City of Farmington, Michigan

Financial Report
with Supplementary Information
June 30, 2026

City of Farmington, Michigan

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Fund Net Position	17
Statement of Cash Flows	18-19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Component Units:	
Statement of Net Position	22
Statement of Activities	23-24
Notes to Financial Statements	25-57
Required Supplementary Information	58
Budgetary Comparison Schedule - General Fund	59
Schedule of Changes in the Net Pension Liability and Related Ratios	60
Schedule of Pension Contributions	61
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios	62
Schedule of OPEB Contributions	63
Schedule of OPEB Investment Returns	64
Notes to Required Supplementary Information	65
Supplementary Information	66
Nonmajor Governmental Funds:	
Combining Balance Sheet	67-68
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	69-70
Internal Service Funds:	
Combining Statement of Net Position	71
Combining Statement of Revenue, Expenses, and Changes in Net Position	72
Combining Statement of Cash Flows	73
Custodial Funds:	
Statement of Fiduciary Net Position	74
Statement of Changes in Fiduciary Net Position	75

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Independent Auditor's Report

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

Opinions

We have audited the 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, 2026 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2026 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Plante & Moran, PLLC

October 29, 2026

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Farmington, Michigan's (the "City") basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with 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 position, presents information on all of the City's assets and liabilities, with the difference shown as net position. Increases or decreases of net position 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 position changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net position.

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 the 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 position, which are not included in the fund balance sheet, and the recognition of certain revenue 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.

Government-wide Overall Financial Analysis

On a yearly basis, the City strives to make sure that current taxpayers continue to pay for current services and that costs are not pushed down to future generations. During the current year, the City experienced an increase of approximately $759,000 in the net position of its governmental activities showing that the City is meeting this goal. The City experienced an increase of approximately $491,000 in the net position of its business-type activities due to positive operating results in the Water and Sewer Fund, partially offset by losses in the Farmington Community Theater Fund.

Governmental activities net position increased primarily due to a capital improvement millage. This millage generated approximately $911,000 and was invested in capital assets.

In the City's Water and Sewer Fund, the net position increased by approximately $516,000. In the City's Farmington Community Theater Fund, net position decreased by approximately $25,000. The closing of the theater during the pandemic and ongoing reduced attendance continue to affect the theater. This business-type activity will be closely monitored in the upcoming year, as operations will continue to be challenging.

A detailed analysis of the City's governmental and business-type activities is provided below.

In a condensed format, the tables below show the net position and changes in net position as of and for the years ended June 30, 2026 and 2025. Following the tables is an explanation of the reasons for significant fluctuations.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Assets						
Current and other assets	$ 13,414,160	$ 13,472,897	$ 3,060,122	$ 2,565,770	$ 16,474,282	$ 16,038,667
Capital assets	29,479,413	29,173,429	17,466,260	17,939,475	46,945,673	47,112,904
Total assets	42,893,573	42,646,326	20,526,382	20,505,245	63,419,955	63,151,571
Deferred Outflows of Resources	1,861,255	3,030,557	197,290	352,797	2,058,545	3,383,354
Liabilities						
Current liabilities	1,616,504	2,720,430	484,870	451,325	2,101,374	3,171,755
Noncurrent liabilities	18,353,377	20,785,021	4,558,297	5,337,264	22,911,674	26,122,285
Total liabilities	19,969,881	23,505,451	5,043,167	5,788,589	25,013,048	29,294,040
Deferred Inflows of Resources	1,936,957	82,450	123,137	3,130	2,060,094	85,580
Net Position						
Net investment in capital assets	26,406,555	25,146,431	14,184,886	14,330,514	40,591,441	39,476,945
Restricted	2,551,733	2,650,881	-	-	2,551,733	2,650,881
Unrestricted	(6,110,298)	(5,708,330)	1,372,482	735,809	(4,737,816)	(4,972,521)
Total net position	**$ 22,847,990**	**$ 22,088,982**	**$ 15,557,368**	**$ 15,066,323**	**$ 38,405,358**	**$ 37,155,305**

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Revenue						
Program revenue:						
Charges for services	$ 2,480,164	$ 2,426,632	$ 6,550,346	$ 6,053,064	$ 9,030,510	$ 8,479,696
Operating grants	1,506,330	2,109,321	-	-	1,506,330	2,109,321
Capital grants	1,024,280	1,561,084	-	-	1,024,280	1,561,084
General revenue:						
Property taxes	8,563,517	8,247,456	-	-	8,563,517	8,247,456
Intergovernmental	1,483,683	1,538,607	-	-	1,483,683	1,538,607
Investment earnings	504,709	611,026	52,194	63,645	556,903	674,671
Other revenue:						
Cable franchise fees	107,016	127,702	-	-	107,016	127,702
Sale of capital assets	9,000	9,100	-	-	9,000	9,100
Other miscellaneous income	195,177	233,519	-	-	195,177	233,519
Total revenue	15,873,876	16,864,447	6,602,540	6,116,709	22,476,416	22,981,156
Expenses						
General government	2,446,219	2,451,509	-	-	2,446,219	2,451,509
District court	536,604	520,693	-	-	536,604	520,693
Public safety	6,532,007	6,575,741	-	-	6,532,007	6,575,741
Public works	3,900,240	3,779,869	-	-	3,900,240	3,779,869
Health and welfare	7,486	7,749	-	-	7,486	7,749
Community and economic development	152,455	144,778	-	-	152,455	144,778
Recreation and culture	1,117,865	1,047,530	-	-	1,117,865	1,047,530
Interest on long-term debt	321,992	347,426	-	-	321,992	347,426
Water and Sewer	-	-	5,713,881	5,717,169	5,713,881	5,717,169
Farmington Community Theater	-	-	497,614	538,801	497,614	538,801
Total expenses	15,014,868	14,875,295	6,211,495	6,255,970	21,226,363	21,131,265
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
Change in Net Position	759,008	1,889,152	491,045	(39,261)	1,250,053	1,849,891
Net Position - Beginning of year	22,088,982	20,199,830	15,066,323	15,105,584	37,155,305	35,305,414
Net Position - End of year	**$ 22,847,990**	**$ 22,088,982**	**$ 15,557,368**	**$ 15,066,323**	**$ 38,405,358**	**$ 37,155,305**

Governmental Activities

The City's governmental activities statement of net position changed from the prior year as follows:

First, capital assets increased by approximately $306,000. Significant capital assets constructed are described below. Second, deferred outflows of resources decreased by approximately $1,169,000, resulting from changes in pension- and OPEB-related deferred amounts, which decreased due to higher than anticipated market returns. Third, current liabilities decreased by approximately $1,104,000 because of a number of one-time capital outlay purchases that were included in accounts payable in the prior year and paid in the current year and a decrease of $626,000 in deferred revenue because of one-time grants that were recorded as deferred revenue in the prior year and recorded as revenue in the current year. Fourth, noncurrent liabilities decreased by approximately $2,432,000 due to the pay-down of long-term debt and the reduction of pension and OPEB liabilities. Fifth, deferred inflows of resources increased by approximately $1,855,000 because of higher than anticipated investment earnings.

Significant increases and decreases to the governmental activities statement of activities are as follows:

Total revenue decreased by approximately $990,000. Operating grants decreased by approximately $603,000. Significant decreases include an ARPA grant to pay for the City's ambulance service agreement with the City of Farmington Hills, Michigan in the prior year, which was paid for by the General Fund, and a decrease in capital grants of approximately $537,000 primarily due to lower grant-funded capital activity than in the prior year. Property taxes increased by approximately $316,000 primarily due to an increase in taxable value.

Total expenses increased by approximately $140,000. There were no significant changes in expenses. The City of Farmington, Michigan, by policy, strives to maintain a cash surplus sufficient to bridge any expected gaps 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 operating expenditures.

Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2022, the City received an AA bond rating, with the rating agency analysis noting the following attributes: strong economy, strong management, healthy financial performance, ample liquidity, forward-looking planning, moderate debt burden, and strong institutional framework score.

Business-type Activities

The City had an increase in net position of approximately $491,000 in its business-type activities for the fiscal year ended June 30, 2026.

Significant changes in net position include an increase in cash of approximately $495,000 as the system prepares for several large capital purchases and a decrease in capital assets of approximately $473,000 as depreciation of the system's assets was greater than investment in the system in the current year.

Significant changes in the statement of activities include an increase in revenue of approximately $486,000 and a decrease in expenses of $44,000, resulting primarily from increased water and sewer charges from the Great Lakes Water Authority that were partially offset by a decrease in consumption.

Financial Analysis of Individual Funds

Of the City's governmental funds, the General Fund accounts for all significant ongoing expenditures except for roads and debt service. The City's major funds include the General Fund and Capital Improvement Millage Fund.

