$ 142,784,702	\$ 152,362,081	\$ 172,734,509	\$ 189,055,502
Restricted	14,068,925	16,437,051	16,177,067	14,835,556	17,383,179	25,378,243	27,368,668	14,735,839	9,572,011	15,291,028
Unrestricted	16,988,436	23,076,629	23,858,724	6,399,143	5,341,244	(914,254)	5,817,769	(2,327,893)	(4,906,858)	6,816,883
Total net position	<u>\$ 170,944,644</u>	<u>\$ 174,114,291</u>	<u>\$ 173,661,431</u>	<u>\$ 154,049,210</u>	<u>\$ 159,028,724</u>	<u>\$ 165,151,050</u>	<u>\$ 175,971,139</u>	<u>\$ 164,770,027</u>	<u>\$ 177,399,662</u>	<u>\$ 211,163,413</u>
Business-type Activities:										
Net investment in capital assets	\$ 75,525,323	\$ 73,672,425	\$ 73,322,194	\$ 65,547,709	\$ 72,467,388	\$ 66,261,936	\$ 66,690,516	\$ 66,301,953	\$ 68,910,061	\$ 70,436,527
Unrestricted	61,849,983	65,142,322	64,951,514	72,052,142	67,206,707	75,685,405	77,017,904	78,451,561	76,963,942	74,991,278
Total net position	<u>\$ 137,375,306</u>	<u>\$ 138,814,747</u>	<u>\$ 138,273,708</u>	<u>\$ 137,599,851</u>	<u>\$ 139,674,095</u>	<u>\$ 141,947,341</u>	<u>\$ 143,708,420</u>	<u>\$ 144,753,514</u>	<u>\$ 145,874,003</u>	<u>\$ 145,427,805</u>
Primary Government in Total:										
Net investment in capital assets	\$ 215,412,606	\$ 208,273,036	\$ 206,947,834	\$ 198,362,220	\$ 208,771,689	\$ 206,948,997	\$ 209,475,218	\$ 218,664,034	\$ 241,644,570	\$ 259,492,029
Restricted	14,068,925	16,437,051	16,177,067	14,835,556	17,383,179	25,378,243	27,368,668	14,735,839	9,572,011	15,291,028
Unrestricted	78,838,419	88,218,951	88,810,238	78,451,285	72,547,951	74,771,151	82,835,673	76,123,668	72,057,084	81,808,161
Total net position	<u>\$ 308,319,950</u>	<u>\$ 312,929,038</u>	<u>\$ 311,935,139</u>	<u>\$ 291,649,061</u>	<u>\$ 298,702,819</u>	<u>\$ 307,098,391</u>	<u>\$ 319,679,559</u>	<u>\$ 309,523,541</u>	<u>\$ 323,273,665</u>	<u>\$ 356,591,218</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses:										
General government	\$ 11,860,089	\$ 11,601,249	\$ 14,315,814	\$ 13,799,558	\$ 16,208,153	\$ 12,966,197	\$ 15,467,484	\$ 17,593,114	\$ 16,985,367	\$ 10,616,854
Public safety	27,907,504	27,976,966	26,778,223	30,663,569	31,598,884	32,569,828	33,101,621	38,570,736	37,350,515	30,488,230
Public services	16,618,458	17,153,100	18,265,922	17,710,227	19,333,197	20,560,119	20,309,790	27,456,946	21,949,505	21,792,879
Community and economic development	2,127,764	2,221,027	1,383,537	1,582,677	2,175,213	1,938,615	1,995,922	1,925,343	1,970,504	2,550,617
Recreation and culture	9,656,597	9,423,101	8,470,535	8,774,076	9,000,976	8,990,365	9,769,002	8,664,042	9,436,459	9,703,991
Interest on long-term debt	826,341	852,817	704,688	734,698	499,969	571,203	521,785	470,284	1,191,147	918,731
Total expenses	68,996,753	69,228,260	69,918,719	73,264,805	78,816,392	77,596,327	81,165,604	94,680,465	88,883,497	76,071,302
Program revenues:										
Charges for services										
General government	4,266,458	4,881,804	4,952,419	4,982,503	5,623,842	5,825,246	5,248,109	7,827,566	7,273,250	6,989,875
Public safety	1,785,872	1,839,403	1,858,740	2,115,647	2,098,423	2,170,085	2,070,345	2,332,747	2,645,120	2,181,621
Public services	3,732,813	3,425,246	2,162,983	1,929,655	2,135,470	2,046,939	2,174,599	3,809,043	3,285,783	2,796,015
Community & economic development	339,168	684,312	226,124	352,890	561,734	368,733	80,679	-	-	-
Recreation and culture	4,733,470	4,502,148	4,403,579	4,450,090	4,638,028	4,744,048	4,858,219	4,840,888	3,643,577	3,781,843
Total charges for services	14,857,781	15,332,913	13,603,845	13,830,785	15,057,497	15,155,051	14,431,951	18,810,244	16,847,730	15,749,354
Operating grants and contributions	7,622,017	7,302,716	7,938,020	8,858,842	11,345,832	16,625,862	11,125,360	12,322,939	11,806,082	20,001,832
Capital grants and contributions	952,324	141,774	209,289	331,999	148,957	175,637	851,238	-	-	-
Total program revenue	23,432,122	22,777,403	21,751,154	23,021,626	26,552,286	31,956,550	26,408,549	31,133,183	28,653,812	35,751,186
Excess of Expenses Over Program Revenue	(45,564,631)	(46,450,857)	(48,167,565)	(50,243,179)	(52,264,106)	(45,639,777)	(54,757,055)	(63,547,282)	(60,229,685)	(40,320,116)
General revenues:										
Property taxes	36,296,428	40,043,211	38,910,074	39,015,386	46,644,560	46,432,310	48,612,050	50,044,486	61,198,407	62,969,729
State-shared revenues	6,162,235	6,164,601	6,359,066	6,477,230	6,773,437	7,824,407	8,112,310	8,589,005	8,542,647	9,759,804
Investment earnings	329,190	352,239	414,038	396,972	718,517	518,714	879,918	1,872,340	2,206,577	600,963
Gain (loss) on disposal	-	1,266	-	-	-	-	-	144,963	157,129	160,606
Special Items	-	-	-	-	-	-	-	(8,982,681)	-	-
Miscellaneous	2,282,454	3,048,777	2,083,279	3,401,950	3,107,106	2,625,365	3,113,354	680,257	754,560	438,153
Total general revenues	45,070,307	49,610,094	47,766,457	49,291,538	57,243,620	57,400,796	60,717,632	52,348,370	72,859,320	73,929,255
Transfers	(13,885)	10,410	(51,752)	(59,369)	-	-	-	-	-	-
Change in net position	\$ (508,209)	\$ 3,169,647	\$ (452,860)	\$ (1,011,010)	\$ 4,979,514	\$ 11,761,019	\$ 5,960,577	\$ (11,198,912)	\$ 12,629,635	\$ 33,609,139

