



**Special Study Session City Council Meeting  
7:00 PM, MONDAY, NOVEMBER 5, 2012  
Conference Room A  
Farmington City Hall  
23600 Liberty St  
Farmington, MI 48335**

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**SPECIAL STUDY SESSION MEETING AGENDA**

**1. ROLL CALL**

Roll Call

**2. APPROVAL OF AGENDA**

**3. PRESENTATION-FISCAL YEAR 2011-12 FINANCIAL REPORT, PLANTE MORAN**

**1. Presentation-Fiscal Year 2011-12 Financial Report, Plante Moran**

**4. CONSIDERATION TO ADOPT RESOLUTION OF SUPPORT FOR REGIONAL TRANSIT AUTHORITY**

**A. Consideration to Adopt Resolution of Support for Regional Transit Authority**

**5. CONSIDERATION TO ADOPT DRAKESHIRE SPECIAL ASSESSMENT BOND AUTHORIZATION RESOLUTION**

**A. Consideration to Adopt Drakeshire Special Assessment Bond Authorization Resolution**

**6. OTHER BUSINESS**

**7. PUBLIC COMMENT**

**8. COUNCIL COMMENT**

**9. ADJOURNMENT**

**Farmington City Council  
Staff Report****Council Meeting Date:**  
November 5, 2012**Reference  
Number  
(ID # 1090)****Submitted by:** Vincent Pastue, Chairperson**Description:** Presentation-Fiscal Year 2011-12 Financial Report, Plante Moran**Requested Action:****Background:****Agenda Review****Review:**

Vincent Pastue      Pending

City Manager      Pending

City Council Pending

# **City of Farmington, Michigan**

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## **Financial Report with Supplemental Information June 30, 2012**

# City of Farmington, Michigan

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## City of Farmington, Michigan

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## Independent Auditor's Report

To the City Council  
City of Farmington, Michigan

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

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

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

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

To the City Council  
City of Farmington, Michigan

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

*Plante & Moran, PLLC*

October 29, 2012



## City of Farmington, Michigan

### Management's Discussion and Analysis

#### Overview of the Financial Statements

The City's annual report has been prepared in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34 and consists of a management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The government-wide financial statements were designed to provide a broad overview of the City's finances and are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources, as measured in the individual fund statements. These statements make a distinction between governmental activities, such as public safety and public works, and business-type activities, such as the provision of water and sewer services. Two government-wide statements are provided.

One government-wide statement, the statement of net assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increases or decreases of net assets from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net assets changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net assets.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds and compiled financial information is provided for nonmajor funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services such as public safety and public works, proprietary funds, which account for business-type activities such as provision of water and sewer services, and fiduciary funds, which account for assets held for outside parties.

A reconciliation between the individual fund statements and the government-wide financial statements is provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities, such as bonds, accrued interest, and accrued employee leave time, in the government-wide statement of net assets, which are not included in the fund balance sheets; and the recognition of certain revenues and expenditures such as bond proceeds, capital outlays, and debt principal repayment in the individual fund statements, which are not recorded in the government-wide statements.

## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

#### Financial Position and Results of Operations for the City as a Whole

The City had a decrease of \$271,000 in net assets in its governmental activities for the fiscal year ended June 30, 2012. Significant increases and decreases in revenue are as follows. General government charges for service increased due to distributions received from the City's insurance carrier that were greater than the prior year in the amount of \$105,000. Public safety capital grants and contributions decreased in the current year by \$277,000. In 2011, the City received a one-time \$261,250 grant to purchase a new fire engine. Public works capital grants and contributions increased in the current year as the result of special assessment revenue totaling \$126,000 related to a completed road project. Property taxes increased \$267,000 in the current year due to a reallocation of City's millage from the Water and Sewer Fund to the General Fund of 1.8476 mills. The revenue related to this reallocation was offset by a reduction of 8.79 percent in taxable value.

Significant increases and decreases in expenditures are as follows. Public safety increased \$206,000 as a result of \$81,000 of liability insurance being reallocated from general government to public safety and \$60,000 being charged by the Employee Accrued Benefit Fund to the public safety function in association with the elimination of the City's dispatch service.

The City had an increase of \$223,000 in net assets in its business-type activities for the fiscal year ended June 30, 2012. This increase is primarily due to a transfer from the Capital Improvement Fund to the Theater Fund. The transfer was made to call the theater's outstanding bonds. Significant increases and decreases in revenue are as follows. Water and sewer charges for service increased \$764,000. This increase is the result of a significant increase in rates and a 5 percent increase in consumption. Theater revenue increased \$82,000 primarily due to increase in attendance and higher concession sales per customer. Property taxes decreased \$716,000. Property taxes were levied to pay for a sewer bond issue. The bond issue was paid off in 2011 and the property tax millage was reallocated to the City's General Fund.

## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

In a condensed format, the tables below show the net assets and changes in net assets (in thousands of dollars) as of June 30, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current assets	\$ 7,719	\$ 7,810	\$ 3,751	\$ 4,110	\$ 11,470	\$ 11,920
Capital assets	<u>17,134</u>	<u>17,449</u>	<u>16,995</u>	<u>16,485</u>	<u>34,129</u>	<u>33,934</u>
Total assets	24,853	25,259	20,746	20,595	45,599	45,854
<b>Liabilities</b>						
Current liabilities	756	784	526	792	1,282	1,576
Long-term liabilities	<u>5,602</u>	<u>5,709</u>	<u>3,517</u>	<u>3,323</u>	<u>9,119</u>	<u>9,032</u>
Total liabilities	<u>6,358</u>	<u>6,493</u>	<u>4,043</u>	<u>4,115</u>	<u>10,401</u>	<u>10,608</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	12,991	12,984	14,707	14,820	27,698	27,804
Restricted	1,536	1,801	75	75	1,611	1,876
Unrestricted	<u>3,968</u>	<u>3,981</u>	<u>1,921</u>	<u>1,585</u>	<u>5,889</u>	<u>5,566</u>
Total net assets	<u>\$ 18,495</u>	<u>\$ 18,766</u>	<u>\$ 16,703</u>	<u>\$ 16,480</u>	<u>\$ 35,198</u>	<u>\$ 35,246</u>



## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,795	\$ 1,604	\$ 4,454	\$ 3,610	\$ 6,249	\$ 5,214
Operating grants and contributions	701	716	-	-	701	716
Capital grants and contributions	206	373	-	-	206	373
General revenue:						
Property taxes	4,734	4,467	7	723	4,741	5,190
State-shared revenue	838	800	-	-	838	800
Unrestricted investment earnings	40	47	3	3	43	50
Cable franchise fees	178	160	-	-	178	160
Cell tower fees	48	47	-	-	48	47
Transfers	(305)	(65)	305	65	-	-
Gain on sale of capital assets	9	15	-	2	9	17
Total revenue	8,244	8,164	4,769	4,403	13,013	12,567
<b>Program Expenses</b>						
General government	1,762	1,803	-	-	1,762	1,803
Public safety	3,896	3,690	-	-	3,896	3,690
Public works	2,109	2,178	-	-	2,109	2,178
Health and welfare	6	11	-	-	6	11
Community and economic development	33	34	-	-	33	34
Recreation and culture	511	491	-	-	511	491
Interest on long-term debt	198	201	-	-	198	201
Water and sewer	-	-	4,094	3,906	4,094	3,906
Community theatre	-	-	452	408	452	408
Total program expenses	8,515	8,408	4,546	4,314	13,061	12,722
<b>Change in Net Assets</b>	<b>\$ (271)</b>	<b>\$ (244)</b>	<b>\$ 223</b>	<b>\$ 89</b>	<b>\$ (48)</b>	<b>\$ (155)</b>

#### Governmental Activities

The City is currently being affected by the downturn in the national economy. Several of the City's significant revenue sources, including property taxes, state-shared revenue, and investment earnings have been reduced over the last five years.

For several decades, the City experienced modest but steady growth in taxes. Since 2009, the City's taxable value has declined. For the fiscal year ended June 30, 2012, the decline was 8.8 percent. The following is a five-year history of the City's taxable value growth.

## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

Fiscal Year	Taxable Value	Percent	
		Change	Dollar Change
2008	\$ 423,676,390	3.5%	\$ 14,456,300
2009	419,820,960	-0.9%	(3,855,430)
2010	406,024,900	-3.3%	(13,796,060)
2011	350,052,990	-13.6%	(55,408,610)
2012	319,276,670	-8.8%	(30,776,320)

State-shared revenue, statutorily designated to support local community services and historically about 20 percent of the City's general operating revenue, continued at a state-reduced amount in the current year, and is now the third largest revenue source, behind property taxes and charges for service. The following is an analysis of the state-shared revenue received by the City:

Year Ended June 30	Statutory Revenue Sharing	Percent Change	Constitutional		Total	
			Revenue Sharing	Percent Change	Revenue Sharing	Percent Change
2007	\$ 238,893	-5.8%	\$ 704,061	-1.8%	\$ 942,954	-2.8%
2008	216,544	-9.4%	721,187	2.4%	937,731	-0.5%
2009	216,041	-0.2%	683,000	-5.3%	899,041	-4.1%
2010	137,532	-36.3%	662,075	-3.1%	799,607	-11.1%
2011	99,860	-27.4%	699,747	5.6%	799,607	0.0%
2012	93,297 *	-6.6%	744,808	6.4%	838,105	4.8%

\* For the year ended 2012, statutory revenue sharing was eliminated and the City is now participating in the EVIP program.

Expenses increased by \$107,000 in the current year, or 1.3 percent. In general, expenses remain relatively stable each year and within the general rate of inflation. In response to the dramatic decrease in property tax revenue that the City experienced over the last several years, the City has taken the following actions:

- The City implemented a 5 percent pay cut for all employees, reduced medical and dental coverage for all employees, and instituted payroll deductions for medical and dental coverage for all employees of 10 percent of premiums or more.
- The City has restructured its operations and eliminated five full-time equivalent positions, reducing staffing by 8 percent since fiscal year 2005-2006.



## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

- The City of Farmington, by policy, strives to maintain a cash surplus sufficient to bridge any expected gap in current year revenue or increases in ordinary, unanticipated current year expenditures. In the General Fund, the City's policy has been to maintain an unassigned fund balance of 25 percent of current year expenditures. The City met this target for the current year.
- Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2011, the City received an "AA" bond rating, with the rating agency analysis noting that "the City's financial management is considered "good" under Standard & Poor's Financial Management Assessment (FMA) methodology."

#### Business-type Activities

The City operates a water and sewer system and a theater. The water and sewer system provides water and sewage services to almost all of the City's residents and to some outside users. Rates are set to provide for annual operations to service debt and to build an operating cash reserve. Rates are evaluated annually and significantly increased on July 1, 2011. In addition, the rate structure was changed to include a fixed water and a fixed sewer charge, mirroring the methodology used by the Detroit water and sewerage department to bill the City. Water loss for the year was approximately 12.06 percent of water purchased and increased from the prior year's 9.18 percent of water purchased. The water and sewer system ended the year with a decrease in net assets of \$59,862. The systems operations had income of \$37,839. This operating income was offset by \$108,317 interest expense.

The City operates a theater, which ended the year with an increase in net assets of \$282,982. The increase in net assets was primarily due to a transfer from the Capital Improvement Fund to the Theater Fund. The transfer was made to call the theater's outstanding bonds. The theater's operations had a net loss for the year of \$9,404.

#### Analysis of Individual Funds

Of the City's governmental funds, the General Fund and the Major and Local Streets Funds account for all significant ongoing expenditures, except for debt service.

The General Fund ended the fiscal year with an increase in fund balance of \$493,488. Revenue increased approximately \$57,000 in the current year. Property tax revenue increased by approximately \$212,000 in the current year due to a reallocation of City's millage from the Water and Sewer Fund to the General Fund of 1.8476 mills. The revenue related to this reallocation was offset by a reduction of 8.79 percent in taxable value. Federal grants decreased by approximately \$285,000, due to the City receiving a one-time grant for the purchase of a new fire engine in 2011. Fines and forfeitures increased \$63,000 due to more ticket writing activity. Other revenue increased \$109,000 due primarily to the recording of two distributions from the City's liability insurance carrier.

## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

Expenditures in the General Fund decreased approximately \$91,000 in the current year. There were no significant changes in expenditures in the General Fund. There was a significant reclassification of expenditures related to liability insurance. The liability insurance was recorded entirely in general government in 2011 and was allocated to each department in the General Fund in 2012.

The Major, Local, and Municipal Streets Funds have targeted fund balances of \$200,000, \$100,000, and \$250,000, respectively. The Street Funds meet or exceed these fund balance targets. Expenditures were down in the current year due to a below average level of snowfall. City streets are in excellent condition and, as a result of a voter-approved millage for street construction and maintenance, funding remains adequate for future road projects and road repair needs.

The Capital Improvement Fund recorded transfers to the debt service funds and Community Theater Fund to pay for debt service.