General Fund

The General Fund ended the fiscal year with a decrease in fund balance of approximately $229,000.

Revenue in the General Fund decreased by approximately $54,000 in the current year. Significant increases and decreases relate to the following:

Property taxes increased by approximately $188,000 due to an increase in taxable value of 4.6 percent.

Federal grants decreased by $288,000 primarily due to less American Rescue Plan Act dollars spent in the current year.

Charges for service increased by $146,000 largely due to increases in water and sewer administration charges of $41,000 and solid waste user charges of $54,000.

Expenditures in the General Fund increased by approximately $617,000 in the current year. Significant increases and decreases include the following:

General government increased by approximately $155,000 primarily due to employee payments on retirement and the conversion of two employees from the defined contribution pension system to the defined benefit pension system totaling $134,000.

Public safety increased by approximately $300,000, resulting from an increase in pension costs of $140,000 and the payment of new ambulance services through the City of Farmington Hills, Michigan of $274,000.

Public works increased by approximately $122,000 due to an increase in refuse and recycling of $42,000 and an increase in ARPA expenditures of $110,000.

General Fund transfers increased by $185,303. The transfers were used to fund one-time capital purchases.

Capital Improvement Millage Fund

The Capital Improvement Millage Fund revenue exceeded expenditures by approximately $837,000.

Revenue decreased by $425,000 primarily due to a decrease in the amount of one-time grants received in the current year.

Expenditures decreased by $1,863,000 as a result of fewer one-time projects being completed in the current year. Projects paid for by this fund are described in the *Significant Capital Asset and Long-term Financing Activity* section below.

Significant Capital Asset and Long-term Financing Activity

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

- Road repair ($871,000)
- Sidewalks ($557,000)
- Public safety vehicles and equipment ($284,000)
- Warner Mansion improvements ($150,000)
- Parks ($168,000)
- DPW vehicles and equipment ($155,000)

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

- Water and sewer retention facility improvements ($156,000)

Currently Known Facts, Decisions, or Conditions

On November 8, 2018, City of Farmington, Michigan voters approved a millage increase of 3 mills for 10 years. This vote affirmed what residents and businesses had expressed during several community forums and numerous town hall meetings: the Farmington community wants to invest in its future. During the current year, this millage was allocated 0.7818 mills to operations and 2.0000 mills to capital projects. The millage allocated to operations will help to balance the General Fund over the next several years. The 2 mills for capital projects will fund important community projects, including roads, water and sewer lines, drains, sidewalks and streetscapes, parking lot improvements, renovation of city buildings, and replacement of city vehicles and equipment.

During the current year, property taxes comprised 55.0 percent of the City's General Fund revenue. Taxable value (TV) increased by 4.6 percent in the City. For the upcoming fiscal year, taxable value will increase by 5.1 percent, and the City anticipates taxable value growth into the foreseeable future. Factors that will have a positive impact on taxable value include the construction of 53 new townhomes, which are currently under construction and construction of a 30-unit apartment building, which is currently under construction.

The City's expenditures are for the most part consistent, predictable, and controllable. The two expenses that have the greatest potential to change on a yearly basis are defined benefit pension and retiree health care costs.

The City's pension system is funded at 72.96 percent based on the most recent actuarial valuation dated December 31, 2025. This is an increase of 5.76 percentage points over the prior year.

The City is also impacted by its retiree health care obligations. Currently, the system is funded at 102.73 percent based on the most recent actuarial valuation with a measurement date of June 30, 2026. This is an increase of 5.16 percentage points from the prior year. The proceeds of the bonds, together with anticipated investment proceeds, are projected to pay the retiree health care premiums over the term of the bonds. When the bonds are paid off, the City will resume paying premiums from the General Fund and the Water and Sewer Fund.

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

Requests for Further Information

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 director of finance and administration at City Hall, 23600 Liberty Street, Farmington, MI 48335.

City of Farmington, Michigan

Statement of Net Position

June 30, 2026

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 11,560,122	$ 1,488,028	$ 13,048,150	$ 903,615
Receivables (Note 4)	646,586	1,638,089	2,284,675	90,587
Internal balances (Note 6)	167,274	(167,274)	-	-
Inventory	39,408	96,718	136,126	-
Prepaid expenses and other assets	125,398	500	125,898	7,655
Restricted assets	583,913	-	583,913	-
Net OPEB asset (Note 10)	291,459	4,061	295,520	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,353,995	658,700	4,012,695	912,821
Assets subject to depreciation - Net	26,125,418	16,807,560	42,932,978	1,216,450
Total assets	42,893,573	20,526,382	63,419,955	3,131,128
Deferred Outflows of Resources				
Deferred charges on bond refunding	413,566	49,608	463,174	-
Deferred pension costs (Note 9)	1,447,689	147,682	1,595,371	-
Total deferred outflows of resources	1,861,255	197,290	2,058,545	-
Liabilities				
Accounts payable	778,814	434,093	1,212,907	244,026
Due to other governmental units	-	934	934	-
Refundable deposits	242,221	612	242,833	-
Accrued liabilities and other	535,003	49,231	584,234	25,811
Unearned revenue	60,466	-	60,466	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	202,146	26,848	228,994	7,863
Current portion of long-term debt (Note 7)	1,167,000	428,000	1,595,000	-
Due in more than one year:				
Compensated absences (Note 7)	297,848	20,623	318,471	6,551
Net pension liability (Note 9)	8,972,883	915,344	9,888,227	-
Long-term debt (Note 7)	7,713,500	3,167,482	10,880,982	-
Total liabilities	19,969,881	5,043,167	25,013,048	284,251
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	1,091,902	111,386	1,203,288	-
Deferred OPEB cost reductions (Note 10)	845,055	11,751	856,806	-
Total deferred inflows of resources	1,936,957	123,137	2,060,094	-
Net Position				
Net investment in capital assets	26,406,555	14,184,886	40,591,441	2,129,271
Restricted:				
Roads	2,309,463	-	2,309,463	-
Drug forfeiture	85,259	-	85,259	-
Grants	52,325	-	52,325	-
Opioid settlement	104,686	-	104,686	-
Unrestricted	(6,110,298)	1,372,482	(4,737,816)	717,606
Total net position	**$ 22,847,990**	**$ 15,557,368**	**$ 38,405,358**	**$ 2,846,877**

See notes to financial statements.

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,446,219	$ 115,760	$ -	$ -
District court	536,604	314,671	-	-
Public safety	6,532,007	669,301	39,850	559,423
Public works	3,900,240	1,162,010	1,441,548	464,857
Health and welfare	7,486	-	-	-
Community and economic development	152,455	77,757	-	-
Recreation and culture	1,117,865	140,665	24,932	-
Interest on long-term debt	321,992	-	-	-
Total governmental activities	15,014,868	2,480,164	1,506,330	1,024,280
Business-type activities:				
Water and Sewer	5,713,881	6,178,029	-	-
Farmington Community Theater	497,614	372,317	-	-
Total business-type activities	6,211,495	6,550,346	-	-
Total primary government	**$ 21,226,363**	**$ 9,030,510**	**$ 1,506,330**	**$ 1,024,280**
Component units:				
Downtown Development Authority	$ 1,064,499	$ 197,528	$ 275,333	$ 186,360
Brownfield Redevelopment Authority	66,356	-	8,632	-
Corridor Improvement Authority	16,374	-	12,700	-
Total component units	**$ 1,147,229**	**$ 197,528**	**$ 296,665**	**$ 186,360**
General revenue:				
Property taxes				
Unrestricted state-shared revenue:				
State-shared revenue				
Local community stabilization authority				
Investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

See notes to financial statements.