Source: Annual financial statements

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Program Revenue										
Water and sewer	\$ 26,095,005	\$ 27,328,342	\$ 24,749,466	\$ 25,401,057	\$ 26,460,743	\$ 27,747,324	\$ 27,029,571	\$ 29,546,893	\$ 27,163,569	\$ 30,238,018
Capital grants and contributions	<u>89,998</u>	<u>184,920</u>	<u>281,559</u>	<u>352,150</u>	<u>265,413</u>	<u>847,316</u>	<u>2,204,688</u>	<u>713,391</u>	<u>1,182,295</u>	<u>2,083,715</u>
Total program revenue	26,185,003	27,513,262	25,031,025	25,753,207	26,726,156	28,594,640	29,234,259	30,260,284	28,345,864	32,321,733
Operating Expenses										
Water and sewer	27,121,031	26,084,669	26,344,508	26,769,838	24,962,971	26,340,919	27,618,360	30,060,159	28,168,384	32,567,104
Interest expense	-	164,044	166,488	322,305	426,514	556,588	781,888	980,526	747,083	730,656
Other	<u>36,645</u>	<u>39,405</u>	<u>40,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>27,157,676</u>	<u>26,288,118</u>	<u>26,551,741</u>	<u>27,092,143</u>	<u>25,389,485</u>	<u>26,897,507</u>	<u>28,400,248</u>	<u>31,040,685</u>	<u>28,915,467</u>	<u>33,297,760</u>
Net (Expenses) Revenue	(972,673)	1,225,144	(1,520,716)	(1,338,936)	1,336,671	1,697,133	834,011	(780,401)	(569,603)	(976,027)
General Revenue - Investment earnings and other	366,858	231,707	920,925	605,710	737,573	576,113	927,068	1,825,495	1,690,092	529,829
Transfers	<u>13,885</u>	<u>(10,410)</u>	<u>51,752</u>	<u>59,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Change in Net Position	<u>\$ (591,930)</u>	<u>\$ 1,446,441</u>	<u>\$ (548,039)</u>	<u>\$ (673,857)</u>	<u>\$ 2,074,244</u>	<u>\$ 2,273,246</u>	<u>\$ 1,761,079</u>	<u>\$ 1,045,094</u>	<u>\$ 1,120,489</u>	<u>\$ (446,198)</u>
Change in Net Position - Primary Government	<u>\$ (1,100,139)</u>	<u>\$ 4,616,088</u>	<u>\$ (1,000,899)</u>	<u>\$ (1,684,867)</u>	<u>\$ 7,053,758</u>	<u>\$ 14,034,265</u>	<u>\$ 7,721,656</u>	<u>\$ (10,153,818)</u>	<u>\$ 13,750,124</u>	<u>\$ 33,162,941</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Nonspendable	\$ 945,439	\$ 893,952	\$ 996,654	\$ 839,501	\$ 1,032,308	\$ 983,364	\$ 838,111	\$ 867,649	\$ 858,835	\$ 304,826
Committed	-	-	22,408	22,408	22,409	22,409	22,409	-	-	-
Assigned	7,017,349	11,577,446	12,178,626	12,888,638	16,409,880	17,599,194	19,224,548	20,714,136	18,207,555	19,711,996
Unassigned	10,048,155	10,704,367	11,599,339	13,987,360	13,418,341	14,558,909	14,941,090	15,684,325	20,905,683	25,512,066
Total general fund	<u>\$ 18,010,943</u>	<u>\$ 23,175,765</u>	<u>\$ 24,797,027</u>	<u>\$ 27,737,907</u>	<u>\$ 30,882,938</u>	<u>\$ 33,163,876</u>	<u>\$ 35,026,158</u>	<u>\$ 37,266,110</u>	<u>\$ 39,972,073</u>	<u>\$ 45,528,888</u>
All other governmental funds:										
Unassigned reported in:										
Debt service funds	\$ -	\$ -	\$ (279,629)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable										
Special revenue funds	122,063	-	-	32	-	199,698	-	-	612	-
Capital project funds	-	-	-	2,405	-	-	78,500	-	-	-
Restricted										
Special revenue funds	6,696,348	8,125,155	8,532,419	8,217,395	9,301,626	10,213,655	16,215,802	18,117,308	13,089,014	15,745,839
Capital project funds	-	-	796,306	-	-	-	-	-	15,953,360	1,334,343
Debt service funds	910,852	2,090,379	2,177,737	2,097,263	2,113,034	2,094,668	1,994,366	-	-	-
Committed										
Special revenue funds	52,953	52,673	52,534	52,536	52,986	52,997	53,159	-	-	-
Capital project funds	1,125,361	1,937,953	643,726	241,695	874,876	1,670,443	2,445,103	-	-	-
Assigned										
Special revenue funds	-	-	-	150,000	-	-	-	-	-	-
Capital project funds	3,745,413	4,599,724	2,386,920	2,126,379	2,902,057	1,778,128	3,771,142	3,768,298	5,485,305	7,323,118
Debt service funds	186,844	9,549	164,698	162,297	162,344	144,293	137,484	146,786	273,594	89,047
Total other governmental funds	<u>\$ 12,839,834</u>	<u>\$ 16,815,433</u>	<u>\$ 14,474,711</u>	<u>\$ 13,050,002</u>	<u>\$ 15,406,923</u>	<u>\$ 16,153,882</u>	<u>\$ 24,695,556</u>	<u>\$ 22,032,392</u>	<u>\$ 34,801,885</u>	<u>\$ 24,492,347</u>