#### General Operating Fund Budget Highlights

**General Fund** - Actual revenue was over budget by \$188,321. There were two significant variances with the amended budget for revenue. The first related to fines and forfeitures. Fines and forfeitures exceeded the amended budget due to higher than anticipated collections. The second related to other revenue. Other revenue exceeded the amended budget due to the recording of two distributions from the City's liability insurance carrier in the current fiscal year. The original budget was amended to include an increase in revenue of \$34,802. Significant amendments to budgeted revenue included an increase in state-shared revenue and grants of \$61,943. Sales tax collections at the state level were higher than budgeted by the State. In addition, the State's reduction of the statutory portion of revenue sharing was not as large as originally anticipated. Actual expenditures were under budget by \$431,396 as a result of numerous small favorable budget variances throughout each City department. In addition, the budget for general government included the purchase of computer equipment for \$70,000, which was not spent during the fiscal year. The original budget was amended to include a decrease in budgeted expenditures of \$23,969. The budget for public services was amended to add \$49,000 for sidewalk maintenance and \$20,000 for repair and refurbishment of a vector truck. Transfers into the General Fund were under budget by \$174,000. The transfer was intended to fund sidewalk improvements but was not deemed necessary in the current year.



## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

**Major, Local, and Municipal Streets Fund** - There were no significant revenue variances from the budget. The budget for state-shared revenue was increased due to higher than anticipated sales tax collections at the State level. Budgeted revenue was decreased for contracts and grants as a result of lower than anticipated winter maintenance on the State trunkline maintained by the City. The expenditures recorded in these street funds are divided into two categories: construction and operations and maintenance. Variances from the construction budget resulted solely from the timing difference between when the projects were budgeted and when work was completed. The timing differences occur because the City's road programs typically span two fiscal years. The Local Streets Fund and Major Streets Fund budgets were amended to add \$185,240 for construction for River Glen, Hawthorne, Astor, and Thomas streets and the resulting transfer from the Municipal Street Fund. Operations and maintenance was amended as a result of the mild winter and lower than normal winter maintenance costs.

#### Capital Asset and Long-term Debt Activity

Major capital asset and infrastructure additions in governmental funds consisted of the following:

- Road improvements for major and local street improvements including Drake, Farmington, Hawthorne, Astor, Thomas Street, and River Glen in the amount of \$528,000
- Sidewalk improvements City-wide in the amount of \$72,000
- Public safety and public works equipment and vehicles in the amount of \$84,000

Major capital asset and infrastructure additions in the business-type funds consisted of the following:

- Replacement of water mains associated with Hawthorne, Astor, and Thomas Street in the amount of \$192,000
- Lining of the Floral Park sewer pipe in the amount of \$744,000
- Repair and refurbishing of a vactor truck in the amount of \$80,000
- Upgrades to the water control system in the amount of \$80,000

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

The City has enjoyed a relatively stable property tax millage rate over many years with the exception of a millage added in 1991 to provide for extensive revisions to the City's sewer system, a road program millage approved by the voters in 1995 to ensure streets in the City are in excellent repair, and a millage added in 2011 to help offset the reduction in taxable value brought about by a dramatic decrease in the housing market. With these three additions totaling approximately 4 mills, the millage went from about 11 mills in 1990 to 15 mills in 2012.

## City of Farmington, Michigan

### Management's Discussion and Analysis (Continued)

During the current year, property taxes comprised 55.7 percent of the City's General Fund revenue. Typically, property tax values have increased greater than the rate of inflation. However, due to the local and national decline in the housing market, this is no longer the case.

State-shared revenue accounted for about 10.1 percent of General Fund revenue this year and current funding levels remain at risk as a result of the financial condition and priorities of the State.

In addition to the decline of property taxes and state-shared revenue, the decline of the financial markets will have a significant effect on the City's pension system. Currently, the system is funded at 99.2 percent based on the most recent actuarial valuation dated December 31, 2010. This percentage will decrease as the result of the recognition of the significant losses in the financial markets that are being phased in over a period of 10 years.

The City is also impacted by its retiree healthcare obligations. The City paid \$696,000 in the current year for insurance for its retirees. This is up \$135,000 from the prior year, due primarily to the rapid increase in healthcare premiums.

In order to address the decrease in property taxes, state-shared revenue, and the financial markets over the last several years, the City reduced its workforce by several positions, reduced wages by 5 percent for all employees, reduced healthcare benefits for all employees, changed the retiree healthcare benefit for its dispatch, DPW, and nonunion employees, and raised its total millage rate to 15 mills with the 2010 levy. In addition, the City has signed an agreement with another city to provide dispatch services beginning October 1, 2012. The elimination of the City's dispatch is estimated to save the City approximately \$90,000 per year.

Adequate cash reserves and authorized unlevied millage ensures provision of current services in the near term as the City meets these challenges and plans for the future.

#### Contacting the City's Financial Management

This financial report is designed to provide accountability of our stewardship of the resources provided by our citizens, taxpayers, and customers and to provide financial information to the City's investors and creditors. If you have any questions about this report or need additional financial information, contact the city manager or city treasurer at City Hall, 23600 Liberty Street, Farmington, Michigan 48335.

## City of Farmington, Michigan

### Statement of Net Assets June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 6,597,061	\$ 1,101,047	\$ 7,698,108	\$ 336,567
Receivables (Note 4)	934,045	1,303,187	2,237,232	-
Internal balances	12,085	(12,085)	-	-
Prepaid expenses and other assets	163,903	147,265	311,168	5,000
Restricted assets	-	1,211,686	1,211,686	-
Investment in joint ventures	12,252	-	12,252	-
Capital assets (Note 5):				
Assets not subject to depreciation	1,630,689	967,064	2,597,753	76,500
Assets subject to depreciation	15,502,690	16,028,121	31,530,811	182,341
Total assets	24,852,725	20,746,285	45,599,010	600,408
<b>Liabilities</b>				
Accounts payable	324,971	477,222	802,193	21,319
Due to other governmental units	-	-	-	5,386
Accrued and other liabilities	425,482	49,176	474,658	35,467
Deferred revenue (Note 4)	5,871	-	5,871	-
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	-	569,686	569,686	-
Compensated absences - < 1 yr	240,028	12,033	252,061	-
Current portion of long-term debt	347,477	100,000	447,477	-
Due in more than one year:				
Compensated absences - > 1 yr	61,649	11,988	73,637	-
Net OPEB obligation (Note 10)	1,157,642	67,771	1,225,413	-
Long-term debt (Note 7)	3,795,064	2,755,000	6,550,064	-
Total liabilities	6,358,184	4,042,876	10,401,060	62,172
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	12,990,838	14,707,151	27,697,989	258,841
Restricted for:				
Roads	1,304,480	-	1,304,480	-
Cable fees - Peg	80,896	-	80,896	-
Sidewalks	151,141	-	151,141	-
Bond covenants	-	75,000	75,000	-
Unrestricted	3,967,186	1,921,258	5,888,444	279,395
Total net assets	\$ 18,494,541	\$ 16,703,409	\$ 35,197,950	\$ 538,236



3.1.a

Attachment: Plante Moran Financial Report (1090 : Presentation-Fiscal Year 2011-12 Financial Report;

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## City of Farmington, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,762,294	\$ 724,963	\$ -	\$ -
Public safety	3,895,815	370,336	69,592	2,700
Public works	2,108,869	683,965	607,671	202,902
Health and welfare	6,079	-	-	-
Community and economic development	32,852	6,702	-	-
Recreation and culture	510,634	9,248	24,137	-
Interest on long-term debt	198,916	-	-	-
<b>Total governmental activities</b>	<b>8,515,459</b>	<b>1,795,214</b>	<b>701,400</b>	<b>205,602</b>
Business-type activities:				
Water and sewer	4,093,738	4,023,260	-	-
Farmington Community Theater	452,999	430,538	-	-
<b>Total business-type activities</b>	<b>4,546,737</b>	<b>4,453,798</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 13,062,196</b>	<b>\$ 6,249,012</b>	<b>\$ 701,400</b>	<b>\$ 205,602</b>
<b>Component units:</b>				
Downtown Development Authority	\$ 839,437	\$ 375,162	\$ 216,000	\$ -
Brownfield Redevelopment Authority	-	-	-	-
<b>Total component units</b>	<b>\$ 839,437</b>	<b>\$ 375,162</b>	<b>\$ 216,000</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Cell tower fees  
 Gain on sale of fixed assets

Total general revenue

Transfers

**Change in Net Assets**

**Net Assets - Beginning of year**

**Net Assets - End of year**

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

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3.1.a

Attachment: Plante Moran Financial Report (1090 : Presentation-Fiscal Year 2011-12 Financial Report;

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## Statement of Activities Year Ended June 30, 2012

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,037,331)	\$ -	\$ (1,037,331)	\$ -
(3,453,187)	-	(3,453,187)	-
(614,331)	-	(614,331)	-
(6,079)	-	(6,079)	-
(26,150)	-	(26,150)	-
(477,249)	-	(477,249)	-
(198,916)	-	(198,916)	-
(5,813,243)	-	(5,813,243)	-
-	(70,478)	(70,478)	-
-	(22,461)	(22,461)	-
-	(92,939)	(92,939)	-
(5,813,243)	(92,939)	(5,906,182)	-
-	-	-	(248,275)
-	-	-	-
-	-	-	(248,275)
4,733,677	6,949	4,740,626	316,020
838,105	-	838,105	-
39,885	3,475	43,360	198
178,449	-	178,449	-
47,987	-	47,987	-
9,174	212	9,386	-
5,847,277	10,636	5,857,913	316,218
(305,423)	305,423	-	-
(271,389)	223,120	(48,269)	67,943
18,765,930	16,480,289	35,246,219	470,293
<b>\$ 18,494,541</b>	<b>\$ 16,703,409</b>	<b>\$ 35,197,950</b>	<b>\$ 538,236</b>

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## City of Farmington, Michigan

	Major Special Revenue Funds			
	General Fund	Major Streets	Local Streets	Municipal Street Fund
<b>Assets</b>				
Cash and investments	\$ 2,811,741	\$ 307,718	\$ 33,495	\$ 884,432
Receivables	476,490	69,071	138,873	-
Due from other funds	66,441	48,752	134,125	-
Prepaid expenses and inventory	89,192	-	-	-
<b>Total assets</b>	<b>\$ 3,443,864</b>	<b>\$ 425,541</b>	<b>\$ 306,493</b>	<b>\$ 884,432</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 256,181	\$ 16,864	\$ 51,926	\$ -
Due to other funds	83,636	43,456	6,767	182,975
Accrued and other liabilities	296,608	-	-	9,998
Deferred revenue	5,871	-	112,050	-
<b>Total liabilities</b>	<b>642,296</b>	<b>60,320</b>	<b>170,743</b>	<b>192,973</b>
<b>Fund Balances</b>				
Nonspendable - Inventory and prepaid	89,192	-	-	-
Restricted:				
Roads	-	365,221	135,750	691,459
Cable fees - Peg	80,896	-	-	-
Sidewalks	-	-	-	-
Assigned:				
Debt service	494,160	-	-	-
Cemetery	46,259	-	-	-
Capital projects	-	-	-	-
IT computers	89,568	-	-	-
Sidewalks	101,996	-	-	-
Public safety	32,860	-	-	-
Unassigned	1,866,637	-	-	-
<b>Total fund balances</b>	<b>2,801,568</b>	<b>365,221</b>	<b>135,750</b>	<b>691,459</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,443,864</b>	<b>\$ 425,541</b>	<b>\$ 306,493</b>	<b>\$ 884,432</b>



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

Major Capital Projects Fund		
Capital		
Improvement Fund	Nonmajor Funds	Total
<u>Fund</u>	<u>Funds</u>	<u>Total</u>
\$ 1,950,117	\$ 37,192	\$ 6,024,695
-	249,436	933,870
-	-	249,318
-	-	89,192
<u>\$ 1,950,117</u>	<u>\$ 286,628</u>	<u>\$ 7,297,075</u>
\$ -	\$ -	\$ 324,971
-	189	317,023
-	173	306,779
-	249,436	367,357
<u>-</u>	<u>249,798</u>	<u>1,316,130</u>
-	-	89,192
-	-	1,192,430
-	-	80,896
151,141	-	151,141
-	36,830	530,990
-	-	46,259
1,798,976	-	1,798,976
-	-	89,568
-	-	101,996
-	-	32,860
-	-	1,866,637
<u>1,950,117</u>	<u>36,830</u>	<u>5,980,945</u>
<u>\$ 1,950,117</u>	<u>\$ 286,628</u>	<u>\$ 7,297,075</u>