Statement of Activities

Year Ended June 30, 2026

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (2,330,459)	$ -	$ (2,330,459)	$ -
(221,933)	-	(221,933)	-
(5,263,433)	-	(5,263,433)	-
(831,825)	-	(831,825)	-
(7,486)	-	(7,486)	-
(74,698)	-	(74,698)	-
(952,268)	-	(952,268)	-
(321,992)	-	(321,992)	-
(10,004,094)	-	(10,004,094)	-
-	464,148	464,148	-
-	(125,297)	(125,297)	-
-	338,851	338,851	-
(10,004,094)	338,851	(9,665,243)	-
-	-	-	(405,278)
-	-	-	(57,724)
-	-	-	(3,674)
-	-	-	(466,676)
8,563,517	-	8,563,517	834,551
1,343,757	-	1,343,757	5,575
139,926	-	139,926	-
504,709	52,194	556,903	43,123
107,016	-	107,016	-
9,000	-	9,000	-
195,177	-	195,177	-
10,863,102	52,194	10,915,296	883,249
(100,000)	100,000	-	-
759,008	491,045	1,250,053	416,573
22,088,982	15,066,323	37,155,305	2,430,304
$ 22,847,990	**$ 15,557,368**	**$ 38,405,358**	**$ 2,846,877**

City of Farmington, Michigan

Governmental Funds
Balance Sheet

June 30, 2026

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 4,782,214	$ 1,943,145	$ 3,375,351	$ 10,100,710
Receivables	305,368	100	341,118	646,586
Due from other funds (Note 6)	190,544	-	-	190,544
Advances to other funds (Note 6)	154,000	-	-	154,000
Inventory	39,408	-	-	39,408
Prepaid expenses and other assets	30,479	-	2,500	32,979
Restricted assets	-	583,913	-	583,913
Total assets	**$ 5,502,013**	**$ 2,527,158**	**$ 3,718,969**	**$ 11,748,140**
Liabilities				
Accounts payable	$ 689,339	$ 6,568	$ 76,066	$ 771,973
Due to other funds (Note 6)	12,217	-	194,868	207,085
Refundable deposits	242,221	-	-	242,221
Accrued liabilities and other	486,322	1,472	13,990	501,784
Unearned revenue	28,760	31,706	-	60,466
Total liabilities	1,458,859	39,746	284,924	1,783,529
Deferred Inflows of Resources - Unavailable revenue	-	285,102	93,478	378,580
Fund Balances				
Nonspendable - Inventory, prepaid expenses, and advances to other funds	223,887	-	2,500	226,387
Restricted:				
Roads	-	-	2,306,963	2,306,963
Grants and donations	52,325	-	-	52,325
Capital projects	-	583,913	-	583,913
Opioid settlement	-	-	11,208	11,208
Drug forfeiture	85,259	-	-	85,259
Committed - Capital projects	-	1,618,397	-	1,618,397
Assigned:				
Other	721,763	-	-	721,763
Debt service	-	-	90,219	90,219
Cemetery	46,259	-	-	46,259
Capital projects	-	-	929,677	929,677
Unassigned	2,913,661	-	-	2,913,661
Total fund balances	4,043,154	2,202,310	3,340,567	9,586,031
Total liabilities, deferred inflows of resources, and fund balances	**$ 5,502,013**	**$ 2,527,158**	**$ 3,718,969**	**$ 11,748,140**

See notes to financial statements.

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2026

Fund Balances Reported in Governmental Funds	$	9,586,031
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds (excluding the internal service fund DPW Equipment Revolving Fund)		27,932,182
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		378,580
Bonds payable, including deferred expense and capital lease obligations, are not due and payable in the current period and are not reported in the funds		(8,466,934)
Accrued interest is not due and payable in the current period and is not reported in the funds		(26,645)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities, net of deferred inflow and outflows of resources (excluding internal service funds):		
Pension benefits		(8,415,175)
Retiree health care benefits		(553,596)
Internal service funds are included as part of governmental activities		2,413,547
Net Position of Governmental Activities	**$**	**22,847,990**

City of Farmington, Michigan

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2026

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	$ 6,773,777	$ 910,900	$ 878,840	$ 8,563,517
Intergovernmental:				
Federal grants	259,287	-	-	259,287
State-shared revenue and grants	1,604,993	31,913	1,462,150	3,099,056
Local grants and contributions	-	566,823	-	566,823
Charges for services	2,342,889	-	-	2,342,889
Fines and forfeitures	327,383	-	-	327,383
Licenses and permits	424,965	-	-	424,965
Investment income	291,834	93,610	119,265	504,709
Other miscellaneous income	294,846	102,422	184,497	581,765
Total revenue	12,319,974	1,705,668	2,644,752	16,670,394
Expenditures				
Current services:				
General government	2,746,845	-	44,007	2,790,852
District court	536,604	-	-	536,604
Public safety	5,640,526	-	-	5,640,526
Public works	1,856,411	130,807	2,187,930	4,175,148
Health and welfare	7,486	-	-	7,486
Community and economic development	152,455	-	-	152,455
Recreation and culture	947,641	332,664	-	1,280,305
Debt service:				
Principal	-	330,000	798,250	1,128,250
Interest on long-term debt	-	75,310	185,481	260,791
Total expenditures	11,887,968	868,781	3,215,668	15,972,417
Excess of Revenue Over (Under) Expenditures	432,006	836,887	(570,916)	697,977
Other Financing Sources (Uses)				
Transfers in	185,303	-	1,703,395	1,888,698
Transfers out	(845,825)	-	(1,142,873)	(1,988,698)
Total other financing (uses) sources	(660,522)	-	560,522	(100,000)
Net Change in Fund Balances	(228,516)	836,887	(10,394)	597,977
Fund Balances - Beginning of year	4,271,670	1,365,423	3,350,961	8,988,054
Fund Balances - End of year	**$ 4,043,154**	**$ 2,202,310**	**$ 3,340,567**	**$ 9,586,031**

See notes to financial statements.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2026

Net Change in Fund Balances Reported in Governmental Funds	$	597,977
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 (excluding the internal service fund DPW Equipment Revolving Fund):		
Capital outlay and capital contributions		2,201,280
Depreciation expense		(1,852,602)
Net book value of assets disposed of		(21,603)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		(96,345)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt) and deferred expense on bond issuance is capitalized and amortized on the statement of activities but not in the governmental funds		1,063,798
Interest expense is recognized in the government-wide statements as it accrues		3,248
Some employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (excluding internal service funds)		(1,214,040)
Internal service funds are included as part of governmental activities		77,295
Change in Net Position of Governmental Activities	**$**	**759,008**

Proprietary Funds
Statement of Net Position

June 30, 2026

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	$ 1,459,208	$ 28,820	$ 1,488,028	$ 1,459,412
Receivables	1,632,610	5,479	1,638,089	-
Due from other funds	830	-	830	30,304
Inventory	90,592	6,126	96,718	-
Prepaid expenses and other assets	-	500	500	92,419
Total current assets	3,183,240	40,925	3,224,165	1,582,135
Noncurrent assets - Capital assets:				
Net OPEB asset (Note 10)	4,061	-	4,061	-
Assets not subject to depreciation	565,815	92,885	658,700	-
Assets subject to depreciation - Net	16,381,624	425,936	16,807,560	1,547,231
Total noncurrent assets	16,951,500	518,821	17,470,321	1,547,231
Total assets	20,134,740	559,746	20,694,486	3,129,366
Deferred Outflows of Resources				
Deferred charges on bond refunding	49,608	-	49,608	-
Deferred pension costs	147,682	-	147,682	33,923
Total deferred outflows of resources	197,290	-	197,290	33,923
Liabilities				
Current liabilities:				
Accounts payable	418,028	16,065	434,093	6,841
Due to other governmental units	-	934	934	-
Due to other funds	14,104	-	14,104	489
Refundable deposits	-	612	612	-
Accrued liabilities and other	40,036	9,195	49,231	6,574
Compensated absences	26,848	-	26,848	202,146
Current portion of long-term debt	428,000	-	428,000	-
Total current liabilities	927,016	26,806	953,822	216,050
Noncurrent liabilities:				
Advances from other funds	-	154,000	154,000	-
Compensated absences	20,623	-	20,623	297,848
Net pension liability	915,344	-	915,344	210,257
Long-term debt	3,167,482	-	3,167,482	-
Total noncurrent liabilities	4,103,449	154,000	4,257,449	508,105
Total liabilities	5,030,465	180,806	5,211,271	724,155
Deferred Inflows of Resources				
Deferred pension cost reductions	111,386	-	111,386	25,587
Deferred OPEB cost reductions	11,751	-	11,751	-
Total deferred inflows of resources	123,137	-	123,137	25,587
Net Position				
Net investment in capital assets	13,666,065	518,821	14,184,886	1,547,231
Unrestricted	1,512,363	(139,881)	1,372,482	866,316
Total net position	**$ 15,178,428**	**$ 378,940**	**$ 15,557,368**	**$ 2,413,547**

See notes to financial statements.

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2026

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Operating Revenue				
Sale of water	$ 2,643,780	$ -	$ 2,643,780	$ -
Sewage disposal charges	3,316,735	-	3,316,735	-
Fees	-	363,825	363,825	-
Other income	217,514	8,492	226,006	4,079
Service charges	-	-	-	910,674
Total operating revenue	6,178,029	372,317	6,550,346	914,753
Operating Expenses				
Source of supply	3,030,979	-	3,030,979	-
Administration and general	1,022,273	455,086	1,477,359	-
Transmission, distribution, and maintenance	864,550	-	864,550	-
Insurance costs	-	-	-	213,285
Accrued benefit expense	-	-	-	165,289
Fleet maintenance	-	-	-	344,638
Depreciation	700,358	35,341	735,699	174,382
Total operating expenses	5,618,160	490,427	6,108,587	897,594
Operating Income (Loss)	559,869	(118,110)	441,759	17,159
Noncapital Subsidies - Transfers in - Noncapital	-	100,000	100,000	-
Nonoperating Revenue (Expense)				
Investment income	51,961	233	52,194	49,700
Interest expense	(95,721)	(7,187)	(102,908)	-
Gain on sale of assets	-	-	-	10,436
Total nonoperating (expense) revenue	(43,760)	(6,954)	(50,714)	60,136
Change in Net Position	516,109	(25,064)	491,045	77,295
Net Position - Beginning of year	14,662,319	404,004	15,066,323	2,336,252
Net Position - End of year	**$ 15,178,428**	**$ 378,940**	**$ 15,557,368**	**$ 2,413,547**

See notes to financial statements.