Source: Annual Financial Statements

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue										
Property taxes	\$ 36,296,428	\$ 40,042,754	\$ 38,909,350	\$ 39,244,016	\$ 46,644,560	\$ 46,432,310	\$ 48,612,050	\$ 50,218,109	\$ 61,198,407	\$ 62,969,729
Special assessments	825,939	1,522,384	1,103,197	954,676	1,267,377	2,102,178	2,284,000	1,402,272	-	-
Licenses and permits	828,944	1,392,631	1,357,184	1,224,287	1,558,094	1,913,682	1,417,161	1,783,163	1,890,690	1,620,709
Federal grants	1,553,090	1,574,646	1,250,376	1,187,938	1,321,952	1,528,952	1,345,653	963,179	1,296,311	6,734,127
State-shared revenue and grants	12,065,581	12,070,546	12,822,738	13,441,669	14,284,441	15,546,926	17,428,020	19,179,709	18,857,483	20,925,527
Other grants and contributions	9,442	167,114	255,452	280,500	254,787	259,606	273,269	174,372	175,836	2,024,962
Charges for services	10,094,367	10,391,874	9,598,537	10,228,020	11,020,824	10,939,531	11,062,483	11,407,257	11,626,315	10,736,549
Fines and forfeitures	2,149,847	2,113,071	2,141,689	2,179,726	2,145,354	2,006,801	2,085,541	2,197,948	1,751,346	1,647,759
Investment income	329,190	352,239	414,038	396,972	718,517	518,714	879,918	1,926,079	2,207,078	600,996
Other and equipment rental	2,649,834	2,748,202	2,239,825	3,192,688	2,686,204	2,883,400	3,691,309	3,067,183	2,543,594	2,085,684
Total revenue	66,802,662	72,375,461	70,092,386	72,330,492	81,902,110	84,132,100	89,079,404	92,319,271	101,547,060	109,346,042
Expenditures										
Current:										
General government	9,927,183	9,786,890	13,584,599	12,087,690	11,924,336	12,354,442	12,700,889	12,896,343	13,221,497	13,189,248
Public safety	26,872,083	26,737,217	26,920,590	28,781,433	28,583,053	29,916,423	30,556,875	30,825,852	31,940,936	32,563,982
Public services	12,120,024	12,114,741	12,863,648	12,388,557	14,299,423	15,523,489	14,115,430	19,879,270	36,699,154	30,821,569
Community and economic development	2,049,923	2,173,913	1,542,280	1,559,679	2,141,207	2,024,943	1,984,459	1,924,657	1,969,161	2,556,330
Recreation and culture	7,869,482	7,697,595	7,102,151	7,521,804	7,789,813	7,862,950	8,488,297	8,642,314	8,249,851	8,535,568
Capital outlay	2,347,706	5,571,436	5,980,088	5,695,657	9,723,407	21,574,339	8,069,908	15,913,541	15,541,788	22,632,176
Debt service principal	1,886,273	1,823,071	2,120,284	2,130,512	1,550,231	1,640,000	2,410,000	2,355,000	2,965,000	3,620,000
Debt service interest and fees	811,236	886,949	707,455	737,302	480,992	571,018	533,763	490,901	1,055,961	1,021,397
Total expenditures	63,883,910	66,791,812	70,821,095	70,902,634	76,492,462	91,467,604	78,859,621	92,927,878	111,643,348	114,940,270
Excess of Revenue Over (Under) Expenditures	2,918,752	5,583,649	(728,709)	1,427,858	5,409,648	(7,335,504)	10,219,783	(608,607)	(10,096,288)	(5,594,228)
Other Financing Sources (Uses)										
Debt issuance	-	3,523,547	-	-	-	14,015,246	-	-	25,297,018	4,125,000
Transfers in	6,644,366	10,143,304	10,402,521	10,291,938	14,270,227	17,870,989	16,749,125	22,750,816	29,593,899	28,725,383
Transfers out	(6,658,251)	(10,132,894)	(10,454,273)	(10,351,307)	(14,270,227)	(17,870,989)	(16,749,125)	(22,750,816)	(29,593,899)	(28,725,383)
Proceeds from sale of capital assets	55,001	22,815	61,001	147,682	92,304	112,115	184,173	185,395	274,726	162,171
Debt defeasance	-	-	-	-	-	(3,763,960)	-	-	-	(3,600,278)
Total other financing sources (uses)	41,116	3,556,772	9,249	88,313	92,304	10,363,401	184,173	185,395	25,571,744	686,893
Net change in fund balances	2,959,868	9,140,421	(719,460)	1,516,171	5,501,952	3,027,897	10,403,956	(423,212)	15,475,456	(4,907,335)
Fund Balances - Beginning of year	27,890,909	30,850,777	39,991,198	39,271,738	40,787,909	46,289,861	49,317,758	59,721,714	59,298,502	74,773,958
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	154,612
Fund Balances - End of year	\$ 30,850,777	\$ 39,991,198	\$ 39,271,738	\$ 40,787,909	\$ 46,289,861	\$ 49,317,758	\$ 59,721,714	\$ 59,298,502	\$ 74,773,958	\$ 70,021,235
Ratio of Total Debt Service to Noncapital Expenditures	4.38%	4.43%	4.36%	4.40%	3.04%	3.16%	4.16%	3.70%	4.18%	5.03%