## City of Farmington, Michigan

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

<b>Fund Balance Reported in Governmental Funds</b>	\$ 5,980,945
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	17,133,379
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(1,157,642)
Investments in joint ventures are not financial resources and are not reported in the funds	12,252
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	361,486
Bonds payable are not due and payable in the current period and are not reported in the funds	(4,142,541)
Accrued interest is not due and payable in the current period and is not reported in the funds	(41,543)
Internal service funds are included as part of governmental activities	<u>348,205</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 18,494,541</u></b>

## City of Farmington, Michigan

	Major Special Revenue Funds			
	General Fund	Major Streets	Local Streets	Municipal Streets
<b>Revenue</b>				
Property taxes	\$ 4,431,211	\$ -	\$ -	\$ 301,216
Licenses and permits	80,966	-	-	-
Federal grants	70,537	-	-	-
State-shared revenue and grants	861,297	445,753	161,918	-
Charges for services	1,704,385	-	-	-
Fines and forfeitures	533,589	-	-	-
Rental income	-	-	13,950	-
Other revenue	278,051	122	31	552
Total revenue	7,960,036	445,875	175,899	301,768
<b>Expenditures</b>				
Current:				
General government	1,615,914	-	-	-
District court	452,778	-	-	-
Public safety	3,653,085	-	-	-
Public works	1,246,289	291,582	586,011	-
Health and welfare	6,079	-	-	-
Community and economic development	32,852	-	-	-
Recreation and culture	459,551	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	7,466,548	291,582	586,011	-
<b>Excess of Revenue Over (Under) Expenditures</b>	493,488	154,293	(410,112)	301,768
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	48,752	445,862	-
Transfers out	-	(138,295)	-	(494,614)
Total other financing (uses) sources	-	(89,543)	445,862	(494,614)
<b>Net Change in Fund Balances</b>	493,488	64,750	35,750	(192,846)
<b>Fund Balances - Beginning of year</b>	2,308,080	300,471	100,000	884,305
<b>Fund Balances - End of year</b>	<u>\$ 2,801,568</u>	<u>\$ 365,221</u>	<u>\$ 135,750</u>	<u>\$ 691,459</u>

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

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

Major Capital Projects Fund		
Capital Improvement Fund	Nonmajor Funds	Total
\$ -	\$ 1,250	\$ 4,733,677
-	-	80,966
-	-	70,537
-	-	1,468,968
-	-	1,704,385
-	-	533,589
-	-	13,950
<u>13,975</u>	<u>122,047</u>	<u>414,778</u>
13,975	123,297	9,020,850
-	-	1,615,914
-	-	452,778
-	-	3,653,085
-	-	2,123,882
-	-	6,079
-	-	32,852
-	-	459,551
-	332,634	332,634
-	190,933	190,933
<u>-</u>	<u>523,567</u>	<u>8,867,708</u>
13,975	(400,270)	153,142
-	401,423	896,037
<u>(568,551)</u>	<u>-</u>	<u>(1,201,460)</u>
<u>(568,551)</u>	<u>401,423</u>	<u>(305,423)</u>
(554,576)	1,153	(152,281)
<u>2,504,693</u>	<u>35,677</u>	<u>6,133,226</u>
<u>\$ 1,950,117</u>	<u>\$ 36,830</u>	<u>\$ 5,980,945</u>

## City of Farmington, Michigan

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

**Net Change in Fund Balances - Total Governmental Funds** \$ (152,281)

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

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

Capital outlay	704,263
Depreciation expense	(1,017,241)
Net book value of assets disposed of	(2,102)

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

80,871

Change in investment in joint venture

3,458

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

321,584

Change in accrued interest payable and other

3,068

Increase in net OPEB obligation expenses reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment

(236,151)

Internal service funds are included as part of governmental activities

23,142

**Change in Net Assets of Governmental Activities**

**\$ (271,389)**



## City of Farmington, Michigan

### Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Funds			Governmental
	Farmington			Activities
	Water and Sewer	Theater	Total	Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,021,637	\$ 79,410	\$ 1,101,047	\$ 572,366
Receivables	1,297,432	5,755	1,303,187	175
Due from other funds	3,846	-	3,846	79,790
Other assets	144,484	2,781	147,265	74,711
Total current assets	2,467,399	87,946	2,555,345	727,042
Noncurrent assets:				
Restricted assets	1,211,686	-	1,211,686	-
Capital assets:				
Nondepreciable	874,179	92,885	967,064	-
Depreciable	15,226,792	801,329	16,028,121	-
Total noncurrent assets	17,312,657	894,214	18,206,871	-
Total assets	19,780,056	982,160	20,762,216	727,042
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	444,075	33,147	477,222	-
Due to other funds	4,928	11,003	15,931	-
Accrued and other liabilities	42,609	6,567	49,176	77,160
Current portion of compensated absences	12,033	-	12,033	240,028
Current portion of long-term debt	100,000	-	100,000	-
Total current liabilities	603,645	50,717	654,362	317,188
Noncurrent liabilities:				
Payable from restricted assets	569,686	-	569,686	-
Compensated absences - Net of current portion	11,988	-	11,988	61,649
Net OPEB obligation	67,771	-	67,771	-
Long-term debt - Net of current portion	2,755,000	-	2,755,000	-
Total noncurrent liabilities	3,404,445	-	3,404,445	61,649
Total liabilities	4,008,090	50,717	4,058,807	378,837
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	13,812,937	894,214	14,707,151	-
Restricted - Bond covenants	75,000	-	75,000	-
Unrestricted	1,884,029	37,229	1,921,258	348,205
Total net assets	\$ 15,771,966	\$ 931,443	\$ 16,703,409	\$ 348,205

## City of Farmington, Michigan

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

	Enterprise Funds			Governmental
	Farmington			Activities
	Water and Sewer	Theater	Total	Internal Service Fund
<b>Operating Revenue</b>				
Sale of water	\$ 1,656,427	\$ -	\$ 1,656,427	\$ -
Sewage disposal charges	2,212,403	-	2,212,403	-
Fees	-	429,388	429,388	-
Other income	154,430	1,150	155,580	-
Service charges	-	-	-	250,949
<b>Total operating revenue</b>	<b>4,023,260</b>	<b>430,538</b>	<b>4,453,798</b>	<b>250,949</b>
<b>Operating Expenses</b>				
Source of supply	1,992,030	-	1,992,030	-
Administrative and general	835,500	403,828	1,239,328	-
Transmission, distribution, and maintenance	585,251	-	585,251	-
Insurance costs	-	-	-	154,287
Accrued benefit expense	-	-	-	77,778
Depreciation	572,640	36,114	608,754	-
<b>Total operating expenses</b>	<b>3,985,421</b>	<b>439,942</b>	<b>4,425,363</b>	<b>232,065</b>
<b>Operating Income (Loss)</b>	<b>37,839</b>	<b>(9,404)</b>	<b>28,435</b>	<b>18,884</b>
<b>Nonoperating Revenue (Expenses)</b>				
Property tax revenue	6,949	-	6,949	-
Investment income	3,455	20	3,475	4,258
Interest expense	(108,317)	(13,057)	(121,374)	-
Gain on sale of assets	212	-	212	-
<b>Total nonoperating (expenses) revenue</b>	<b>(97,701)</b>	<b>(13,037)</b>	<b>(110,738)</b>	<b>4,258</b>
<b>(Loss) Income - Before contributions</b>	<b>(59,862)</b>	<b>(22,441)</b>	<b>(82,303)</b>	<b>23,142</b>
<b>Transfers In</b>	<b>-</b>	<b>305,423</b>	<b>305,423</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(59,862)</b>	<b>282,982</b>	<b>223,120</b>	<b>23,142</b>
<b>Net Assets - Beginning of year</b>	<b>15,831,828</b>	<b>648,461</b>	<b>16,480,289</b>	<b>325,063</b>
<b>Net Assets - End of year</b>	<b>\$ 15,771,966</b>	<b>\$ 931,443</b>	<b>\$ 16,703,409</b>	<b>\$ 348,205</b>

## City of Farmington, Michigan

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

	Enterprise Funds			Governmental
	Water and Sewer	Farmington	Total	Activities
		Community Theater		Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 3,921,315	\$ 430,538	\$ 4,351,853	\$ 237,899
Payments to suppliers	(2,909,904)	(267,782)	(3,177,686)	(175,730)
Payments to employees	(540,888)	(127,835)	(668,723)	(40,349)
Internal activity - Payments to other funds	(58,636)	1,326	(57,310)	-
Other payments	(49,551)	(5,755)	(55,306)	-
Net cash provided by operating activities	362,336	30,492	392,828	21,820
<b>Cash Flows from Noncapital Financing Activities - Transfers from other funds</b>	-	305,423	305,423	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sales of capital assets	212	-	212	-
Property taxes	(33,906)	-	(33,906)	-
Purchase of capital assets	(766,726)	(1,985)	(768,711)	-
Principal and interest paid on capital debt	(201,398)	(305,715)	(507,113)	-
Net cash used in capital and related financing activities	(1,001,818)	(307,700)	(1,309,518)	-
<b>Cash Flows from Investing Activities - Interest received on investments</b>	3,455	20	3,475	5,317
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(636,027)	28,235	(607,792)	27,137
<b>Cash and Cash Equivalents - Beginning of year</b>	2,869,350	51,175	2,920,525	545,229
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,233,323</u>	<u>\$ 79,410</u>	<u>\$ 2,312,733</u>	<u>\$ 572,366</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 1,021,637	\$ 79,410	\$ 1,101,047	\$ 572,366
Restricted cash	1,211,686	-	1,211,686	-
Total cash and cash equivalents	<u>\$ 2,233,323</u>	<u>\$ 79,410</u>	<u>\$ 2,312,733</u>	<u>\$ 572,366</u>



## City of Farmington, Michigan

### Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2012

	Enterprise Funds			Internal Service Fund
	Water and Sewer	Farmington Community Theater	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 37,839	\$ (9,404)	\$ 28,435	\$ 18,884
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	572,640	36,114	608,754	-
Loss on disposal of capital assets	1,050	-	1,050	-
Changes in assets and liabilities:				
Receivables	(152,548)	(5,755)	(158,303)	-
Due from others	(3,053)	174	(2,879)	(13,050)
Prepaid and other assets	4,264	5,027	9,291	(17,693)
Accounts payable	(39,342)	3,171	(36,171)	-
Due to others	(55,583)	1,152	(54,431)	-
Accrued and other liabilities	(2,931)	13	(2,918)	33,679
Net cash provided by operating activities	<u>\$ 362,336</u>	<u>\$ 30,492</u>	<u>\$ 392,828</u>	<u>\$ 21,820</u>

## City of Farmington, Michigan

### Fiduciary Funds Statement of Net Assets June 30, 2012

	Other Employee Benefits	Private Purpose Trust Fund - Cemetery Perpetual Care Trust	Agency Fund
<b>Assets</b>			
Cash and investments	\$ 329,497	\$ 21,517	\$ 173,619
Investment pools	2,221,766	-	-
Receivables	2	-	-
Due from primary government	2,166	-	174
Total assets	<u>2,553,431</u>	<u>21,517</u>	<u>\$ 173,793</u>
<b>Liabilities</b>			
Due to primary government	9,400	-	\$ -
Accrued and other liabilities	-	21,517	173,793
Total liabilities	<u>9,400</u>	<u>21,517</u>	<u>\$ 173,793</u>
<b>Net Assets Held in Trust for Other Employee Benefits</b>	<u>\$ 2,544,031</u>	<u>\$ -</u>	

3.1.a

Attachment: Plante Moran Financial Report (1090 : Presentation-Fiscal Year 2011-12 Financial Report;

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## City of Farmington, Michigan

### Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2012

**Additions**

Investment income:	
Interest and dividends	\$ 9,937
Net realized and unrealized gain on investments	22,444
Less investment expenses	<u>(1,434)</u>
Net investment income	30,947
Other	12,956
Contributions:	
Employer	705,005
Employee	<u>5</u>
Total contributions	<u>705,010</u>
Total additions	748,913

**Deductions - Insurance costs** 705,542

**Net Increase in Plan Assets** 43,371

**Net Assets Held in Trust for Other Employee Benefits**

Beginning of year	<u>2,500,660</u>
End of year	<u><u>\$ 2,544,031</u></u>

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

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## City of Farmington, Michigan

### Component Units Statement of Net Assets June 30, 2012

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 302,701	\$ 33,866	\$ 336,567
Prepaid expenses and other assets	5,000	-	5,000
Capital assets (Note 5):			
Nondepreciable	76,500	-	76,500
Depreciable	182,341	-	182,341
Total assets	566,542	33,866	600,408
<b>Liabilities</b>			
Accounts payable	21,319	-	21,319
Due to other governmental units	441	4,945	5,386
Accrued and other liabilities	35,467	-	35,467
Total liabilities	57,227	4,945	62,172
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	258,841	-	258,841
Unrestricted	250,474	28,921	279,395
Total net assets	<u>\$ 509,315</u>	<u>\$ 28,921</u>	<u>\$ 538,236</u>

## City of Farmington, Michigan

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

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ 839,437	\$ 375,162	\$ 216,000	\$ (248,275)	\$ -	\$ (248,275)
Brownfield Redevelopment Authority	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 839,437</b>	<b>\$ 375,162</b>	<b>\$ 216,000</b>	(248,275)	-	(248,275)
General revenue:						
Property taxes				306,452	9,568	316,020
Investment income				183	15	198
<b>Total general revenue</b>				<b>306,635</b>	<b>9,583</b>	<b>316,218</b>
<b>Change in Net Assets</b>				58,360	9,583	67,943
<b>Net Assets - Beginning of year</b>				450,955	19,338	470,293
<b>Net Assets - End of year</b>				<b>\$ 509,315</b>	<b>\$ 28,921</b>	<b>\$ 538,236</b>



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note I - Nature of Business and Significant Accounting Policies

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

##### Reporting Entity

The City is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although the City's component units are legally separate entities, in substance, they are part of the City's operations (see discussion below for description and treatment of each component unit).