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2026

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	$ 6,179,266	$ 371,047	$ 6,550,313	$ 914,753
Payments to suppliers	(4,321,870)	(312,547)	(4,634,417)	(678,051)
Payments to employees	(707,100)	(145,451)	(852,551)	(97,561)
Internal activity - Receipts from (payments to) other funds	3,856	-	3,856	(5,526)
Other receipts	-	-	-	4,192
Net cash and cash equivalents provided by (used in) operating activities	1,154,152	(86,951)	1,067,201	137,807
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	100,000	100,000	-
Principal and interest paid on operating debt	(39,254)	(6,160)	(45,414)	-
Net cash and cash equivalents (used in) provided by noncapital financing activities	(39,254)	93,840	54,586	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	-	-	-	15,108
Purchase of capital assets	(207,802)	-	(207,802)	(157,963)
Principal and interest paid on capital debt	(471,440)	-	(471,440)	-
Net cash and cash equivalents used in capital and related financing activities	(679,242)	-	(679,242)	(142,855)
Cash Flows Provided by Investing Activities - Interest received on investments	51,961	233	52,194	49,700
Net Increase in Cash and Cash Equivalents	487,617	7,122	494,739	44,652
Cash and Cash Equivalents - Beginning of year	971,591	21,698	993,289	1,414,760
Cash and Cash Equivalents - End of year	**$ 1,459,208**	**$ 28,820**	**$ 1,488,028**	**$ 1,459,412**
Classification of Cash and Cash Equivalents	**$ 1,459,208**	**$ 28,820**	**$ 1,488,028**	**$ 1,459,412**

See notes to financial statements.

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2026

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities				
Operating income (loss)	$ 559,869	$ (118,110)	$ 441,759	$ 17,159
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:				
Depreciation	700,358	35,341	735,699	174,382
Changes in assets and liabilities:				
Receivables	1,237	(1,270)	(33)	4,192
Due to and from other funds	3,856	-	3,856	(5,526)
Inventories	87	538	625	-
Prepaid and other assets	-	-	-	(13,282)
Net OPEB asset	(13,447)	-	(13,447)	-
Accounts payable	41,212	(3,021)	38,191	(187,666)
Net pension liability	(408,889)	-	(408,889)	(64,738)
Deferrals related to pension or OPEB	267,783	-	267,783	49,913
Accrued and other liabilities	2,086	(429)	1,657	163,373
Total adjustments	594,283	31,159	625,442	120,648
Net cash and cash equivalents provided by (used in) operating activities	**$ 1,154,152**	**$ (86,951)**	**$ 1,067,201**	**$ 137,807**

The Evergreen-Farmington Sanitary Drain Drainage District issued debt on behalf of the City's Water and Sewer Fund in the amount of $54,682, which was used to invest in the drainage district.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2026

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Assets				
Cash and cash equivalents	$ 245,984	$ 12,226	$ 1,859,566	$ 2,117,776
Investments:				
Mutual funds - Equity	703,766	-	-	703,766
Common stock	6,394,602	-	-	6,394,602
Mutual funds - Fixed income	1,891,117	-	-	1,891,117
Corporate bonds	269,473	-	-	269,473
Real estate	669,107	-	-	669,107
Private equity	649,149	-	-	649,149
Government securities	298,010	-	-	298,010
Receivables	312	-	-	312
Total assets	11,121,520	12,226	1,859,566	12,993,312
Liabilities - Accrued liabilities and other	2,233	-	215	2,448
Net Position				
Restricted:				
Postemployment benefits other than pension	11,119,287	-	-	11,119,287
Organizations and other governments	-	12,226	1,859,351	1,871,577
Total net position	**$ 11,119,287**	**$ 12,226**	**$ 1,859,351**	**$ 12,990,864**

See notes to financial statements.

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2026

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Additions				
Investment income:				
Interest and dividends	$ 277,984	$ 458	$ -	$ 278,442
Net realized and unrealized gain on investments	1,120,281	-	-	1,120,281
Less investment expense	(43,461)	-	-	(43,461)
Net investment income	1,354,804	458	-	1,355,262
Property tax collections	-	-	14,278,037	14,278,037
Other additions	-	-	36,292	36,292
District court collections	-	-	4,285,575	4,285,575
Total additions - Net	1,354,804	458	18,599,904	19,955,166
Deductions				
Insurance costs	484,900	-	-	484,900
Administrative expenses	10,430	-	-	10,430
Tax distributions to other governments	-	-	14,278,037	14,278,037
Other deductions	-	2,996	30,304	33,300
District court disbursements	-	-	3,866,990	3,866,990
Total deductions	495,330	2,996	18,175,331	18,673,657
Net Increase (Decrease) in Fiduciary Net Position	859,474	(2,538)	424,573	1,281,509
Net Position - Beginning of year	10,259,813	14,764	1,434,778	11,709,355
Net Position - End of year	**$ 11,119,287**	**$ 12,226**	**$ 1,859,351**	**$ 12,990,864**

See notes to financial statements.

Component Units
Statement of Net Position

June 30, 2026

	Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets				
Cash and cash equivalents	$ 459,278	$ 62,103	$ 382,234	$ 903,615
Receivables	29,929	60,612	46	90,587
Prepaid expenses and other assets	7,655	-	-	7,655
Capital assets:				
Assets not subject to depreciation	912,821	-	-	912,821
Assets subject to depreciation - Net	1,216,450	-	-	1,216,450
Total assets	2,626,133	122,715	382,280	3,131,128
Liabilities				
Accounts payable	182,014	60,612	1,400	244,026
Accrued liabilities and other	25,360	-	451	25,811
Noncurrent liabilities:				
Due within one year	7,863	-	-	7,863
Due in more than one year	6,551	-	-	6,551
Total liabilities	221,788	60,612	1,851	284,251
Net Position				
Net investment in capital assets	2,129,271	-	-	2,129,271
Unrestricted	275,074	62,103	380,429	717,606
Total net position	**$ 2,404,345**	**$ 62,103**	**$ 380,429**	**$ 2,846,877**

See notes to financial statements.

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	$ 1,064,499	$ 197,528	$ 275,333	$ 186,360
Brownfield Redevelopment Authority	66,356	-	8,632	-
Corridor Improvement Authority	16,374	-	12,700	-
Total component units	**$ 1,147,229**	**$ 197,528**	**$ 296,665**	**$ 186,360**
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Investment income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Component Units
Statement of Activities

Year Ended June 30, 2026

Net (Expense) Revenue and Changes in Net Position			
Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
$ (405,278)	$ -	$ -	$ (405,278)
-	(57,724)	-	(57,724)
-	-	(3,674)	(3,674)
(405,278)	(57,724)	(3,674)	(466,676)
670,743	76,305	87,503	834,551
5,575	-	-	5,575
27,675	2,944	12,504	43,123
703,993	79,249	100,007	883,249
298,715	21,525	96,333	416,573
2,105,630	40,578	284,096	2,430,304
$ 2,404,345	**$ 62,103**	**$ 380,429**	**$ 2,846,877**

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Farmington, Michigan (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. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description. These entities do not have separately issued financial statements).

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 promote economic growth within the downtown district. The Authority's governing body, which consists of seven individuals, is selected by the mayor and the City Council. In addition, the Authority's budget is subject to approval by the City Council.

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 seven individuals, is appointed by the mayor with the City Council's approval, and the BRA's budget is subject to the approval of the City Council.

The Corridor Improvement Authority (the "CIA") was established to correct and prevent deterioration in the commercial corridor business district, encourage historical preservation, and promote economic growth of the district. The CIA's governing body, which consists of seven individuals, is appointed by the mayor with the City Council's approval, and the CIA's budget is subject to the approval of the City Council.

The Farmington Retiree Health Care Plan is governed by a three-member board that includes the mayor, city manager, and city treasurer. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints the voting majority to the board, and the plan imposes a financial burden on the City.

Jointly Governed Organization

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington Hills, Michigan. The City provides 13.11 percent of the funding for the Michigan 47th District Court Administration Fund.