Source: Annual Financial Statements

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

Tax Year	Residential	Commercial	Industrial	Personal Property	IFT	Total Value	Tax Rate (mills)	Estimated Actual Value	Taxable Value as a % of Actual
2012	1,998,603,460	734,201,260	102,233,330	245,166,290	1,871,620	3,082,075,960	12.3506	3,109,995,440	99.10%
2013	2,019,538,140	683,545,680	92,935,440	247,268,750	2,557,680	3,045,845,690	12.3538	3,087,553,500	98.65%
2014	2,071,108,470	654,855,950	92,381,530	235,714,160	2,101,850	3,056,161,960	12.3806	3,260,293,240	93.74%
2015	2,140,673,280	647,245,830	94,923,440	245,515,980	1,515,030	3,129,873,560	14.3908	3,555,094,530	88.04%
2016	2,181,346,960	649,105,680	93,312,600	203,299,780	1,036,930	3,128,101,950	14.3273	3,752,944,510	83.35%
2017	2,244,198,190	666,176,630	94,984,180	202,500,580	929,350	3,208,788,930	14.6569	3,975,835,450	80.71%
2018	2,328,645,800	686,193,840	105,437,480	195,872,700	846,360	3,316,996,180	14.5794	4,151,773,160	79.89%
2019	2,424,630,660	715,406,880	111,975,400	207,556,420	667,030	3,460,236,390	17.1905	4,407,606,380	78.51%
2020	2,517,986,910	746,753,390	120,726,760	211,527,870	603,160	3,597,598,090	17.0117	4,652,525,100	77.33%
2021	2,595,436,420	782,346,140	125,654,300	226,793,400	221,760	3,730,452,020	16.8566	4,908,706,890	76.00%