##### Discretely Presented Component Units

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the mayor with City Council approval. In addition, the Authority's budget is subject to approval by the City.

The Brownfield Redevelopment Authority (the "BRA") was created to assist in the redevelopment of environmentally challenged sites within the City. The BRA's governing body, which consists of five individuals, is appointed by the mayor with City Council approval.

##### Jointly Governed Organization

The City participates in the Michigan 47th District Court Administration Fund and the Farmington Community Library (the "Library") with the City of Farmington Hills. The City provides 14.94 percent of the funding for the Michigan 47th District Court Administration Fund, and has recorded an equity interest in the amount of \$12,252 for the year ended June 30, 2012. The Library receives funding from a voter-approved operating millage expiring in 2024. With the approval of the operating millage, the City discontinued its funding of the Library's operations.

Complete financial statements for the 47th District Court Administration Fund and the Farmington Community Library can be obtained from the City's administrative offices at 23600 Liberty Street, Farmington, Michigan 48335.

The City participates in the Southwest Oakland Cable Commission (the "Cable Commission") as a joint venture with the cities of Farmington Hills and Novi. The Cable Commission receives 2 percent of the total cable television charges from the cable television company as franchise fees and currently does not receive a subsidy from the City. Financial information for the joint venture can be obtained from the Cable Commission's administrative offices at 33300 Nine Mile Road, Farmington, Michigan.

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC). The RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom and the Charter Township of South Lyon. The RRRASOC receives its operating revenue from member contributions and miscellaneous income. The City contributed \$13,029 for the year ended June 30, 2012. Financial information for the RRRASOC can be obtained from the RRRASOC's administrative offices at 20000 West Eight Mile Road, Southfield, Michigan.

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

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental 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 segment 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 revenue are reported instead as general revenue.

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



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

##### 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, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue are considered to be susceptible to accrual and so have been recognized as revenue 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.

The City reports the following major governmental funds:

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

**Major Streets Fund** - The Major Streets Fund accounts for the resources obtained through state gas and weight tax revenue that is restricted for use on major streets.

**Local Streets Fund** - The Local Streets Fund accounts for the resources obtained through state gas and weight tax revenue that is restricted for use on local streets.



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

**Municipal Streets Fund** - The Municipal Streets Fund accounts for the resources obtained through property taxes that are used for both major and local streets projects.

**Capital Improvement Fund** - The Capital Improvement Fund accounts for the resources used for the purpose of constructing all major capital improvement projects of the City other than special assessment, road, downtown development, and enterprise projects, and for the acquisition of major capital assets.

The City reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the water distribution system and sewage collection system.

**Farmington Community Theater Fund** - The Farmington Community Theater Fund accounts for the operations of the Civic Theater.

Additionally, the City reports the following fund types:

**Internal Service Funds** - The internal service funds account for the portion of the City's insurance liability not covered by commercially provided insurance and record the City's liability for accrued vacation and compensated time off.

**Other Employee Benefits Funds** - The other employee benefits funds account for the resources set aside by the City to provide health and insurance benefits for its employees in accordance with resolutions, ordinances, employee agreements, and union contracts.

**Private Purpose Trust Fund** - The Private Purpose Trust Fund accounts for resources restricted for the upkeep and maintenance of the City's cemetery.

**Agency Fund** - The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

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

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

#### Property Tax Revenue

All trade and property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties are assessed.

The 2011 taxable valuation of the City totaled \$319 million, on which ad valorem taxes levied consisted of 14 mills for the City's operating purposes and 1 mill for street improvements and maintenance. The ad valorem taxes levied, net of related captures, raised \$4,284,000 for operations and \$306,000 for street improvements and maintenance. These amounts are recognized in the respective General Fund and special revenue, debt service, and enterprise funds as tax revenue.

#### Assets, Liabilities, and Net Assets or Equity

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



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due 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.

**Prepaid Costs and Other Assets** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements. Other assets consist primarily of inventories, which are valued at cost, on a first-in, first-out basis.

**Restricted Assets** - Restricted assets consist of cash and cash equivalents in the amount of \$1,211,686 in the Water and Sewer Fund. These assets are restricted for a replacement reserve as required by the 1991 Water Supply and Sewer Disposal System Bond ordinance in the amount of \$75,000 and unspent bond proceeds in the amount of \$1,136,652 from the 2011 Capital Improvement Bonds.

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

The City's capital assets are depreciated using the straight-line method over the following useful lives:

Flowage rights	25 years
County roads	20-30 years
Infrastructure	10-50 years
Buildings and improvements	5-80 years
Court building	10-50 years
Equipment and other	4-25 years
Vehicles	3-30 years
Water and sewer mains	50 years
Water storage tank	50 years
Water meters	20 years
Truck and tractors	7-15 years
Office equipment	5-20 years
Other equipment	5-15 years

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

**Compensated Absences (Vacation Leave and Compensated Time Off)** - It is the City's policy to permit employees to accumulate earned but unused vacation and compensated time off pay. In the government-wide and proprietary fund financial statements, a portion of the vacation pay and compensated time off is accrued when incurred for the amount that would be paid out upon separation of the employee from the City. In the governmental funds, an internal service fund records the portion of the vacation pay and compensated time off when incurred and charges the governmental funds in order to provide resources to pay employees upon termination.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body or city manager, who is authorized by resolution approved by the governing body to make assignments.
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the general fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Cash Equivalents** - For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

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

Shortfall at July 1, 2011		\$	(559,446)
Current year permit revenue			49,866
Related expenses:			
Direct costs	\$	138,423	
Estimated indirect costs		13,842	152,265
Current year shortfall			(102,399)
Cumulative shortfall at June 30, 2012		\$	<u>(661,845)</u>

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Budgetary Information** - The City Charter requires the city manager to submit a budget for the next fiscal year to the City Council on or before April 21, and the City Council to adopt, by resolution, a budget for the next fiscal year on or after May 1 and not later than the June 21. The City Council may pass amendments to the budget during the fiscal year by resolution.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2012 has not been calculated.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with the statement of revenue and expenditures, including budget variances, for the General Fund and major special revenue funds is presented as required supplemental information. A comparison of the budget with the statement of revenue and expenditures, including budget variances, for the nonmajor funds can be obtained from the City offices at 23600 Liberty Street, Farmington, MI 48335.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City had no significant unfavorable expenditure budget variances.

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



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 3 - Deposits and Investments (Continued)

The City has designated three banks for the deposit of its funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all of the above investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended). The City's deposits and investment policies are in accordance with statutory authority.

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,557,453 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units were fully insured and collateralized. 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. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City did not hold any investments that were subject to interest rate risk.

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
<b>General Government</b>			
Chase - Pooled investments	\$ 4,650,985	Aaa	Moody's
Comerica - Pooled investments	251,119	Not rated	N/A
MBIA - Investments	251,394	AAA	Standard & Poor's
Oakland County Local Government Investment Pool	2,804,939	Not rated	N/A
Total	\$ 7,958,437		
<b>Public Employee Health Fund</b>			
Common stock	\$ 1,231,646	Not rated	N/A
Money market	974,899	Not rated	N/A

#### Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the City's individual major funds are as follows:

	General	Major Streets	Local Streets	Total
Receivables:				
Taxes	\$ 5,203	\$ -	\$ -	\$ 5,203
Special assessments	-	-	112,050	112,050
Due from other governmental units	271,435	69,071	26,823	367,329
Interest and other	199,852	-	-	199,852
Net receivables	\$ 476,490	\$ 69,071	\$ 138,873	\$ 684,434



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 4 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. All funds, governmental and business-type, also defer revenue recognition in connection with resources that have been received or recorded as accounts receivable but not earned. At the end of the fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds	
	Unavailable	Unearned
General government - Special assessments	\$ 361,486	\$ -
General government - Cable fees	\$ -	\$ 5,871

Receivables as of year end for the City's enterprise funds are as follows:

	Water and Sewer Fund	Farmington Community Theater
	Receivables:	
Taxes	\$ 175,921	\$ -
Customer receivables	1,062,103	-
Intergovernmental	4,229	-
Other	55,165	5,755
Total receivables	\$ 1,297,418	\$ 5,755

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 5 - Capital Assets

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

	Balance July 1, 2011	Reclassifications	Additions	Disposals	Balance June 30, 2012
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,347,334	\$ -	\$ 1,029	\$ -	\$ 1,348,363
Construction in progress - Street projects	349,533	(594,869)	527,662	-	282,326
Subtotal	1,696,867	(594,869)	528,691	-	1,630,689
Capital assets being depreciated:					
Flowage rights	946,170	-	-	-	946,170
County roads	391,690	-	-	-	391,690
Infrastructure	17,848,137	594,869	84,219	-	18,527,225
Building and improvements	3,225,533	-	7,456	-	3,232,989
Court buildings	2,310,486	-	-	-	2,310,486
Equipment and other	947,002	-	2,988	-	949,990
Vehicles	1,536,870	-	80,909	(51,446)	1,566,333
Subtotal	27,205,888	594,869	175,572	(51,446)	27,924,883
Accumulated depreciation:					
Flowage rights	814,310	-	17,617	-	831,927
County roads	104,449	-	13,056	-	117,505
Infrastructure	6,801,945	-	685,789	-	7,487,734
Buildings and improvements	1,803,364	-	90,038	-	1,893,402
Court building	479,476	-	58,067	-	537,543
Equipment and other	566,059	-	42,328	-	608,387
Vehicles	884,693	-	110,346	(49,344)	945,695
Subtotal	11,454,296	-	1,017,241	(49,344)	12,422,193
Net capital assets being depreciated	15,751,592	594,869	(841,669)	(2,102)	15,502,690
Net capital assets	\$ 17,448,459	\$ -	\$ (312,978)	\$ (2,102)	\$ 17,133,379

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Reclassifications	Additions	Disposals	Balance June 30, 2012
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 174,009	\$ -	\$ -	\$ -	\$ 174,009
Construction in progress	190,067	(332,046)	935,034	-	793,055
Subtotal	364,076	(332,046)	935,034	-	967,064
Capital assets being depreciated:					
Building	1,869,018	-	-	-	1,869,018
Water and sewer mains	26,341,737	332,046	8,500	-	26,682,283
Water storage tank	53,791	-	-	-	53,791
Water meters	152,760	-	-	-	152,760
Truck and tractors	363,750	-	80,000	-	443,750
Office equipment	560,269	-	96,273	(10,512)	646,030
Subtotal	29,341,325	332,046	184,773	(10,512)	29,847,632
Accumulated depreciation:					
Building	914,945	-	50,360	-	965,305
Water and sewer mains	11,319,810	-	518,780	-	11,838,590
Water storage tank	53,791	-	-	-	53,791
Water meters	141,524	-	1,179	-	142,703
Truck and tractors	318,501	-	17,677	-	336,178
Office equipment	471,648	-	20,758	(9,462)	482,944
Subtotal	13,220,219	-	608,754	(9,462)	13,819,511
Net capital assets being depreciated	16,121,106	332,046	(423,981)	(1,050)	16,028,121
Net capital assets	\$ 16,485,182	\$ -	\$ 511,053	\$ (1,050)	\$ 16,995,185

3.1.a

Attachment: Plante Moran Financial Report (1090 : Presentation-Fiscal Year 2011-12 Financial Report;

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City of Farmington, Michigan

Notes to Financial Statements  
June 30, 2012

Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Reclassifications	Additions	Disposals	Balance June 30, 2012
<b>Component Units</b>					
Capital assets not being depreciated - Land	\$ 76,500	\$ -	\$ -	\$ -	\$ 76,500
Capital assets being depreciated:					
Green areas	30,514	-	1,797	-	32,311
Office equipment	41,017	-	-	-	41,017
Land improvements	159,005	-	45,833	-	204,838
Subtotal	230,536	-	47,630	-	278,166
Accumulated depreciation:					
Green areas	29,914	-	320	-	30,234
Office equipment	12,232	-	4,512	-	16,744
Land improvements	39,780	-	9,067	-	48,847
Subtotal	81,926	-	13,899	-	95,825
Net capital assets being depreciated	148,610	-	33,731	-	182,341
Net capital assets	\$ 225,110	\$ -	\$ 33,731	\$ -	\$ 258,841

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

<b>Governmental activities:</b>		
General government		\$ 89,031
Public safety		144,382
Public works		714,845
Recreation and culture		68,983
Total governmental activities		<u>\$ 1,017,241</u>
<b>Business-type activities:</b>		
Water and sewer		\$ 572,640
Theater		36,114
Total business-type activities		<u>\$ 608,754</u>
<b>Component unit activities:</b>		
Office equipment		\$ 4,512
Land improvements		9,387
Total component unit activities		<u>\$ 13,899</u>

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## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Primary Government/Component Unit</b>		
General Fund	Major Streets Fund	\$ 43,456
	Local Streets Fund	6,767
	Municipal Street Fund	98
	Water and Sewer Fund	4,928
	Farmington Community Theater Fund	11,003
	Nonmajor funds	189
	Total General Fund	66,441
Major Streets Fund	Municipal Streets Fund	48,752
Local Streets Fund	Municipal Streets Fund	134,125
Employee Accrued Benefits Fund	General Fund	79,790
Water and Sewer Fund	General Fund	3,846
	Total	<u>\$ 332,954</u>
Public Employees' Health Insurance	General Fund	\$ 2,159
	Water and Sewer Fund	7
	Total Public Employees' Health Insurance	<u>\$ 2,166</u>

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

Interfund balances arise from primarily from budgeted transfers occurring subsequent to year end.