Complete financial statements for the 47th District Court Administration Fund can be obtained from the City’s administrative offices at 23600 Liberty Street, Farmington, MI 48335.

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "RRRASOC"). The RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Milford, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan and the charter townships of South Lyon and Milford. The RRRASOC receives its operating revenue from member contributions and miscellaneous income. The City contributed $22,992 for the year ended June 30, 2026. Financial information for the RRRASOC can be obtained from the RRRASOC’s administrative offices at 20000 West Eight Mile Road, Southfield, MI 48075.

For 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.

Note 1 - Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

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, if any, are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

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

General Fund - The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Capital Improvement Millage Fund - The Capital Improvement Millage Fund is a capital project fund that accounts for the capital project activity that is funded by the voter-approved capital improvement millage.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a major enterprise fund:

Water and Sewer Fund - The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

The City's internal service funds are used for the following purposes: to account for the portion of the City's insurance liability not covered by commercially provided insurance, record the City's liability for accrued vacation and compensated time off, and record the City's use of the DPW fleet and equipment. The internal service funds are accounted for on the full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

Retiree Health Care Fund - The Retiree Health Care Fund accounts for the resources set aside by the City to provide health and insurance benefits for its retired 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.

Custodial funds - The custodial funds account for assets held by the City in a trustee capacity or as an agent for organizations and other governments.

Interfund Activity

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Note 1 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Investments are stated at fair value, except for investments in external investment pools, which are valued at amortized cost. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between 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 net of an allowance for uncollectible amounts.

Inventories and Prepaid Items

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

Restricted Assets

Restricted assets in the governmental activities consist of unspent bond proceeds associated with the 2020 Capital Improvement Bond.

Note 1 - Significant Accounting Policies (Continued)

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 acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
County roads	20-30
Infrastructure	10-50
Water and sewer mains	50
Water storage tank	50
Water meters	20
Buildings and improvements	5-80
Equipment and other	4-25
Vehicles	3-30
Truck and tractors	7-15
Office equipment	5-20
Court building	10-50
Green area	3-20
Flowage rights	25

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund, Water and Sewer Fund, and debt service funds are generally used to liquidate governmental long-term debt.

Unearned Revenue

Unearned revenue represents advance-funded grant awards from reimbursement-based grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pension benefits and deferred charges on bond refunding.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The City reports deferred inflows related to unavailable revenue and pension and other postemployment benefits.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. The related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The City's 2025 property tax revenue was levied and collectible on July 1, 2025 and is recognized as revenue in the year ended June 30, 2026 when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Significant Accounting Policies (Continued)

The 2025 taxable valuation of the City totaled $487 million (a portion of which is abated and a portion of which is captured by the Authority, the BRA, and the CIA), on which taxes levied consisted of 13.450 mills for general operating purposes, 0.550 mills for capital improvements, 1.3800 mills for street improvements and maintenance, 2.7818 mills for operations and capital, and 1.6991 mills for operating the Authority. This resulted in approximately $6,137,000 for general operating, $251,000 for capital improvements, $630,000 for street improvements and maintenance, $1,269,000 for operations and capital, and $55,000 for operating the Authority. These amounts are recognized in the respective General Fund, Capital Improvement Fund, Municipal Street Fund, Capital Improvement Millage Fund, and the Downtown Development Authority.

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund, DPW Equipment Revolving Fund, and Water and Sewer Fund.

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City records a net OPEB liability or asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Farmington Retiree Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability or asset has generally been reported in the funds from which the individual salaries are paid, which are the General Fund and the Water and Sewer Fund.

Compensated Absences (Vacation and Compensated Time Off)

It is the City's policy to permit employees to accumulate earned but unused vacation and compensated time off pay. The compensated absence liabilities are reported in the government-wide and proprietary fund financial statements. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. 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. The compensated absences recorded in the business-type activities have generally been liquidated from the Water and Sewer Fund and the Farmington Community Theater Fund.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating and Nonoperating Classification

Proprietary funds distinguish operating revenue and expenses from noncapital subsidies and other nonoperating revenue and expenses. Nonoperating revenue and expenses include contributions to permanent and term endowments, finance related revenue and expenses, gains and losses from disposals of capital assets and inventory, investment income and expenses, and subsidies received and provided. A subsidy represents amounts received from or provided to another party or fund of the City. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary charging higher fees in the future. All revenue and expenses not meeting the definitions of nonoperating revenue and expenses are reported as operating revenue and expenses.

Use of Estimates

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

Accounting Changes and Error Corrections

Adoption of New Accounting Pronouncements

During the current year, the City adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The implementation of this standard established new accounting and financial reporting requirements or modified existing requirements related to management's discussion and analysis, the classification/presentation of unusual or infrequent items, the presentation of proprietary fund operating and nonoperating activities (including subsidies), major component unit presentation, and the budgetary comparison schedules reported as required supplementary information.

The implementation of this standard did not result in a change to the City's total net position or fund balances.

During the current year, the City adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*, which requires expanded disclosures of certain types of capital assets by major category and assets held for sale by the City.

Upcoming Accounting Pronouncement

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2027.

Note 2 - Stewardship, Compliance, and Accountability

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 no later than June 20. The City Council may pass amendments to the budget during the fiscal year by resolution.

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2026 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, expenditures, and changes in fund balances, including budget variances, for the General Fund and Capital Improvement Millage Fund are presented as required supplementary information. A comparison of the budget with the statement of revenue, expenditures, and changes in fund balances, 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 item. The legal level of budgetary control adopted by the governing body is the activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have significant expenditure budget variances.

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:

Cumulative shortfall at July 1, 2025		$ (1,270,239)
Current year permit revenue		424,965
Related expenses:		
Direct costs	$ 418,390	
Estimated indirect costs	41,839	460,229
Current year shortfall		(35,264)
Cumulative shortfall at June 30, 2026		$ (1,305,503)

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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 Retiree Health Care Fund is also authorized by Michigan Public Act 347 of 2012, 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.

Note 3 - Deposits and Investments (Continued)

The City has deposited funds at two banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority. Additionally, the City participates in the Oakland County Local Government Investment Pool, the Michigan CLASS investment pool, and the Comerica J Fund. The investment pools are not subject to regulatory oversight, are not registered with the SEC, and do not issue a separate financial report. The fair value of the position in the investment pools is the same as the value of the pool shares.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of $390,156 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes $49,414 of a fiduciary trust fund. The City's component units had no bank deposits that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As noted above, the City participates in the Oakland County Local Government Investment Pool, the Michigan CLASS investment pool, and Comerica J Fund. As of June 30, 2026, the City's investments in the Oakland County Local Government Investment Pool, Michigan CLASS investment pool, and Comerica J Fund were $1,058,579, $6,986,802, and $5,280,938, respectively.

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 had the following investments:

Investment	Carrying Value	Less Than 1 Year	1-5 Years
Primary Government and Fiduciary Funds			
Mutual funds - Fixed income (fiduciary funds)	$ 1,891,117	$ -	$ 1,891,117
Corporate bonds (fiduciary funds)	269,473	-	269,473
Government securities (fiduciary funds)	298,010	-	298,010
Oakland County Local Government Investment Pool (primary government)	1,058,579	-	1,058,579
Michigan CLASS investment pool (primary government)	6,986,802	-	6,986,802
Total	$ 10,503,981	$ -	$ 10,503,981

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 June 30, 2026, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds - Fixed income	$ 1,891,117	Not rated	Not rated
Corporate bonds	269,473	A2-BAA2	Moody's
Government securities	298,010	Not rated - AAA	Moody's
Oakland County Local Government Investment Pool	1,058,579	Not rated	Not rated
Michigan CLASS investment pool	6,986,802	Not rated	Not rated
Comerica J Fund	5,280,938	Not rated	Not rated
Total	$ 15,784,919		

Fair Value Measurements

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

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

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2026:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2026			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2026
Assets				
Debt securities:				
Mutual funds - Fixed income	$ 1,891,117	$ -	$ -	$ 1,891,117
Corporate bonds	-	269,473	-	269,473
Government securities	298,010	-	-	298,010
Equity securities:				
Mutual funds - Equity	703,766	-	-	703,766
Stocks	6,394,602	-	-	6,394,602
Private equity	-	-	649,149	649,149
Total equity securities	7,098,368	-	649,149	7,747,517
Total	$ 9,287,495	$ 269,473	$ 649,149	10,206,117
Investments measured at NAV:				
Michigan CLASS investment pool				6,986,802
Oakland County Local Government Investment Pool				1,058,579
Real estate funds				669,107
Total investments measured at NAV				8,714,488
Total assets				$ 18,920,605

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of governmental securities and corporate bonds were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of the City's private equity investments was estimated based on Level 3 inputs. The City estimates the fair value of these investments using pricing models, the values of audited financial statements and other publicly available reports, and other techniques involving the characteristics of the asset.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

Investments in Entities That Calculate Net Asset Value per Share

The City holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 3 - Deposits and Investments (Continued)

At June 30, 2026, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	$ 6,986,802	$ -	No restrictions	None
Oakland County Local Government Investment Pool	1,058,579	-	No restrictions	None
Real estate funds	669,107	-	Monthly	One month

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by Treasurys and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares because the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost.