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

Source: City Assessing Department records

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

Tax Year	General		Voted	Total Direct Taxes	Overlapping Taxes							State Education	School:	School:	School:	School: Non-	School: Non-	School: Non-	Zoo	
	Operating	Debt	Special Purpose		County	OCPTA	Library	Oakland Community College	Schoolcraft Community College	Intermediate School District	Homestead		Homestead	Homestead	Homestead	Homestead	Homestead	Authority	Art Institute	
2011	8.1522	0.5012	1.9646	10.6180	4.6461	0.5900	1.5856	1.5844	1.7967	3.3690	6.0000	12.3334	4.5000	6.8812	20.1800	22.5000	22.5000	0.1000	-	
2012	8.1163	0.5697	3.6646	12.3506	4.6461	0.5900	1.5856	1.5844	1.7967	3.3690	6.0000	13.3810	4.5000	7.0254	20.5600	22.5000	22.5600	0.1000	0.2000	
2013	8.0579	0.6313	3.6646	12.3538	4.6461	0.5900	1.5856	1.5844	1.7967	3.3690	6.0000	13.0140	4.5000	7.4730	20.5600	22.5000	23.1445	0.1000	0.2000	
2014	8.0792	0.6368	3.6646	12.3806	4.6461	1.0000	1.5856	1.5844	1.7967	3.3690	6.0000	11.7472	4.5000	7.6843	20.2600	22.5000	23.4872	0.1000	0.2000	
2015	8.2774	0.4488	5.6646	14.3908	4.5456	0.9998	1.5856	1.5819	1.7967	3.3633	6.0000	12.4418	4.5000	7.2841	21.4400	22.5000	23.1180	0.0998	0.1996	
2016	8.2218	0.4671	5.6384	14.3273	4.4938	0.9941	1.5781	1.5707	1.7880	3.3398	6.0000	12.1482	4.5000	7.0150	21.4400	22.5000	22.9279	0.0990	0.1981	
2017	8.6232	0.4434	5.5903	14.6569	4.4908	0.9863	1.5644	1.5555	1.7766	3.3079	6.0000	11.4268	4.5000	6.9458	21.3000	22.5000	20.4179	0.0980	0.1961	
2018	8.6410	0.3892	5.5492	14.5794	4.4878	1.0000	1.5517	1.5431	1.7662	3.2813	6.0000	11.3026	4.4626	6.7968	21.3000	22.4626	22.5643	0.0982	0.1945	
2019	8.4314	0.5216	8.2375	17.1905	4.4846	0.9927	1.5393	1.5303	2.2516	3.2539	6.0000	10.8634	4.3831	6.2300	21.3000	22.3831	21.9531	0.0973	0.1929	
2020	8.1883	0.6017	8.0666	16.8566	4.5691	0.9765	1.5062	1.5057	2.2700	3.2012	6.0000	9.4482	4.2940	6.0742	21.2000	22.2940	21.5648	0.0956	0.1897	

Note: Includes Capital, Refuse Removal and Economic Development Millages

Source: City Assessing Department records

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

	Taxpayer	2021 Taxable Value	Percentage of Total	2012 Taxable Value	Percentage of Total	2012 Rank
1	Oakland Management Co.	\$ 69,791,050	1.87	\$ 62,501,830	2.01	1
2	Detroit Edison	40,686,550	1.09	30,808,470	0.99	3
3	Consumers Energy	33,210,900	0.89	7,623,520	N/A	N/A
4	Independence Green Apts.	24,523,080	0.66	12,457,410	0.40	N/A
5	FH Corporate Investors (Kojaian)	21,316,240	0.57	33,354,140	1.07	2
6	Green Hill Apartments	19,107,900	0.51	17,973,680	0.58	6
7	Nissan Corp.	16,292,200	0.44	28,287,090	0.91	5
8	Ramco/Lion Venture LP	14,124,210	0.38	14,560,060	0.47	9
9	Finsilver Friedman	14,038,670	0.38	9,780,640	N/A	N/A
10	Hartman & Tyner	13,836,620	0.37	12,030,560	0.39	10

Source: City Assessing Department Records

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

Fiscal Year	Total Levy (1)		Collections		Delinquent Collections		Percent of Levy	
				Percent Collected	(Real)	Total Tax Collections	Collected	
2012	\$	34,427,859	\$	33,549,142	97.45%	\$ 854,721	\$ 34,403,863	99.93%
2013		37,762,324		36,966,855	97.89%	670,497	37,637,352	99.67%
2014		37,629,773		36,922,255	98.12%	650,236	37,572,491	99.85%
2015		37,756,272		37,247,698	98.65%	464,793	37,712,491	99.88%
2016		44,773,169		44,164,096	98.64%	563,701	44,727,797	99.90%
2017		44,753,190		44,190,157	98.74%	525,565	44,715,722	99.92%
2018		46,939,639		46,311,617	98.66%	585,082	46,896,699	99.91%
2019		48,336,062		47,730,339	98.75%	556,469	48,286,808	99.90%
2020		59,410,292		58,585,869	98.61%	731,998	59,317,867	99.84%
2021		61,140,114		60,420,160	98.82%	644,250	61,064,410	99.88%