The composition of interfund balances is as follows:

#### Interfund Transfers

Transfers In	Transfers Out			Total
	Major Streets	Municipal Streets	Capital Improvement	
Major Streets Fund	\$ -	\$ 48,752	\$ -	\$ 48,752
Local Streets Fund	-	445,862	-	445,862
Nonmajor governmental funds	138,295	-	263,128	401,423
Total	\$ 138,295	\$ 494,614	\$ 263,128	\$ 896,037
Theater Fund	\$ -	\$ -	\$ 305,423	\$ 305,423

The transfer from the Major Streets Fund to the nonmajor governmental funds (2007 Act 175 Debt Fund) was made to repay a portion of the debt used to finance the City's road programs.

The transfer from the Municipal Streets Fund to the Major Streets Fund was made to finance a portion of the cost of the City's road programs.

The transfer from the Municipal Streets Fund to the Local Streets Fund was made to finance a portion of the cost of the City's road programs.

The transfer from the Capital Improvement Fund to the nonmajor governmental funds (2005 Capital Improvement Bond, 1994 County Drain Contract, and 47th District Court Building Authority Bonds) was made to provide for current year debt service payments.

The transfer from the Capital Improvement Fund to the Theater Fund was made to provide for the fiscal year debt service payment and call of the theater bond issue.

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the City. The county drain contracts and Michigan Transportation Fund Bonds are also general obligations of the government. The Building Authority Bonds are general obligations of the Farmington Hills Building Authority. Both the City of Farmington and the City of Farmington Hills have signed lease agreements with the Farmington Hills Building Authority, which provide for lease payments in the exact amount of the debt service on the Building Authority Bonds. The City of Farmington records its portion of these lease payments. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Bond and contract obligations:							
Transportation Fund Bond -							
2007 Michigan Transportation Fund Bonds:							
Amount of issue - \$1,450,000		\$95,000 -					
Maturing through 2021	3.9%	\$145,000	\$ 1,275,000	\$ -	\$ (90,000)	\$ 1,185,000	\$ 95,000
County drain contract -							
2003 Caddell Drain Refunding Issue:							
Amount of issue - \$286,280		\$25,306 -					
Maturing through 2014	2.7%-4.0%	\$26,097	99,644	-	(22,934)	76,710	26,097
Building Authority Bonds:							
2001 Building Authority Bonds -							
47th District Court:							
Amount of issue - \$1,400,300		\$76,380-					
Maturing through 2021	4.2%-5.5%	\$126,664	974,481	-	(63,650)	910,831	76,380
2009 Capital Improvement Bond:							
Amount of issue - \$1,000,000		\$35,000-					
Maturing through 2029	4.750%- 4.875%	\$75,000	935,000	-	(35,000)	900,000	35,000
2005 Capital Improvement Bond:							
Amount of issue - \$1,500,000		\$115,000-					
Maturing through 2019	3.50%- 4.0%	\$155,000	1,180,000	-	(110,000)	1,070,000	115,000
Total governmental activities			4,464,125	-	(321,584)	4,142,541	347,477
Accumulated compensated absences							
OPEB			324,558	-	(22,881)	301,677	240,028
			921,491	236,151	-	1,157,642	-
Total governmental activities			\$ 5,710,174	\$ 236,151	\$ (344,465)	\$ 5,601,860	\$ 587,505

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
2003 Capital Improvement Sewer Bonds:							
Amount of issue - \$900,000		\$45,000-					
Maturing through 2023	3.2%-4.8%	\$60,000	\$ 630,000	\$ -	\$ (45,000)	\$ 585,000	\$ 45,000
1991 Water Supply and Sewer Disposal System Bonds:							
Amount of issue - \$934,212							
Maturing through 2013	2.0%	\$55,000	110,000	-	(55,000)	55,000	55,000
1999 Community Theater Bonds:							
Amount of issue - \$690,000							
Maturing through 2015	5.3%- 5.95%		290,000	-	(290,000)	-	-
2011 General Obligation Capital Improvement Water and Sewer Bonds -							
Maturing through 2031	2.0%- 4.25%	\$55,000- \$90,000	2,215,000	-	-	2,215,000	-
Total business-type activities			3,245,000	-	(390,000)	2,855,000	100,000
Accumulated compensated absences							
OPEB			25,988	-	(1,967)	24,021	12,033
			51,508	16,263	-	67,771	-
Total business-type activities			\$ 3,322,496	\$ 16,263	\$ (391,967)	\$ 2,946,792	\$ 112,033

Total interest expense for the year was \$306,502. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 347,477	\$ 169,593	\$ 517,070	\$ 100,000	\$ 109,787	\$ 209,787
2014	367,507	155,620	523,127	100,000	106,887	206,887
2015	383,143	140,156	523,299	105,000	103,838	208,838
2016	368,474	124,513	492,987	110,000	100,575	210,575
2017	396,840	108,421	505,261	115,000	97,091	212,091
2018-2022	1,819,101	289,741	2,108,842	675,000	413,465	1,088,465
2023-2027	315,000	82,619	397,619	855,000	255,103	1,110,103
2028-2031	144,999	10,725	155,724	795,000	68,506	863,506
Total	\$ 4,142,541	\$ 1,081,388	\$ 5,223,929	\$ 2,855,000	\$ 1,255,252	\$ 4,110,252

**Revenue Pledged in Connection with Debt** - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above 1991 Water Supply and Sewer Disposal System revenue bonds. Proceeds from the bonds provided financing for water and sewer capital improvements. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds are \$55,000 and \$550, respectively. During the current year, the system experienced a net loss of \$59,876 compared to the annual debt requirements of \$56,650.



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

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

The DDA has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the principal and interest on the 2009 Streetscape Capital Improvement Bond. The DDA has further agreed to reimburse the City for any costs of the project not financed from the proceeds of the bonds, including, if necessary, the cost of issuance, any publication costs, and other costs incurred by the City associated with the design and acquisition of the project, in an amount not to exceed \$935,000.

#### 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 has purchased commercial insurance for medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority, a risk pool for claims relating to property loss, torts, and errors and omissions. The City also participates in the Michigan Municipal League (MML) risk pool for employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

The City estimates the liability for 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. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	
	2012	2011
Unpaid claims - Beginning of year	\$ 20,600	\$ 174,770
Incurred claims - Including claims incurred but not reported	(3,250)	(21,514)
Claim payments	(500)	(132,656)
Unpaid claims - End of year	\$ 16,850	\$ 20,600

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2010, the date of the most recent actuarial valuation, membership consisted of 49 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 54 current active employees. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by ordinance and by negotiation with the City's collective bargaining units and employee groups and requires a contribution from the employees of 0 percent to 3 percent depending on employee group.

**Annual Pension Cost** - For the year ended June 30, 2012, the City's annual pension cost of \$420,458 for the plan was equal to the City's required and actual contribution. In the December 31, 2010 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 1 percent for calendar years 2011, 2012, 2013, and 2014, and 4.5 percent thereafter. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 20 years.

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 420,458	\$ 450,793	\$ 520,562
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 9 - Defined Benefit Pension Plan (Continued)

	Fiscal Year Ended June 30		
	2010	2009	2008
Actuarial value of assets	\$ 19,901,000	\$ 19,337,000	\$ 18,581,000
Actuarial accrued liability (AAL) (entry age)	\$ 20,068,000	\$ 20,141,000	\$ 18,858,000
Unfunded AAL (UAAL)	\$ 167,000	\$ 804,000	\$ 277,000
Funded ratio	99.2 %	96.0 %	98.5 %
Covered payroll	\$ 3,239,000	\$ 3,106,000	\$ 3,186,000
UAAL as a percentage of covered payroll	5.2 %	25.9 %	8.7 %

#### Note 10 - Postemployment Benefits

The City provides healthcare benefits to all eligible full-time employees and their eligible beneficiaries upon retirement. The benefits are based on labor contracts and employee agreements. There are two types of healthcare benefits - a defined benefit plan called the City of Farmington Retiree Health Care Plan (the "Farmington RHCP") and a defined contribution plan called the Municipal Employees' Retirement System Health Care Savings Program (MERS HCSP).

##### Farmington Retiree Health Care Plan (RHCP)

The Farmington RHCP is available to all full-time public safety employees and all other full-time employees that had over 20 years of service as of June 30, 2009. The amount of the benefit is determined based on labor contracts and employee agreements, in accordance with the City of Farmington's Retiree Health Care Plan (the "Plan"). The Plan was established by ordinance and created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999, and is administered by the City of Farmington. The Irrevocable Trust Fund (the "Trust Fund"), established in the Plan, funds the City's share of retiree healthcare insurance premiums and is administered by a board of trustees. Currently, 39 retirees are eligible, 33 are participating, and five are receiving payments in lieu of coverage. Payments in lieu of insurance coverage are paid by the City.

The Plan is a single employer defined benefit plan and does not issue a separate stand-alone financial statement.

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 10 - Postemployment Benefits (Continued)

**Funding Policy** - The City, by ordinance, is required to fund the Trust Fund in an amount sufficient to pay all projected coverage premiums for that fiscal year. The City may contribute additional amounts consistent with the actuarial valuations and calculations made by the actuary for the Trust Fund to result in a prefunded plan. For the year ended June 30, 2012, the Trust Fund received employer contributions of \$705,000 and paid postemployment healthcare premiums of \$696,142. There were no required employee contributions.

**Funding Progress** - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2008, which was updated during 2010. This updated valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 27 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 962,885
Interest on the prior year's net OPEB obligation	<u>77,840</u>
Annual OPEB cost	1,040,725
Amounts contributed to health insurance trust (which pays current premiums)	(705,000)
Adjustment for implicit rate subsidy	<u>(83,311)</u>
Increase in net OPEB obligation	252,414
OPEB obligation - Beginning of year	<u>972,999</u>
OPEB obligation - End of year	<u>\$ 1,225,413</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 910,935	58	\$ 620,454
6/30/11	986,265	58	972,999
6/30/12	1,040,725	68	1,225,413



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 10 - Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 2,186,781	\$ 13,126,316	\$ 10,939,535	16.7	\$ 3,200,000	341.9
6/30/11	2,433,154	25,374,612	22,941,458	9.6	N/A	N/A

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

#### City of Farmington's Retiree Health Care Plan

In the June 30, 2008 (updated in 2012) actuarial valuation, which stipulated the ARC for the year ended June 30, 2012, the actuarial cost method was used. The actuarial assumptions included an 8 percent investment rate of return, which is the expected long-term investment return of the City's General Fund and plan assets at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after 10 years. The actuarial value of assets was set equal to the reported market value at June 30, 2008. The UAAL is being amortized as a level percentage of projected payroll, if the divisions are open to new hires. The UAAL is being amortized as a level dollar, if the divisions are closed to new hires. The UAAL is being amortized on an closed basis, with a remaining amortization period at June 30, 2008 of 30 years.

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 10 - Postemployment Benefits (Continued)

In the June 30, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return, which is the expected long-term investment return of the City's General Fund and plan assets at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. The actuarial value of assets was set equal to the reported market value at June 30, 2008. The UAAL is being amortized as a level percentage of projected payroll, if the divisions are open to new hires. The UAAL is being amortized as a level dollar, if the divisions are closed to new hires. The UAAL is being amortized on an closed basis, with a remaining amortization period at June 30, 2011 of 27 years.