The real estate funds invest primarily in stabilized income-generating commercial real estate in the United States. The fair value of the investment has been estimated using net asset value per share of the investment.

Pool and Sweep Accounts That are Recorded at Amortized Cost

At year end, the City had investments in a government investment fund that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These funds are fully liquid for withdrawal at any time, and the price per unit does not fluctuate with interest earned according to the amount and duration of investment. These pools are not rated, and the GASB Statement No. 40 disclosures do not otherwise apply, but the pools do fully comply with Michigan's Public Act 20 of 1943, as amended.

At year end, the City had $5,280,938 in such funds at Comerica Bank (J Fund), which is recorded at amortized cost in accordance with GASB Statement No. 79. There are no limitations or restrictions on participant withdrawals for that investment pool.

Note 4 - Receivables

Receivables as of June 30, 2026 for the City's individual major governmental funds and the nonmajor governmental funds are as follows:

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Proprietary Internal Service Funds	Total Governmental Activities
Receivables:					
Taxes	$ 34,241	$ 3,206	$ 2,794	$ -	$ 40,241
Other receivables	-	-	93,478	-	93,478
Due from other governmental units	262,240	100	247,640	-	509,980
Interest and other	40,987	-	-	-	40,987
Allowance for doubtful accounts	(32,100)	(3,206)	(2,794)	-	(38,100)
Net receivables	$ 305,368	$ 100	$ 341,118	$ -	$ 646,586

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

	Water and Sewer Fund	Nonmajor Enterprise Fund - Farmington Community Theater Fund	Total Business-type Activities
Delinquent water and sewer bills	$ 229,424	$ -	$ 229,424
Customer receivables	1,391,102	-	1,391,102
Intergovernmental	5,501	-	5,501
Interest and other	6,583	5,479	12,062
Total receivables	$ 1,632,610	$ 5,479	$ 1,638,089

	Component Units
Other	$ 29,496
Due from other governmental units	61,090
Property taxes receivable	34,328
Allowance for doubtful accounts	(34,327)
Total	$ 90,587

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2025	Reclassifications	Additions	Disposals	Balance June 30, 2026
Capital assets not being depreciated:					
Land	$ 2,100,552	$ -	$ -	$ -	$ 2,100,552
Construction in progress	1,439,834	(1,186,225)	999,834	-	1,253,443
Subtotal	3,540,386	(1,186,225)	999,834	-	3,353,995
Capital assets being depreciated:					
County roads	391,690	-	-	-	391,690
Flowage rights	946,170	-	-	-	946,170
Infrastructure	38,181,446	610,375	895,006	-	39,686,827
Buildings and improvements	4,906,890	575,850	7,250	-	5,489,990
Equipment and other	2,294,762	-	237,223	-	2,531,985
Vehicles	4,112,430	-	216,988	(418,516)	3,910,902
Court building	1,687,748	-	-	-	1,687,748
Subtotal	52,521,136	1,186,225	1,356,467	(418,516)	54,645,312
Accumulated depreciation:					
County roads	287,237	-	13,056	-	300,293
Flowage rights	946,170	-	-	-	946,170
Infrastructure	19,137,595	-	1,403,835	-	20,541,430
Buildings and improvements	2,923,638	-	142,900	-	3,066,538
Equipment and other	1,085,266	-	167,705	-	1,252,971
Vehicles	1,765,576	-	265,733	(395,183)	1,636,126
Court building	742,611	-	33,755	-	776,366
Subtotal	26,888,093	-	2,026,984	(395,183)	28,519,894
Net capital assets being depreciated	25,633,043	1,186,225	(670,517)	(23,333)	26,125,418
Net governmental activities capital assets	$ 29,173,429	$ -	$ 329,317	$ (23,333)	$ 29,479,413

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2025	Reclassifications	Additions	Disposals	Balance June 30, 2026
Capital assets not being depreciated:					
Land	$ 174,009	$ -	$ 224,990	$ -	$ 398,999
Construction in progress	259,701	-	-	-	259,701
Subtotal	433,710	-	224,990	-	658,700
Capital assets being depreciated:					
Water and sewer mains	34,673,226	-	14,839	-	34,688,065
Water storage tank	224,377	-	-	-	224,377
Water meters	718,221	-	16,074	-	734,295
Building	2,387,525	-	5,450	-	2,392,975
Truck and tractors	67,044	-	-	-	67,044
Office equipment	706,655	-	1,131	-	707,786
Subtotal	38,777,048	-	37,494	-	38,814,542
Accumulated depreciation:					
Water and sewer mains	18,650,085	-	614,128	-	19,264,213
Water storage tank	133,398	-	11,372	-	144,770
Water meters	283,248	-	35,647	-	318,895
Building	1,543,524	-	54,175	-	1,597,699
Truck and tractors	67,043	-	-	-	67,043
Office equipment	593,985	-	20,377	-	614,362
Subtotal	21,271,283	-	735,699	-	22,006,982
Net capital assets being depreciated	17,505,765	-	(698,205)	-	16,807,560
Net business-type activities capital assets	$ 17,939,475	$ -	$ (473,215)	$ -	$ 17,466,260

Note 5 - Capital Assets (Continued)

Component Units

	Balance July 1, 2025	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2026
Capital assets not being depreciated:					
Land	$ 460,580	$ -	$ -	$ -	$ 460,580
Construction in progress	53,534	-	398,707	-	452,241
Subtotal	514,114	-	398,707	-	912,821
Capital assets being depreciated:					
Green area	317,204	-	-	-	317,204
Office equipment	27,772	-	-	-	27,772
Land improvements	1,452,098	-	19,318	-	1,471,416
Subtotal	1,797,074	-	19,318	-	1,816,392
Accumulated depreciation:					
Green area	310,073	-	1,457	-	311,530
Office equipment	24,341	-	1,143	-	25,484
Land improvements	203,645	-	59,283	-	262,928
Subtotal	538,059	-	61,883	-	599,942
Net capital assets being depreciated	1,259,015	-	(42,565)	-	1,216,450
Net capital assets	$ 1,773,129	$ -	$ 356,142	$ -	$ 2,129,271

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

Governmental activities:	
General government	$ 91,632
Public safety	238,980
Public works	1,363,170
Recreation and culture	158,820
Internal service fund (depreciation is charged to the various functions based on their usage of the asset)	174,382
Total governmental activities	$ 2,026,984
Business-type activities:	
Water and sewer	$ 700,358
Theater	35,341
Total business-type activities	$ 735,699
Component unit activities - Downtown Development Authority	$ 61,883

Note 5 - Capital Assets (Continued)

Construction Commitments

The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Governmental activities - Mansion Capital Improvements	$ 209,853	$ 1,725,750
Governmental activities - Caddell Drain	35,581	689,367
Business-type activities - Evergreen Farmington Sanitary Drain Drainage District	280,982	109,280
Total	$ 526,416	$ 2,524,397

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental fund	$ 185,757
	Water and Sewer Fund	4,298
	DPW Equipment Revolving Fund	489
	Total General Fund	190,544
Internal service fund - DPW Equipment Revolving Fund	General Fund	11,417
	Nonmajor governmental fund	9,081
	Water and Sewer Fund	9,806
	Total internal service fund - DPW Equipment Revolving Fund	30,304
Water and Sewer Fund	General Fund	800
	Nonmajor governmental fund	30
	Total Water and Sewer Fund	830
	Total	$ 221,678

The interfund payable from the nonmajor governmental funds (Capital Improvement Fund) to the General Fund relates to capital outlay financing. The remaining interfund balances relate to the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The City has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
General Fund	Nonmajor enterprise fund	$ 154,000

The advance from the General Fund to the nonmajor enterprise fund (Farmington Community Theater Fund) was made to cover expenditures during the time of mandatory theater shutdown due to the COVID-19 pandemic. The advance will be repaid by June 30, 2027 and bears interest at 4 percent.

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Nonmajor governmental funds	Nonmajor governmental funds (1)	$ 957,570
	General Fund (2)	185,303
	Total nonmajor governmental funds	1,142,873
General Fund	Nonmajor governmental funds (3)	745,825
	Nonmajor enterprise fund (4)	100,000
	Total General Fund	845,825
	Total	$ 1,988,698

(1) The transfer from the nonmajor governmental funds (Municipal Street Fund and Major Streets Fund) to the nonmajor governmental funds (Major Streets Fund and Local Streets Fund) was made to finance a portion of the cost of the City's road and sidewalk programs.