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

Source: City Treasurer's Office records

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities:										
Bonds and Notes Payable:										
General obligation bonds	\$ 1,455,000	\$ 1,965,000	\$ 1,410,000	\$ 860,000	\$ 800,000	\$ 740,000	\$ 675,000	\$ 610,000	\$ 24,470,000	\$ 27,095,000
Building Authority bonds	8,330,000	7,550,000	6,660,000	5,770,000	4,875,000	4,000,000	2,935,000	1,995,000	1,000,000	-
County contractual obligations	372,186	245,565	122,781	-	-	17,150,000	15,870,000	14,520,000	12,615,000	8,120,000
Golf Course Improvement	7,250,000	7,270,000	7,045,000	8,605,000	8,035,000	-	-	-	-	-
Special assessment bonds	300,000	2,495,000	2,135,000	-	-	-	-	-	-	-
Total Bonds and Notes Payable:	<u>17,707,186</u>	<u>19,525,565</u>	<u>17,372,781</u>	<u>15,235,000</u>	<u>13,710,000</u>	<u>21,890,000</u>	<u>19,480,000</u>	<u>17,125,000</u>	<u>38,085,000</u>	<u>35,215,000</u>
Deferred Amounts:										
For Issuance Discounts	(81,250)	(48,750)	(16,250)	-	-	-	-	-	-	-
For Issuance Premiums	-	(161,450)	422,624	397,393	372,161	822,964	761,075	699,185	2,009,313	1,701,571
Total Deferred Amounts:	<u>(81,250)</u>	<u>(210,200)</u>	<u>406,374</u>	<u>397,393</u>	<u>372,161</u>	<u>822,964</u>	<u>761,075</u>	<u>699,185</u>	<u>2,009,313</u>	<u>1,701,571</u>
Total Governmental Activities:	<u>17,625,936</u>	<u>19,315,365</u>	<u>17,779,155</u>	<u>15,632,393</u>	<u>14,082,161</u>	<u>22,712,964</u>	<u>20,241,075</u>	<u>17,824,185</u>	<u>40,094,313</u>	<u>36,916,571</u>
Business-type Activities:										
County contractual obligations	-	6,800,000	6,570,000	16,712,242	18,974,676	29,980,124	31,384,402	30,079,768	28,552,514	27,421,102
Total business-type activities:	<u>-</u>	<u>6,800,000</u>	<u>6,570,000</u>	<u>16,712,242</u>	<u>18,974,676</u>	<u>29,980,124</u>	<u>31,384,402</u>	<u>30,079,768</u>	<u>28,552,514</u>	<u>27,421,102</u>
Total Debt of the Government	\$ 17,625,936	\$ 26,115,365	\$ 24,349,155	\$ 32,344,635	\$ 33,056,837	\$ 52,693,088	\$ 51,625,477	\$ 47,903,953	\$ 68,646,827	\$ 64,337,673
Total Taxable Value	\$ 3,283,783,240	\$ 3,080,204,340	\$ 3,043,288,010	\$ 3,054,060,110	\$ 3,128,358,530	\$ 3,127,065,020	\$ 3,207,859,580	\$ 3,207,859,580	\$ 3,460,236,390	\$ 3,615,617,725
Ratio of Total Debt to Taxable Value	0.54%	0.85%	0.80%	1.06%	1.06%	1.69%	1.61%	1.49%	1.98%	1.78%
Total Population	79,777	80,895	81,798	81,910	81,412	81,803	81,129	81,093	80,612	83,986
Total Debt per Capita	\$ 221	\$ 323	\$ 298	\$ 395	\$ 406	\$ 644	\$ 636	\$ 591	\$ 852	\$ 766
Per Capita Personal Income	\$ 2,277,570,573	\$ 2,322,591,765	\$ 2,356,493,265	\$ 2,382,461,814	\$ 2,370,596,289	\$ 2,367,002,730	\$ 2,317,845,555	\$ 2,349,102,738	\$ 2,757,410,271	\$ 2,828,780,496
Ratio of Debt to Personal Income	0.77%	1.12%	1.03%	1.36%	1.39%	2.23%	2.23%	2.04%	2.49%	2.27%

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

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

Fiscal Year Ended June 30	Advalorem + IFT Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
2012	\$ 3,109,995,440	79,777	\$ 9,785,000	0.51%	\$ 213
2013	3,087,553,500	80,895	9,515,000	0.53%	205
2014	3,260,293,240	81,798	8,070,000	0.50%	190
2015	3,555,094,530	81,910	6,630,000	0.42%	168
2016	3,752,944,510	81,412	5,675,000	0.35%	153
2017	3,975,835,450	81,803	4,740,000	0.30%	137
2018	4,151,773,160	81,129	3,610,000	0.24%	120
2019	4,407,606,380	81,093	2,605,000	0.19%	99
2020	4,652,525,100	80,612	25,470,000	0.69%	378
2021	4,908,706,890	83,986	27,095,000	0.55%	323

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

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

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

City of Farmington Hills
Direct and Overlapping Governmental Activities Debt
June 30, 2021
(Unaudited)

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct Debt - City of Farmington Hills	\$ 27,095,000	100.00%	\$ 27,095,000
Overlapping debt:			
Farmington School District	160,010,000	86.63%	138,616,663
Walled Lake School District	289,705,000	3.06%	8,864,973
Oakland County at Large	257,193,349	5.70%	14,660,021
Oakland County Intermediate School District	42,045,000	5.73%	2,409,179
Schoolcraft Community College	<u>45,270,000</u>	<u>0.63%</u>	<u>285,201</u>
Total overlapping debt	794,223,349		164,836,036
Total direct and overlapping debt	<u>\$ 821,318,349</u>		<u>\$ 191,931,036</u>