#### MERS Health Care Savings Plan (HCSP)

On June 30, 2009, the council established, by resolution, the MERS HCSP, a defined contribution retiree healthcare plan. The MERS HCSP is a tax-qualified "governmental plan" and trust under Section 401(a) of the Internal Revenue Code of 1986 and all trust assets are therefore exempt from taxation under Code Section 501(a) (IRS Letter of Favorable Determination dated June 15, 2005). The MERS HCSP is administered by the Municipal Employees' Retirement System.

On June 30, 2009, in accordance with labor contracts and employee agreements, all full-time employees with less than 20 years of service as of June 30, 2009, except for public safety, were converted to the defined contribution retiree healthcare plan from the Farmington RHCP. Under the terms of the MERS HCSP, each employee was given a start-up contribution by the City based on years of service rendered to the City. Under terms of the agreement, nonunion, dispatch, and department head employees receive \$2,100 per year in contributions from the City to their HCSP account. Department of Public Service employees contribute \$60 per year to the HCSP. Employer contributions for the year were approximately \$37,800. Terms of the MERS HCSP may be amended by future labor contracts and by council resolutions.

#### City of Farmington, Michigan's Retiree Dental Plan

The City provides dental benefits to certain retirees and their eligible beneficiaries based on the employee's years of service. The amount of the benefit is determined based on labor contracts and employee agreements, in accordance with the City of Farmington's Retiree Dental Plan (the "Dental Plan"). The Dental Plan was established by resolution and closed to new members during the year ended June 30, 2006. The Dental Plan is administered by the City of Farmington, Michigan.

Currently, 20 retirees are eligible and participating. Dental benefits are paid for by the City's General Fund.

The Dental Plan is a single employer, self-insured, defined benefit plan and does not issue a separate stand-alone financial statement.



## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 10 - Postemployment Benefits (Continued)

**Funding Policy** - The City reimburses retirees for their dental expenditures up to a defined dollar limit. There is no advance funding. For the year ended June 30, 2012, the City paid postemployment dental reimbursements in the amount of \$3,800.

**Methods and Assumptions** - Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 30, 2011 valuation, the entry age cost method was used. The assumptions included a 4.0 percent investment rate of return, which is the expected long-term investment return on the City's General Fund assets at the valuation date, and an annual dental reimbursement trend rate of 7.5 percent initially, reduced to 0 as the anticipated reimbursement amount reaches the allowable limit. There are no assets associated with the plan at June 30, 2011. The UAAL is being amortized as a level dollar, since the plan is closed to new hires. The UAAL is being amortized on a closed basis, with a remaining period at June 30, 2011 of 27 years.

#### Note 11 - Upcoming Accounting Pronouncements

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

## City of Farmington, Michigan

### Notes to Financial Statements June 30, 2012

#### Note 11 - Upcoming Accounting Pronouncements (Continued)

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

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

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

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Farmington, this standard will be adopted for the year ending June 30, 2014.



## City of Farmington, Michigan

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### Notes to Financial Statements June 30, 2012

#### **Note II - Upcoming Accounting Pronouncements (Continued)**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

## **Required Supplemental Information**

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## City of Farmington, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,465,130	\$ 4,447,060	\$ 4,431,211	\$ (15,849)
Licenses and permits	83,600	71,000	80,966	9,966
Federal grants	100,568	87,305	70,537	(16,768)
State-shared revenue and grants	782,760	844,703	861,297	16,594
Charges for services	1,735,288	1,697,044	1,704,385	7,341
Fines and forfeitures	420,500	460,500	533,589	73,089
Other revenue	149,067	164,103	278,051	113,948
<b>Total revenue</b>	<b>7,736,913</b>	<b>7,771,715</b>	<b>7,960,036</b>	<b>188,321</b>
<b>Expenditures</b>				
Current:				
General government	1,790,106	1,756,868	1,615,914	140,954
District court	470,575	470,575	452,778	17,797
Public safety	3,713,812	3,749,659	3,653,085	96,574
Public works	1,294,240	1,365,185	1,246,289	118,896
Health and welfare	7,836	7,836	6,079	1,757
Community and economic development	99,525	41,775	32,852	8,923
Recreation and culture	488,712	506,046	459,551	46,495
Contingency	57,107	-	-	-
<b>Total expenditures</b>	<b>7,921,913</b>	<b>7,897,944</b>	<b>7,466,548</b>	<b>431,396</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(185,000)</b>	<b>(126,229)</b>	<b>493,488</b>	<b>619,717</b>
<b>Other Financing Sources - Transfers in - Capital Improvement Fund</b>	<b>185,000</b>	<b>174,000</b>	<b>-</b>	<b>(174,000)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>47,771</b>	<b>493,488</b>	<b>445,717</b>
<b>Fund Balance - July 1, 2011</b>	<b>2,308,080</b>	<b>2,308,080</b>	<b>2,308,080</b>	<b>-</b>
<b>Fund Balance - June 30, 2012</b>	<b>\$ 2,308,080</b>	<b>\$ 2,355,851</b>	<b>\$ 2,801,568</b>	<b>\$ 445,717</b>

## City of Farmington, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue	\$ 359,984	\$ 373,000	\$ 384,077	\$ 11,077
Contracts and grants	90,320	65,480	61,676	(3,804)
Other revenue	750	150	122	(28)
<b>Total revenue</b>	<b>451,054</b>	<b>438,630</b>	<b>445,875</b>	<b>7,245</b>
<b>Expenditures - Current</b>				
Construction	55,000	73,000	81,801	(8,801)
Operations and maintenance	299,632	236,921	209,781	27,140
<b>Total expenditures</b>	<b>354,632</b>	<b>309,921</b>	<b>291,582</b>	<b>(18,339)</b>
<b>Excess of Revenue Over Expenditures</b>	<b>96,422</b>	<b>128,709</b>	<b>154,293</b>	<b>25,584</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in - Municipal Streets Fund	54,000	54,000	48,752	(5,248)
Transfer out - Debt Service Fund	(138,295)	(138,295)	(138,295)	-
Transfer out - Local Street Fund	(12,127)	-	-	-
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>44,414</b>	<b>64,750</b>	<b>20,336</b>
<b>Fund Balance - July 1, 2011</b>	<b>300,471</b>	<b>300,471</b>	<b>300,471</b>	<b>-</b>
<b>Fund Balance - June 30, 2012</b>	<b>\$ 300,471</b>	<b>\$ 344,885</b>	<b>\$ 365,221</b>	<b>\$ 20,336</b>



## City of Farmington, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 153,704	\$ 153,704	\$ 161,918	\$ 8,214
Special assessments	12,600	12,600	13,950	1,350
Other revenue	500	50	31	(19)
Total revenue	166,804	166,354	175,899	9,545
<b>Expenditures</b>				
Construction	268,590	453,830	445,862	7,968
Operations and maintenance	178,931	166,354	140,149	26,205
Total expenditures	447,521	620,184	586,011	34,173
<b>Excess of Expenditures Over Revenue</b>	(280,717)	(453,830)	(410,112)	43,718
<b>Other Financing Sources</b>				
Transfer in - Major Streets Fund	12,127	-	-	-
Transfers in - Municipal Streets Fund	268,590	453,830	445,862	(7,968)
Total other financing sources	280,717	453,830	445,862	(7,968)
<b>Net Change in Fund Balance</b>	-	-	35,750	35,750
<b>Fund Balance - July 1, 2011</b>	100,000	100,000	100,000	-
<b>Fund Balance - June 30, 2012</b>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 135,750</u>	<u>\$ 35,750</u>

## City of Farmington, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Municipal Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 304,581	\$ 304,578	\$ 301,216	\$ (3,362)
Other revenue	3,000	750	552	(198)
Total revenue	307,581	305,328	301,768	(3,560)
<b>Other Financing Uses</b>				
Transfer out - Major Streets Fund	(54,000)	(54,000)	(48,752)	5,248
Transfer out - Local Streets Fund	(268,590)	(453,830)	(445,862)	7,968
<b>Net Change in Fund Balance</b>	(15,009)	(202,502)	(192,846)	9,656
<b>Fund Balance - July 1, 2011</b>	884,305	884,305	884,305	-
<b>Fund Balance - June 30, 2012</b>	<u>\$ 869,296</u>	<u>\$ 681,803</u>	<u>\$ 691,459</u>	<u>\$ 9,656</u>

## **Other Supplemental Information**

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## City of Farmington, Michigan

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

	Debt Service Funds				Total Nonmajor Governmental Funds
	Nonvoted Debt Service	2007 MTA 175 Debt Service	Streetscape Debt Service Fund	Special Assessment Debt Service	
<b>Assets</b>					
Cash and investments	\$ 34,406	\$ -	\$ -	\$ 2,786	\$ 37,192
Receivables	-	-	-	249,436	249,436
Total assets	<u>\$ 34,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,222</u>	<u>\$ 286,628</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ 189	\$ -	\$ -	\$ -	\$ 189
Accrued and other liabilities	125	-	-	48	173
Deferred revenue	-	-	-	249,436	249,436
Total liabilities	314	-	-	249,484	249,798
<b>Fund Balances - Assigned - Debt service</b>	<u>34,092</u>	<u>-</u>	<u>-</u>	<u>2,738</u>	<u>36,830</u>
Total liabilities and fund balances	<u>\$ 34,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,222</u>	<u>\$ 286,628</u>



## City of Farmington, Michigan

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

	Debt Service Funds				Total Nonmajor Governmental Funds
	Nonvoted Debt Service	2007 MTA 175 Debt Service	Streetscape Debt Service Fund	Special Assessment Debt Service	
<b>Revenue</b>					
Property taxes	\$ 812	\$ -	\$ -	\$ 438	\$ 1,250
Other revenue	8	-	79,876	42,163	122,047
Total revenue	820	-	79,876	42,601	123,297
<b>Expenditures - Debt service</b>					
Principal	97,634	90,000	35,000	110,000	332,634
Interest on long-term debt	55,067	48,295	44,876	42,695	190,933
Total expenditures	152,701	138,295	79,876	152,695	523,567
<b>Excess of Expenditures Over Revenue</b>	(151,881)	(138,295)	-	(110,094)	(400,270)
<b>Other Financing Sources - Transfers in</b>	152,585	138,295	-	110,543	401,423
<b>Net Change in Fund Balances</b>	704	-	-	449	1,153
<b>Fund Balances - Beginning of year</b>	33,388	-	-	2,289	35,677
<b>Fund Balances - End of year</b>	<b>\$ 34,092</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,738</b>	<b>\$ 36,830</b>

## City of Farmington, Michigan

### Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	Self Insurance	Employee Accrued Benefits Fund	Total
<b>Assets - Current assets</b>			
Cash and investments	\$ 283,083	\$ 289,283	\$ 572,366
Receivables	175	-	175
Due from other funds	-	79,790	79,790
Prepaid expenses and other assets	74,711	-	74,711
Total assets	357,969	369,073	727,042
<b>Liabilities</b>			
Current liabilities:			
Accrued and other liabilities	16,850	60,310	77,160
Compensated absences - Less than one year	-	240,028	240,028
Total current liabilities	16,850	300,338	317,188
Noncurrent liabilities - Compensated absences - Greater than one year			
	-	61,649	61,649
Total liabilities	16,850	361,987	378,837
<b>Net Assets - Unrestricted</b>	<b>\$ 341,119</b>	<b>\$ 7,086</b>	<b>\$ 348,205</b>

## City of Farmington, Michigan

### Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2012

	Self Insurance	Employee Accrued Benefits Fund	Total
<b>Operating Revenue</b> - Service charges	\$ 173,171	\$ 77,778	\$ 250,949
<b>Operating Expenses</b>			
Insurance costs	154,287	-	154,287
Accrued benefit expense	-	77,778	77,778
Total operating expenses	154,287	77,778	232,065
<b>Operating Income</b>	18,884	-	18,884
<b>Nonoperating Revenue</b> - Investment income	2,684	1,574	4,258
<b>Change in Net Assets</b>	21,568	1,574	23,142
<b>Net Assets</b> - Beginning of year	319,551	5,512	325,063
<b>Net Assets</b> - End of year	<u>\$ 341,119</u>	<u>\$ 7,086</u>	<u>\$ 348,205</u>

## City of Farmington, Michigan

### Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Self Insurance	Employee Accrued Benefits Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 173,171	\$ 64,728	\$ 237,899
Payments to suppliers	(175,730)	-	(175,730)
Payments to employees	-	(40,349)	(40,349)
Net cash (used in) provided by operating activities	(2,559)	24,379	21,820
<b>Cash Flows from Investing Activities</b> - Interest received on investments	2,684	2,633	5,317
<b>Net Increase in Cash and Cash Equivalents</b>	125	27,012	27,137
<b>Cash and Cash Equivalents</b> - Beginning of year	282,958	262,271	545,229
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 283,083</u>	<u>\$ 289,283</u>	<u>\$ 572,366</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 18,884	\$ -	\$ 18,884
Changes in assets and liabilities:			
Due from others	-	(13,050)	(13,050)
Prepaid and other assets	(17,693)	-	(17,693)
Accrued and other liabilities	(3,750)	37,429	33,679
Net cash (used in) provided by operating activities	<u>\$ (2,559)</u>	<u>\$ 24,379</u>	<u>\$ 21,820</u>