(2) The transfer from the nonmajor governmental funds (Capital Improvement Fund) to the General Fund was made to finance capital outlay.

(3) The transfer from the General Fund to the nonmajor governmental funds was made to provide for current year debt service payments (Retiree Health Care Funding Bonds).

(4) The transfer from the General Fund to the nonmajor enterprise fund was to provide funding for theater operations.

Note 7 - Long-term Debt

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

Note 7 - Long-term Debt (Continued)

Long-term debt activity for the year ended June 30, 2026 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt:							
2019 Limited Tax General Obligation Refunding Bonds:							
Amount of issue - $8,466,250	1.79%-	$631,000-					
Maturing through 2033	2.82%	$912,250	$ 6,368,750	$ -	$ (688,250)	$ 5,680,500	$ 712,000
2020 Capital Improvement Bond:							
Amount of issue - $2,000,000		$120,000-					
Maturing through 2035	2%	$175,000	1,425,000	-	(165,000)	1,260,000	170,000
2022 Capital Improvement Bonds Millage:							
Amount of issue - $3,000,000	2.30%-	$70,000-					
Maturing through 2037	3.30%	$305,000	2,215,000	-	(275,000)	1,940,000	285,000
Total bonds and contracts payable			10,008,750	-	(1,128,250)	8,880,500	1,167,000
Compensated absences			334,705	165,289	-	499,994	202,146
Total governmental activities long-term debt			$ 10,343,455	$ 165,289	$ (1,128,250)	$ 9,380,494	$ 1,369,146

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt:							
2023 Evergreen-Farmington Sewage Disposal Bond: Amount of Issue - $102,438 Maturing through 2034	1.875%		$ 226,300	$ 54,682	$ -	$ 280,982	$ -
2015 Capital Improvement Bond: Amount of issue - $1,500,000 Maturing through 2035	3.00%-3.50%	$70,000-$100,000	860,000	-	(75,000)	785,000	75,000
2019 Limited Tax General Obligation Refunding Bonds: Amount of issue - $2,053,750 Maturing through 2033	1.79%-2.82%	$42,750-$237,750	1,456,250	-	(221,750)	1,234,500	223,000
2020 Capital Improvement Bond: Amount of issue - $2,000,000 Maturing through 2035	2.00%	$125,000-$160,000	1,420,000	-	(125,000)	1,295,000	130,000
Total bonds and contracts payable			3,962,550	54,682	(421,750)	3,595,482	428,000
Compensated absences			41,095	6,376	-	47,471	26,848
Total business-type activities long-term debt			$ 4,003,645	$ 61,058	$ (421,750)	$ 3,642,953	$ 454,848

Total interest expense for the year was approximately $360,000.

Component Units

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	$ 6,500	$ 7,914	$ -	$ 14,414	$ 7,863

The changes in compensated absences are disclosed in the above tables as net changes.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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		
	Other Debt			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2027	$ 1,167,000	$ 232,706	$ 1,399,706	$ 428,000	$ 87,514	$ 515,514
2028	1,210,500	203,739	1,414,239	455,735	77,272	533,007
2029	1,258,750	173,299	1,432,049	462,797	66,476	529,273
2030	1,002,250	141,112	1,143,362	479,601	55,398	534,999
2031	1,035,750	116,200	1,151,950	476,424	43,573	519,997
2032-2036	3,006,250	215,078	3,221,328	1,169,615	83,460	1,253,075
2037-2041	200,000	6,600	206,600	99,783	6,953	106,736
Thereafter	-	-	-	23,527	267	23,794
Total	$ 8,880,500	$ 1,088,734	$ 9,969,234	$ 3,595,482	$ 420,913	$ 4,016,395

Revenue Pledged in Connection with Debt

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the Authority's portion of the principal and interest on the 2019 Limited Tax General Obligation Refunding Bonds (formerly the 2009 Streetscape Capital Improvement Bond, which was refunded). The Authority 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.

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the Authority's portion of the principal and interest on the 2019 Limited Tax General Obligation Refunding Bonds (formerly the 2013 Grove Street Capital Improvement Bond, which was refunded). The Authority 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 costs 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 $1,400,000.

The Downtown Development Authority has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the Authority's portion of the principal and interest on the 2022 Capital Improvement Bond, which was issued to fund the Farmington streetscape improvements. The Authority 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 costs 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 $1,500,000.

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 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.

Note 8 - Risk Management (Continued)

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

The Michigan Municipal Risk Management Authority (the "Risk 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 Risk Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The activity for the Risk 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	
	2026	2025
Estimated liability - Beginning of year	$ 15,224	$ 39,707
Estimated claims incurred, including changes in estimates	3,500	(19,532)
Claim payments	(15,000)	(4,951)
Estimated liability - End of year	$ 3,724	$ 15,224

Note 9 - Agent Defined Benefit Pension Plan

Plan Description

The City of Farmington, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board.

The pension system issues a publicly available financial report, which includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

The MERS plan covers substantially all employees of the City, including the nonunion, department head, and public safety employees, as well as command, dispatch, and department of public works employees hired prior to June 30, 2013. Summary information for each of these groups is provided below:

Nonunion

Retirement benefits for employees are calculated as 2.25 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 7 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 1.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Department Head

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 58, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 7 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Command

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age for employees hired prior to January 31, 2020 is 60, with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. Normal retirement age for employees hired on or after January 31, 2020 is 60, with early unreduced retirement at 25 years of service and age 50 and reduced retirement at age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest. This plan is closed to new entrants.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Public Safety

Retirement benefits for employees are calculated as 2.5 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age for employees hired prior to December 2, 2019 is 60, with early unreduced retirement at 25 years of service and reduced retirement at age 55 with 15 years of service. Normal retirement age for employees hired on or after December 2, 2019 is 60, with early unreduced retirement at 25 years of service and age 50 and reduced retirement at age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. Employees contribute 4.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Dispatch

Retirement benefits for employees are calculated as 2.25 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 6 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. This plan is closed to new entrants.

Department of Public Works

Retirement benefits for employees are calculated as 2.25 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Non-duty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without an actuarial reduction. This plan is closed to new entrants. Employees contribute 1.5 percent of their salary for this benefit. An employee who leaves service may withdraw his or her contributions plus any accumulated interest. This plan is closed to new entrants.

There are no annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Public safety employees' benefit terms may be subject to binding arbitration in certain circumstances.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2025
Inactive plan members or beneficiaries currently receiving benefits	65
Inactive plan members entitled to but not yet receiving benefits	26
Active plan members	44
Total employees covered by the plan	135

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2026, the active employee contribution rate was 4.5 percent of annual pay for command, 4.5 percent for department heads and public safety, 1.50 percent for nonunion and Department of Public Works, and 0 percent for dispatch. The City's contribution rates for the year ended June 30, 2026 were set in the December 31, 2024 actuarial valuation and modified through the fiscal year ended June 30, 2026 as benefits were changed. The contribution rates for the year ended June 30, 2026 as a percentage of annual payroll are as follows: nonunion - 30.35 percent; department heads - 67.44 percent; and public safety hired after November 18, 2019 - 11.76 percent. The City contributes $14,888 per month for the department of public works, $34,937 per month for the command, and $24,933 per month for public safety.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2026 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2025 measurement date. The total pension liability was based on the December 31, 2025 actuarial valuation.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease) Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2024	$ 35,123,592	$ 23,604,449	$ 11,519,143
Changes for the year:			
Service cost	526,233	-	526,233
Interest	2,462,056	-	2,462,056
Differences between expected and actual experience	125,640	-	125,640
Changes in assumptions	519,153	-	519,153
Contributions - Employer	-	1,420,060	(1,420,060)
Contributions - Employee	-	131,832	(131,832)
Net investment income	-	3,759,331	(3,759,331)
Benefit payments, including refunds	(2,192,480)	(2,192,480)	-
Administrative expenses	-	(47,225)	47,225
Net changes	1,440,602	3,071,518	(1,630,916)
Balance at December 31, 2025	$ 36,564,194	$ 26,675,967	$ 9,888,227

The plan's fiduciary net position represents 72.96 percent of the total pension liability.

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

For the year ended June 30, 2026, the City recognized pension expense of $2,085,042.

At June 30, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 355,731	$ -
Changes in assumptions	349,066	-
Net difference between projected and actual earnings on pension plan investments	-	(1,203,288)
Employer contributions to the plan subsequent to the measurement date	890,574	-
Total	$ 1,595,371	$ (1,203,288)

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions of $890,574 made subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2027	$ 764,470
2028	(398,166)
2029	(440,438)
2030	(424,357)
Total	$ (498,491)

Actuarial Assumptions

The total pension liability in the December 31, 2025 actuarial valuation was determined using an inflation assumption of 2.5 percent, salary increases (including inflation) of 3.0 percent (with merit increases totaling up to 6.7 percent, for a total of 3.0 percent - 9.7 percent), and an investment rate of return (net of investment expenses) of 7.04 percent.