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

Source: City Records and the Municipal Advisory Council of Michigan

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit (Fiscal Year Ended) (1)										
State equalized valuation (previous year)	\$ 3,316,262,400	\$ 3,109,995,440	\$ 3,087,553,500	\$ 3,260,293,240	\$ 3,555,094,530	\$ 3,752,944,510	\$ 3,975,835,450	\$ 4,151,733,160	\$ 4,652,525,100	\$ 4,908,706,890
Debt limit (10 percent of SEV) (2)	331,626,240	310,999,544	308,755,350	326,029,324	355,509,453	375,294,451	397,583,545	415,173,316	465,252,510	490,870,689
Debt Applicable to Debt Limit										
Total debt	17,625,936	26,115,365	24,349,155	32,344,635	33,056,837	52,693,088	51,625,477	47,903,953	68,646,827	64,337,673
Less deductions allowed by law: Special Assessment Bonds	300,000	2,495,000	2,135,000	-	-	-	-	-	-	-
Total amount of debt applicable to debt limit	<u>17,325,936</u>	<u>23,620,365</u>	<u>22,214,155</u>	<u>32,344,635</u>	<u>33,056,837</u>	<u>52,693,088</u>	<u>51,625,477</u>	<u>47,903,953</u>	<u>68,646,827</u>	<u>64,337,673</u>
Legal Debt Margin	<u>\$ 314,300,304</u>	<u>\$ 287,379,179</u>	<u>\$ 286,541,195</u>	<u>\$ 293,684,689</u>	<u>\$ 322,452,616</u>	<u>\$ 322,601,363</u>	<u>\$ 345,958,068</u>	<u>\$ 367,269,363</u>	<u>\$ 396,605,683</u>	<u>\$ 426,533,016</u>
Net Debt Subject to Limit as Percentage of Debt Limit	5.22%	7.59%	7.19%	9.92%	9.30%	14.04%	12.98%	11.54%	14.75%	13.11%

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

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

Source: City budget and financial statements

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

Fiscal year	Population		Median Personal		Unemployment Rate	Number of Occupied Households	Total Personal Income
			Income Per Household	Median Per Capita Personal Income			
2012	79,777	(1)	\$ 67,803	\$ 28,549	9.8%	33,591	\$ 2,277,570,573
2013	80,895	(1)	67,803	28,711	9.4%	34,255	2,322,591,765
2014	81,798	(1)	67,803	28,809	7.6%	34,755	2,356,493,265
2015	81,910	(1)	67,803	29,086	5.6%	35,138	2,382,461,814
2016	81,412	(1)	67,803	29,119	5.1%	34,963	2,370,596,289
2017	81,803	(1)	67,803	28,935	3.6%	34,910	2,367,002,730
2018	81,129	(1)	67,803	28,570	3.9%	34,185	2,317,845,555
2019	81,093	(1)	67,803	28,968	4.0%	34,646	2,349,102,738
2020	80,612	(1)	81,203	44,789	16.3%	33,957	2,757,410,271
2021	83,986	(2)	83,268	45,494	2.3%	33,972	2,828,780,496

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

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

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

City of Farmington Hills
Principal Employers
June 30, 2021
(Unaudited)

Employer	2021 Employees	Percentage of Total	2012 Employees	Percentage of Total	2012 Rank
1 Pkc Group USA Inc	5,692	8.52%	N/A	N/A	N/A
2 American Laser Centers	1,572	2.35%	N/A	N/A	N/A
3 Beaumont Hospital - Farmington Hills (1)	1,517	2.27%	2,000	4.95%	1
4 Robert Bosch Corporation	1,400	2.09%	1,600	3.96%	2
5 Farmington Public Schools	1,201	1.80%	1,418	3.51%	3
6 Nissan Technical Center North America	1,200	1.80%	500	1.24%	10
7 Hitachi	1,200	1.80%	N/A	N/A	N/A
8 Mahle	850	1.27%	N/A	N/A	N/A
9 TD Auto Finance	800	1.20%	N/A	N/A	N/A
10 Accesspoint, LLC	728	1.09%	N/A	N/A	N/A