## City of Farmington, Michigan

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

	Pension Trust Funds		
	Public Employees' Health Insurance	Disability Health Insurance	Total Pension Trust Funds
<b>Assets</b>			
Cash and investments	\$ 261,950	\$ 67,547	\$ 329,497
Investment pools	2,221,766	-	2,221,766
Receivables	2	-	2
Due from primary government	2,166	-	2,166
Total assets	2,485,884	67,547	2,553,431
<b>Liabilities - Due to primary government</b>	-	9,400	9,400
<b>Net Assets Held in Trust for Other Employee Benefits</b>	<b>\$ 2,485,884</b>	<b>\$ 58,147</b>	<b>\$ 2,544,031</b>

## City of Farmington, Michigan

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

	Public Employees' Health Insurance	Disability Health Insurance	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 9,905	\$ 32	\$ 9,937
Net realized and unrealized gain on investments	22,444	-	22,444
Less investment expenses	(1,434)	-	(1,434)
Net investment income	30,915	32	30,947
Other	12,956	-	12,956
Contributions:			
Employer	705,000	5	705,005
Employee	-	5	5
Total contributions	705,000	10	705,010
Total additions	748,871	42	748,913
<b>Deductions - Insurance costs</b>	696,142	9,400	705,542
<b>Net Increase (Decrease) in Plan Assets</b>	52,729	(9,358)	43,371
<b>Net Assets Held in Trust for Other Employee Benefits - Beginning of year</b>	2,433,155	67,505	2,500,660
<b>Net Assets Held in Trust for Other Employee Benefits - End of year</b>	<u>\$ 2,485,884</u>	<u>\$ 58,147</u>	<u>\$ 2,544,031</u>

**Farmington City Council  
Staff Report**
**Council Meeting Date:**  
November 5, 2012

**Reference  
Number  
(ID # 1092)**
**Submitted by:** Vincent Pastue, Chairperson

**Description:** Consideration to Adopt Resolution of Support for Regional Transit Authority

**Requested Action:**
**Background:**

The City Council reviewed a proposed resolution in support of a Regional Transit Authority at the October 29<sup>th</sup> Special Meeting. The Council requested to add additional language to the resolution and bring it back for consideration at the November 5th meeting.

Attachment

**Agenda Review**
**Review:**
**Vincent Pastue      Pending**
**City Manager      Pending**
**City Council Pending**

**A. Resolution (ID # 1092)**

Consideration to Adopt Resolution of Support for Regional Transit Authority

The City Council reviewed a proposed resolution in support of a Regional Transit Authority at the October 29<sup>th</sup> Special Meeting. The Council requested to add additional language to the resolution and bring it back for consideration at the November 5th meeting.

Attachment

**ATTACHMENTS:**

- Resolution - RTA (DOC)



**A RESOLUTION OF THE FARMINGTON CITY COUNCIL IN SUPPORT OF A REGIONAL TRANSIT AUTHORITY**

**WHEREAS**, public transportation is vital to the needs of a major metropolitan area (Macomb, Wayne, Washtenaw and Oakland Counties); and

**WHEREAS**, the economic viability of this area depends on the ability of workers to get to jobs using a comprehensive public transit system that includes both fixed routes and flexible para-transit as determined by each participating municipality; and

**WHEREAS**, the basic needs (medical office visits, grocery shopping, etc.) of some in our area can only be met through the provision of area-wide public transit; and

**WHEREAS**, a stable, fair, equitable and broadly-based funding mechanism is critical to the support of an area-wide public transit system; and

**WHEREAS**, our area has been hamstrung by a patchwork funding device that creates inequities and gaps in service, and subsidizes those who can access the service without paying the tax to support it; and

**WHEREAS**, the City of Farmington has supported area-wide public transit by being an “opt in” community in support of SMART since the system was established in 1996; and

**WHEREAS**, our region needs, but does not have, a Regional Transit Authority (RTA) to enable better public transit, as it is the only major metropolitan area in the nation to not have one.

**NOW, THEREFORE, IT IS RESOLVED** that the City of Farmington urges the Michigan Legislature to enact legislation allowing for a Regional Transit Authority in order for our region to pursue a better, more comprehensive regional transit system.

**IT IS FURTHER RESOLVED** that a copy of this resolution be sent electronically to the State Legislature, the Governor, all municipalities in Oakland County, all Oakland County Commissioners, and County Executive L. Brooks Patterson.

**Farmington City Council  
Staff Report**

**Council Meeting Date:**  
November 5, 2012

**Reference  
Number  
(ID # 1091)**

**Submitted by:** Vincent Pastue, Chairperson

**Description:** Consideration to Adopt Drakeshire Special Assessment Bond Authorization Resolution

**Requested Action:**

City Administration is recommending that the City Council adopt the attached bond authorization resolution for the Drakeshire Special Assessment bonds in the amount of \$400,000.

**Background:**

City Administration is recommending that the City Council adopt the attached bond authorization resolution for the Drakeshire Special Assessment bonds in the amount of \$400,000. The resolution was prepared by the City's bond counsel: Miller, Canfield, Paddock and Stone. Listed below are pertinent elements of the resolution.

**Bonds:** Special Assessment Bonds, Taxable, No full faith and credit.

**Purchaser:** Talmer Bank and Trust, Troy, Michigan.

**Sale:** Negotiated - City Administration determined early in the process that a negotiated sale was more practical given the complexity of the transaction.

**Closing Date:** November 15, 2012.

**Amount:** The amount of the bonds is \$400,000. The City will receive \$396,000 at closing. In simplest terms, the difference is the bank's transaction fee. It is not uncommon for municipal debt obligations to have an underwriter's discount which typically is in the 1% to 2% range.

**Security:** The City will maintain a reserve for the following two years of principal and interest payments which will come from the Cell Tower Lease. We will deposit the month/quarterly revenues until we achieve necessary reserve balance.

**Payment:** The first two years are interest only. Thereafter, the remaining five years will be principal and interest. The bonds will mature in 2019.

**Other:** As discussed in the past, the annual special assessments, as contained in the agreement, corresponds to the debt schedule as specified in this resolution.

**Attachments**

**Agenda Review****Review:****Vincent Pastue      Pending****City Manager      Pending****City Council Pending**

**A. Resolution (ID # 1091)**

Consideration to Adopt Drakeshire Special Assessment Bond Authorization Resolution

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**Other:** As discussed in the past, the annual special assessments, as contained in the agreement, corresponds to the debt schedule as specified in this resolution.

**Attachments****ATTACHMENTS:**

- Bond Authorization Resolution - SAD Drakeshire (DOC)



RESOLUTION AUTHORIZING ISSUANCE OF  
2012 SPECIAL ASSESSMENT BONDS  
(TAXABLE – NO FULL FAITH AND CREDIT)

**City of Farmington  
County of Oakland, Michigan**

Minutes of a special meeting of the City Council of the City of Farmington, County of Oakland, Michigan (the “City”), held at City Hall in the City on the \_\_\_th day of \_\_\_\_\_, 2012 at 7:00 p.m., prevailing Eastern Time.

PRESENT: Members \_\_\_\_\_

ABSENT: Members \_\_\_\_\_

The following preamble and resolution were offered by Member \_\_\_\_\_ supported by Member \_\_\_\_\_.

WHEREAS, the City Charter of the City (the “City Charter”) authorizes the City to abate public hazards and nuisances and assess the cost thereof against such property; and

WHEREAS, the City and DIC Properties, LLC, owner of certain property within the City (the “Property”), have entered or shortly shall enter into an agreement (the “Special Assessment Agreement”) for the creation of a special assessment district consisting of the Property, as described in the Special Assessment Agreement, and the establishment of a special assessment against the Property to defray costs of abating a hazardous condition and nuisance at the Property in accordance with the Special Assessment Agreement and the City Charter (the “Improvements”); and

WHEREAS, the City Charter further authorizes the City to borrow money and issue bonds for any purpose within the scope of powers vested in the City, which bonds may be an obligation of a special assessment district; and

WHEREAS, the City has determined that it is in the best interests of the City to issue special assessment bonds in anticipation of and payable primarily from the collection of payments assessed against the Property (“Special Assessment Payments”), and additionally secured by revenues the City derives from leases to cellular wireless communication providers in connection with the City’s Department of Public Works Nine Mile Road property; and

WHEREAS, Talmer Bank and Trust, Troy, Michigan (the “Bank”) has indicated that it is willing to purchase the Bonds and the City intends to negotiate the sale of the Bonds with the Bank.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Authorization of Bonds; Bonds Terms. Bonds of the City designated **2012 Special Assessment Bonds (Taxable)** (the “Bonds”) are hereby authorized to be issued in the principal amount of Four Hundred Thousand Dollars (\$400,000) in anticipation of the collection of an equal amount of future due installments of Special Assessment Payments, together with interest and investment income thereon, as set forth in the Special Assessment Agreement. The Bonds shall consist of a single-

instrument, fully-registered non-convertible bond of the denomination of \$400,000, dated as of the date of delivery, shall bear interest at 6% per annum, payable on June 1 of each year, commencing June 1, 2013 and be payable in principal installments on June 1 in the years 2015 to 2019, inclusive, in the amounts shown in Exhibit A hereof.

In addition to the Special Assessment Payments primarily pledged for payment of the Bonds, special revenues the City derives from leases to cellular wireless communication providers in connection with the City's Department of Public Works Nine Mile Road property (the "Cell Tower Revenues") shall be secondarily pledged for the prompt payment of the principal of and interest on the Bonds as the same become due. The Registered Owner shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the Special Assessment Payments and Cell Tower Revenues described herein. Neither the faith and credit nor the taxing power of the City or any other political subdivision is pledged to the payment of the principal of or interest on the Bonds, and the Bonds and the interest thereon shall never constitute a debt or general obligation of the City within the meaning of any constitutional, statutory or City Charter provision or limitation and shall never constitute nor give rise to a charge against the general credit or taxing powers of the City or the general funds or assets of the City (including funds relating to bond issues or loan activities of the City) but shall be a limited obligation of the City payable solely and only from the Special Assessment Payments and Cell Tower Revenues.

Interest on the Bonds shall be payable to the registered owner of record as of the 15th day of the month preceding each interest payment date. The record date of determination of registered owner for purposes of payment of interest as provided in this paragraph may be changed by the City to conform to market practice in the future. Interest shall be payable by electronic fund transfer or by check or draft drawn on the Transfer Agent mailed to the registered owner of the Bonds at the registered address, as shown on the registration books of the City maintained by the Transfer Agent. The Treasurer-Finance Director of the City is hereby appointed to serve as bond registrar, paying agent and transfer agent (the "Transfer Agent") for the Bonds. The City may designate a new Transfer Agent by notice mailed to the registered owner of the Bonds at such time outstanding not less than sixty (60) days prior to an interest payment date. The City Manager and the Treasurer-Finance Director are each authorized to execute any such agreement with a Transfer Agent on behalf of the City.

The Bonds authorized by this resolution shall be registered as to principal and interest on the books of the Issuer kept by the Issuer's Treasurer-Finance Director or successor or written designee as bond registrar, paying agent and transfer agent (the "Transfer Agent") and noted hereon, after which it shall be transferable only upon presentation to the Transfer Agent with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney. Such transfer shall be noted hereon and upon the books of the Issuer kept for that purpose by the Transfer Agent.

2. Execution of Bonds. The Bonds shall be signed by the manual or facsimile signatures of the Mayor and City Clerk. No Bond signed by a facsimile signature shall be valid until authenticated by an authorized signatory of the Transfer Agent. The Bonds shall be delivered to the Transfer Agent for authentication and be delivered by it to the purchaser in accordance with instructions from the Treasurer-Finance Director upon payment of the purchase price for the Bonds in accordance with the bid therefor when accepted. Executed blank bonds for registration and issuance to transferees shall simultaneously, and from time to time thereafter as necessary, be delivered to the Transfer Agent for

safekeeping. The Bonds may be issued in book-entry form through The Depository Trust Company in New York, New York.

3. Debt Retirement Fund; Collection of Special Assessments; Deposit of Cell Tower Revenues. The Treasurer-Finance Director shall open a special depository account to be designated 2012 SPECIAL ASSESSMENT BONDS DEBT RETIREMENT FUND (the "Debt Retirement Fund"). The moneys deposited in the fund shall be used solely for the purpose of paying the principal of and interest on the Bonds and, as may be necessary, to rebate arbitrage earnings, if any, to the United States Department of Treasury as required by the Internal Revenue Code of 1986, as amended. The accrued interest and premium, if any, received upon delivery of the Bonds shall be deposited in the Debt Retirement Fund. There shall also be paid into said fund the collections of Special Assessment Payments pursuant to the Special Assessment Agreement, the collection of which the Bonds authorized by the provisions of this resolution are to be issued.