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

(1) In 2012, was Botsford Hospital

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

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government (1)										
City administration	5.00	5.50	5.50	6.00	6.00	6.00	5.10	4.79	4.65	5.65
Finance	18.79	19.00	19.00	20.00	20.00	20.00	20.09	20.09	20.00	20.00
City clerk	6.36	6.62	6.65	6.31	6.34	6.35	6.20	6.28	6.78	6.38
Human resources	4.00	4.00	4.00	4.00	4.00	4.14	4.14	4.14	4.14	5.40
Central services	9.26	9.40	9.40	9.40	9.40	9.40	9.90	9.90	9.97	10.88
Public Safety (2)										
Police	144.84	152.72	152.88	153.88	154.14	153.79	153.74	152.79	153.47	154.22
Fire and EMS	81.95	84.95	93.63	93.63	93.63	91.70	93.92	91.69	92.81	93.99
Public Services (3)										
Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Road maintenance	21.12	22.46	22.46	23.46	26.92	26.92	27.92	26.46	26.49	27.49
Building maintenance	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Engineering	13.00	14.28	15.31	15.31	15.31	15.39	15.32	15.32	15.99	17.47
D.P.W. garage	11.00	11.00	11.00	12.00	13.00	13.00	12.00	11.60	10.60	10.60
Waste collection/recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Planning and Community Development (4)	18.60	18.60	18.60	18.00	19.00	19.04	19.37	19.50	19.50	20.00
Special Services (5)										
Administration	19.96	19.90	20.95	20.98	21.15	20.55	22.25	22.00	23.00	39.10
Public information	4.00	4.00	4.00	4.00	4.00	6.10	6.10	6.10	5.50	5.50
Youth and families	8.00	8.00	8.00	8.00	9.56	9.73	9.73	9.73	9.73	7.88
Senior adults	27.53	27.53	27.53	27.53	26.13	26.13	26.16	26.25	27.01	27.96
Parks division	24.52	24.10	24.87	24.87	25.83	25.70	25.59	24.92	26.92	26.55
Cultural arts	2.47	2.65	2.75	3.40	3.47	3.47	3.47	3.47	3.47	6.41
Golf course division	12.32	12.50	13.17	13.01	13.57	13.46	13.41	13.43	13.43	12.88
Recreation	-	-	-	10.32	11.81	11.69	12.05	12.92	13.15	33.36
Ice arena	15.19	14.13	14.13	14.13	12.66	13.16	13.41	13.16	13.66	13.66
Total (6)	<u>456.91</u>	<u>470.34</u>	<u>482.83</u>	<u>497.23</u>	<u>504.92</u>	<u>504.72</u>	<u>508.87</u>	<u>503.54</u>	<u>509.27</u>	<u>554.38</u>

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

Source: City personnel/budget records

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

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Physical Arrests	3,050	3,435	3,002	3,016	2,486	2,805	2,830	2,692	1,579	1,750
Traffic violations	12,207	12,207	10,441	9,305	7,606	8,861	9,000	9,593	6,833	5,696
Fire:										
Total incidents	7,696	8,003	8,539	8,763	9,027	9,208	9,524	9,500	10,383	10,920
Public education programs	39	43	98	104	112	112	140	140	128	130
Fire loss	\$ 2,172,105	\$ 10,994,335	\$ 3,901,800	\$ 4,200,900	\$ 2,719,603	\$ 2,830,913	\$ 8,577,000	\$ 3,888,500	\$3,229,451	\$3,753,450
Public works:										
Dwelling units receiving refuse service	23,163	23,178	23,227	23,320	23,329	23,343	23,356	23,372	23,393	23,452
Percentage of waste stream recycled	46.00	44.00	44.20	43.40	44.00	39.40	42.00	42.00	40.00	40.00
Parks and recreation:										
Recreation programs	2,590	2,610	2,630	2,640	2,660	2,670	2,690	2,714	2,735	2,850
Water:										
Water customers	22,698	22,698	22,768	22,838	22,910	22,982	22,966	23,094	23,101	23,151
Water main breaks	59	56	81	52	40	53	47	39	49	68
Total consumption (mcf)	396,125	390,000	400,658	351,872	370,493	391,749	371,701	340,512	339,627	365,736
Average consumption per user (mcf/year)	17.45	17.18	17.60	15.41	16.17	17.05	16.18	14.75	14.70	15.80
Sewer:										
Average consumption per user (mcf/year)	17.41	14.75	15.69	17.01	17.06	18.36	18.12	18.75	18.76	17.60
Metered Volume (mcf)	389,528	330,161	352,562	383,701	385,851	416,257	410,961	426,641	427,282	401,646
Sewer customers	22,379	22,379	22,473	22,553	22,618	22,667	22,684	22,756	22,771	22,820

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

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

Function/ program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fleet vehicles	64	67	67	67	68	69	69	69	72	66
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks (4)	16	17	17	18	18	17	16	16	16	16
Public Works - Streets (miles)										
Major	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36	58.36
Local	245.79	246.38	246.38	246.38	246.38	246.38	246.38	246.87	246.87	246.87
Parks and recreation:										
Acreage	636	636	636	636	636	636	636	636	669	669
Playgrounds	4	4	4	4	4	6	6	6	6	6
Football/Soccer fields (2)	19	19	19	19	19	19	19	19	19	19
Baseball/Softball diamonds (3)	12	12	12	12	12	12	12	12	13	13
Pools/Splash pads	2	2	2	2	2	2	2	2	3	4
Ice arena	1	1	1	1	1	1	1	1	1	1
Community center	0	0	0	0	0	0	0	1	2	2
Senior center	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Mains (miles)	472	472	449	456	456	457	459	459	459	470
Fire hydrants	5,127	5,127	5,103	5,115	5,126	5,156	5,169	5,169	5,169	5,230
Storage capacity (gallons)	(1)	(1)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Sewer:										
Miles of sanitary sewers	329	329	328	328	329	329	329	329	330	330
Treatment capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

(1) Information not available

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

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

(4) Plus 18 other vehicles and equipment.