In addition, beginning on the date of delivery of the Bonds and as long as the Bonds are outstanding, there shall be placed into said fund Cell Tower Revenues received by the City from time to time and maintained in an amount not less than the amount of principal of and interest on the Bonds due and payable on June 1 of the following two (2) years. If at any time the collections of Special Assessment Payments and accrued interest and premium, if any, received upon delivery of the Bonds, on deposit in the Debt Retirement Fund are insufficient to pay the principal of and interest on the Bonds as the same become due, the City shall make said principal and interest payments when due from said Cell Tower Revenues.

4. Construction Fund; Use of Bond Proceeds. There shall be established and maintained a separate fund, to be designated 2012 SPECIAL ASSESSMENT BONDS CONSTRUCTION FUND (the "Construction Fund"), into which shall be placed the proceeds of the sale of the Bonds, except for any accrued interest and premium, if any, which shall be deposited into the Debt Retirement Fund. Any net original issue premium received on sale and delivery of the Bonds shall be deposited in the appropriate account consistent with State and federal law, and if required by State or federal law, may be used to reduce the principal amount of Bonds issued, as determined by the City Manager or Treasurer-Finance Director. The moneys in the Construction Fund shall be used solely to pay the costs of the Improvements.

5. Bond Form. The Bonds shall be substantially in the following form:

**THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR THE MICHIGAN UNIFORM SECURITIES ACT, AS AMENDED, IN RELIANCE UPON EXEMPTIONS THEREUNDER. ANY RESALE OR OTHER TRANSFER OF THIS BOND MAY BE MADE ONLY UPON REGISTRATION UNDER SUCH ACTS OR IN AN EXEMPT TRANSACTION UNDER SUCH ACTS AND UPON COMPLIANCE WITH THE CONDITIONS SET FORTH HEREIN AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF THOSE ACTS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE.**

UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF OAKLAND

**CITY OF FARMINGTON**  
**2012 SPECIAL ASSESSMENT BOND**  
**(TAXABLE – NO FULL FAITH AND CREDIT)**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ORIGINAL ISSUE</u>
6.00%	June 1, 2019	November 15, 2012

Registered Owner: Talmer Bank and Trust  
Principal Amount: Four Hundred Thousand Dollars

The City of Farmington, County of Oakland, State of Michigan (the “City”) promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America on the payment dates and in the principal installment amounts specified on Schedule A attached hereto and made a part hereof, unless prepaid prior thereto as hereinafter provided, with interest thereon (computed on the basis of a 360-day year consisting of twelve 30-day months) from the Date of Original Issue specified above, or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on June 1, 2013 and annually thereafter. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the City’s registration books by electronic transfer or check or draft mailed to the registered holder at the address shown on the registration books of the City.

This bond is issued in anticipation of the collection of special assessment payments for improvements in a certain special assessment district (the “District”) of the City, in accordance with the City Charter. In addition to the special assessment payments primarily pledged for payment of the bond, revenues the City derives from leases to cellular wireless communication providers in connection with the City’s Department of Public Works Nine Mile Road property (the “Cell Tower Revenues”) shall be secondarily pledged for the prompt payment of the principal of and interest on the Bonds as the same become due. This bond and the interest hereon shall never constitute a debt or general obligation of the City within the meaning of any constitutional, statutory or City Charter provision or limitation and shall never constitute nor give rise to a charge against the general credit or taxing powers of the City or the general funds or assets of the City (including funds relating to bond issues or loan activities of the City) but shall be a limited obligation of the City payable solely and only from the special assessment payments and Cell Tower Revenues. The Registered Owner shall never have the right to demand

Attachment: Bond Authorization Resolution - SAD Drakeshire (1091 : Consideration to Adopt Drakeshire Special Assessment Bond



payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the special assessment payments and Cell Tower Revenues described herein.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR ANY OTHER POLITICAL SUBDIVISION IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.**

Principal installments of this bond are not subject to prepayment prior to maturity.

This bond shall be registered as to principal and interest on the books of the Issuer kept by the Issuer's Treasurer-Finance Director or successor or written designee as bond registrar, paying agent and transfer agent (the "Transfer Agent") and noted hereon, after which it shall be transferable only upon presentation to the Transfer Agent with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney. Such transfer shall be noted hereon and upon the books of the Issuer kept for that purpose by the Transfer Agent.

It is hereby certified and recited that all acts, conditions and things required to be done, exist and happen, precedent to and in the issuance of this bond and the series of bonds of which this is one, in order to make them valid and binding obligations of the City have been done, exist and have happened in regular and due form and time as provided by law, and that the total indebtedness of the City, including this bond and the series of bonds of which this is one, does not exceed any constitutional or statutory limitation.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City of Farmington, County of Oakland, State of Michigan, by its City Council has caused this bond to be signed in the name of the City by the [manual] signatures of the Mayor and the City Clerk, all as of the Date of Original Issue.

City of Farmington  
County of Oakland  
State of Michigan

By \_\_\_\_\_  
Mayor

\_\_\_\_\_  
Clerk

Attachment: Bond Authorization Resolution - SAD Drakeshire (1091 : Consideration to Adopt Drakeshire Special Assessment Bond

[FORM OF TRANSFER AGENT’S CERTIFICATE OF AUTHENTICATION]

Certificate of Authentication

This bond is one of the bonds described in the within-mentioned resolution.

\_\_\_\_\_

Transfer Agent

By \_\_\_\_\_

Authorized Signature

Date of Authentication \_\_\_\_\_

**SCHEDULE A**

<u>Installment Date</u> <u>June 1</u>	<u>Principal</u> <u>Installment</u>	<u>Interest</u> <u>Rate (%)</u>
2015	\$80,000	6.00%
2016	80,000	6.00
2017	80,000	6.00
2018	80,000	6.00
2019	80,000	6.00

6. Negotiated Sale; Selection of Purchaser; Award of Sale; Approval of Final Terms. The City has considered the option of selling the Bonds through a competitive sale and a negotiated sale and has determined to proceed with the sale of the Bonds by means of a negotiated sale to the Bank because of the flexibility provided by a negotiated sale to select and adjust the terms for the Bonds to best achieve the most advantageous interest rates and lowest interest costs for the City.

The offer of the Bank presented to the City to purchase the Bonds in accordance with the terms of the commitment letter of the Bank attached hereto as Exhibit B, and made a part hereof, is hereby accepted and approved. The City Manager and Treasurer-Finance Director are each individually authorized and directed to take such actions as are necessary or convenient to effectuate the terms of the commitment letter and the issuance of the Bonds on behalf of the City in accordance with this resolution.

7. Certificate; Disclosure; No Rating Requested. The Bank will be required to furnish, prior to delivery of the Bonds, a certificate in substantially the form attached hereto as Exhibit C and made a part hereof. The City will not prepare a preliminary or final official statement with respect to the Bonds or enter into a continuing disclosure undertaking. The Bonds are exempt from the requirement under Section 323 of Act 34 to be rated by a nationally recognized rating agency, and the City is not requesting a rating on the Bonds.

8. Bond Counsel. The representation of the City by Miller, Canfield, Paddock and Stone, P.L.C. as bond counsel is hereby approved, notwithstanding Miller, Canfield's potential representation, in unrelated matters, of other parties to the 2012 Special Assessment Bonds transaction.

9. Other Actions. The officers, administrators, agents and attorneys of the City are authorized and directed to execute and deliver all other agreements, documents and certificates and to take all other actions necessary to complete the issuance and delivery of the Bonds in accordance with this resolution, including any appropriate requests to the Michigan Department of Treasury. The officers, administrators, agents and attorneys of the City are authorized and directed to pay costs of issuance including bond counsel fees and any other costs necessary to accomplish sale and delivery of the Bonds.

10. Rescission. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

AYES: Members \_\_\_\_\_

\_\_\_\_\_

NAYS: Members \_\_\_\_\_

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
City Clerk



I hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the City Council of the City of Farmington, County of Oakland, State of Michigan, at a special meeting held on \_\_\_\_\_, 2012, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of 1976, as amended, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

\_\_\_\_\_  
City Clerk

**Attachment: Bond Authorization Resolution - SAD Drakeshire (1091 : Consideration to Adopt Drakeshire Special Assessment Bond**

**EXHIBIT A**  
**CITY OF FARMINGTON**  
**2012 SPECIAL ASSESSMENT BONDS**  
**(TAXABLE)**

Principal Amount: \$400,000

Purchase Price: \$396,000 (par less purchaser's discount of \$4,000)

Dated Date: November 15, 2012

First Interest: June 1, 2013, and annually thereafter

Principal Installment Schedule, Interest Rates:

<u>Installment Date</u>	<u>Principal</u>	<u>Interest</u>
<u>June 1</u>	<u>Installment</u>	<u>Rate (%)</u>
2015	\$80,000	6.00%
2016	80,000	6.00
2017	80,000	6.00
2018	80,000	6.00
2019	80,000	6.00

No Prepayment

Principal installments of the Bond are not subject to prepayment prior to maturity.

**EXHIBIT B**

**EXECUTED COMMITMENT LETTER OF BANK**

[ATTACHED]

**EXHIBIT C**  
**FORM OF SOPHISTICATED INVESTOR CERTIFICATE**

Talmer Bank, Troy, Michigan (the “Purchaser”) is the purchaser of the \$400,000 2012 Special Assessment Bonds (Taxable – No Full Faith and Credit) dated as of November 15, 2012 (the “Bonds”) being issued by the City of Farmington, County of Oakland, Michigan (the “City”), and as such, the Purchaser does hereby certify, represent and warrant to the City as follows:

1. The Purchaser is an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). In connection with its business the Purchaser holds an extensive portfolio of investment securities. It has experience in the municipal bond market, and is capable of evaluating the merits and risks of investment in the Bonds. The Purchaser has received and has reviewed copies of all principal documents relating to the Bonds, and has been provided access to the records and financial statements of the City, and has been provided the opportunity to ask questions of, and receive answers from, the City concerning the City and the terms and conditions of the Bonds and to obtain any additional information necessary to verify the accuracy of the information obtained. The Purchaser considers the information it has received sufficient to make the investment decision to purchase the Bonds.

2. The Purchaser has been advised that the Bonds will be payable primarily from special assessments and will not pledge the limited tax full faith and credit or taxing power of the City.

3. The Purchaser acknowledges that in connection with the risk associated with the purchase of the Bonds, it is not relying on any representation of the City, counsel to the City including Bond Counsel or the City’s agents, and that it has performed its own investigation of the risks involved in purchasing the Bonds for investment and is not relying on any other person to have conducted such investigation.

4. The Purchaser understands that the Bonds have not been registered under the Securities Act of 1933, as amended, or the Michigan Uniform Securities Act, because the Bonds are exempt from such registration requirements. The Bonds have not been registered or may not be otherwise qualified for sale under the “Blue Sky” laws or regulations of any state, will not be listed on any stock or other securities exchange, will carry no rating from any rating service, may not be readily marketable, and, therefore, the Purchaser may have to bear the economic risk of the investment for an indefinite period of time. The Purchaser is acquiring the Bonds for its own account and not on behalf of other persons who may be considered separate offerees or purchasers and not with a present intention to resell or otherwise distribute the Bonds. If the Purchaser resells or disposes of all or any portion of the Bonds, any such sale or disposition will be made in compliance with applicable federal and state securities laws and regulations.

5. The Purchaser agrees that the Bonds will bear the following legend:



THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MICHIGAN UNIFORM SECURITIES ACT, AS AMENDED, IN RELIANCE UPON EXEMPTION THEREUNDER. ANY RESALE OR OTHER TRANSFER OF THIS BOND MAY BE MADE ONLY UPON REGISTRATION UNDER SUCH ACTS OR IN AN EXEMPT TRANSACTION UNDER SUCH ACTS AND UPON COMPLIANCE WITH THE CONDITIONS SET FORTH HEREIN AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF THOSE ACTS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

6. The Purchaser acknowledges that Miller, Canfield, Paddock and Stone, P.L.C. has acted only as the City's Bond Counsel in connection with this transaction and has obtained such information and examined such records as it deemed necessary for the issuance of its opinion concerning the validity of the Bonds. However, the Purchaser further acknowledges that Miller, Canfield, Paddock and Stone, P.L.C. has not reviewed, or performed any investigation of, the adequacy of the financial information pertaining to the business of the City, if any, disclosed by the City to the Purchaser.

Talmer Bank

By \_\_\_\_\_  
Its \_\_\_\_\_

Dated: \_\_\_\_\_, 2012

20,537,827.4\027756-00029

Attachment: Bond Authorization Resolution - SAD Drakeshire (1091 : Consideration to Adopt Drakeshire Special Assessment Bond