Mortality rates were based on certain sex-distinct Pub-2010 mortality tables.

These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from 2014 through 2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.04 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2025 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.16
Private investments	20.00	6.50

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.04 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.04%)	Current Discount Rate (7.04%)	1 Percentage Point Increase (8.04%)
Net pension liability of the City	$ 13,992,355	$ 9,888,227	$ 6,437,180

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The discount rate was reduced from 7.18 percent to 7.04 percent in the December 31, 2025 actuarial valuation.

Note 10 - Other Postemployment Benefit Plan

Farmington Retiree Health Care Plan

Plan Description

The Farmington Retiree Health Care Plan board of trustees (the "Board") administers the Farmington Retiree Health Care Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all full-time public safety employees hired before July 1, 2013 and all other full-time employees who had over 20 years of service as of June 30, 2009. The Plan is closed to all new hires.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Plan is vested with the pension board, which consists of three members: the mayor, city manager, and city treasurer.

Benefits Provided

The Plan provides health care and dental benefits for retirees, retiree spouses, and some dependents. Benefits are provided through a third-party insurer. The amount of the benefit is determined based on labor contracts and employee agreements, in accordance with 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, Michigan. The Irrevocable Trust Fund (the "Trust Fund"), established in the Plan, funds the City's share of retiree health care insurance premiums and is administered by the Board.

Note 10 - Other Postemployment Benefit Plan (Continued)

MERS Health Care Savings Plan

Plan Description

On June 30, 2009, the council established, by resolution, the MERS HCSP, a defined contribution retiree health care plan. The MERS HCSP is a tax-qualified governmental plan and trust under Section 401(a) of the Internal Revenue Code of 1986, and, therefore, all trust assets are 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. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The MERS HCSP is available to all full-time public safety employees hired after June 30, 2013 and all other full-time employees who had less than 20 years of service as of July 1, 2009.

Benefits Provided

Under the terms of the MERS HCSP, all employees receive $2,100 per year in contributions from the City, and department of public service employees receive $1,080 per year. Terms of the MERS HCSP may be amended by future labor contracts and by resolution.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Farmington Retiree Health Care Plan
Date of member count	June 30, 2024
Inactive plan members or beneficiaries currently receiving benefits	43
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	11
Total plan members	57

Contributions

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. During the year ended June 30, 2014, the City prefunded its employer contribution in the amount of $8,037,596. For the year ended June 30, 2026, the Trust Fund paid postemployment health care premiums of $484,900. There were no required employee contributions. Plan members are not required to contribute to the Plan.

Net OPEB Asset

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB asset. The June 30, 2026 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2026 measurement date. The June 30, 2026 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2024, which used update procedures to roll forward the estimated asset to June 30, 2026.

Note 10 - Other Postemployment Benefit Plan (Continued)

Changes in the net OPEB liability (asset) during the measurement year were as follows:

Changes in Net OPEB Liability (Asset)	Increase (Decrease) Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2025	$ 10,515,854	$ 10,259,812	$ 256,042
Changes for the year:			
Service cost	68,917	-	68,917
Interest	721,550	-	721,550
Differences between expected and actual experience	2,344	-	2,344
Net investment income	-	1,354,803	(1,354,803)
Benefit payments, including refunds	(484,900)	(484,900)	-
Administrative expenses	-	(10,430)	10,430
Net changes	307,911	859,473	(551,562)
Balance at June 30, 2026	$ 10,823,765	$ 11,119,285	$ (295,520)

The Plan's fiduciary net position represents 102.73 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the City recognized an OPEB expense of $627,675.

At June 30, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ (856,806)

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

Years Ending June 30	Amount
2027	$ (300,200)
2028	(244,967)
2029	(180,849)
2030	(130,790)
Total	$ (856,806)

Note 10 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, which used update procedures to roll forward the liability to June 30, 2026. The actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including 3.0 percent inflation) of 3.0 percent to 9.7 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a health care cost trend rate for pre-65 medical and drug costs of 7.25 percent for 2025, decreasing to 3.5 percent in year 16; a health care cost trend rate for post-65 medical and drug costs of 6.50 percent for 2023, decreasing to 3.5 percent in year 16; and a health care cost trend rate of 3.5 percent for dental. Mortality rates were based on the sex-distinct Pub-2010 mortality tables and include a margin for future mortality improvements projected using a fully generational improvement scale.

Certain actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for MERS for the period from January 1, 2014 to December 31, 2018. These assumptions were first used in the June 30, 2020 actuarial valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2026 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	40.00 %	6.10 %
International equity	13.00	5.10
Emerging markets equity	3.00	6.30
Fixed income and preferred	22.00	1.40
Private real estate	5.00	4.40
Private credit	5.00	5.70
Private equity	5.00	9.60
Real assets	5.00	3.70
Cash or cash equivalents	2.00	0.70

Rate of Return

For the year ended June 30, 2026, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.56 percent. The money-weighted rate of return expresses investment performance, net of investment, adjusted for the changing amounts actually invested.

Note 10 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability (asset) of the Farmington Retiree Health Care Plan	$ 1,154,876	$ (295,520)	$ (1,480,329)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the City, calculated using the health care cost trend rate, as well as what the City's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB (asset) liability of the Farmington Retiree Health Care Plan	$ (1,668,059)	$ (295,520)	$ 1,383,296

OPEB Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Plan’s fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual	Variance with Final Budget - Over (Under) Actual Amounts
Revenue					
Property taxes	$ 6,719,875	$ 6,750,900	$ 31,025	$ 6,773,777	$ 22,877
Intergovernmental:					
Federal grants	30,431	29,432	(999)	26,155	(3,277)
State-shared revenue and grants	1,574,749	1,630,470	55,721	1,604,993	(25,477)
Charges for services	2,332,568	2,313,916	(18,652)	2,342,889	28,973
Fines and forfeitures	380,000	350,000	(30,000)	327,383	(22,617)
Licenses and permits	386,325	409,248	22,923	424,965	15,717
Investment income	278,214	278,214	-	287,799	9,585
Other miscellaneous income	237,258	293,099	55,841	294,846	1,747
Total revenue	11,939,420	12,055,279	115,859	12,082,807	27,528
Expenditures					
Current services:					
General government	2,635,395	2,898,010	262,615	2,746,845	(151,165)
District court	536,604	536,604	-	536,604	-
Public safety	5,819,263	5,670,975	(148,288)	5,569,644	(101,331)
Public works	1,581,194	1,644,587	63,393	1,574,658	(69,929)
Health and welfare	7,490	7,490	-	7,486	(4)
Community and economic development	102,612	190,962	88,350	152,455	(38,507)
Recreation and culture	1,018,516	1,059,967	41,451	947,641	(112,326)
Total expenditures	11,701,074	12,008,595	307,521	11,535,333	(473,262)
Excess of Revenue Over Expenditures	238,346	46,684	(191,662)	547,474	500,790
Other Financing Sources (Uses)					
Transfers in	257,600	290,883	33,283	185,303	(105,580)
Transfers out	(846,823)	(846,823)	-	(845,825)	998
Total other financing uses	(589,223)	(555,940)	33,283	(660,522)	(104,582)
Net Change in Fund Balance	(350,877)	(509,256)	(158,379)	(113,048)	396,208
Fund Balance - Beginning of year	4,156,202	4,156,202	-	4,156,202	-
Fund Balance - End of year	**$ 3,805,325**	**$ 3,646,946**	**$ (158,379)**	**$ 4,043,154**	**$ 396,208**

See notes to required supplementary information.

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Plan Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	$ 526,233	$ 495,584	$ 449,943	$ 414,007	$ 369,531	$ 396,874	$ 409,084	$ 388,664	$ 384,427	$ 367,638
Interest	2,462,056	2,350,200	2,253,064	2,203,712	2,161,463	2,040,140	2,025,834	1,986,607	1,936,899	1,935,559
Changes in benefit terms	-	-	-	-	(8,182)	(10,200)	(3,847)	-	-	-
Differences between expected and actual experience	125,640	815,913	701,062	(55,378)	133,677	(78,868)	44,792	(147,213)	16,098	(583,546)
Changes in assumptions	519,153	8,892	241,915	-	1,109,857	1,048,979	807,047	-	-	-
Benefit payments, including refunds	(2,192,480)	(2,063,599)	(1,962,298)	(1,836,900)	(1,828,830)	(1,744,960)	(1,766,610)	(1,729,164)	(1,707,291)	(1,715,276)
Net Change in Total Pension Liability	1,440,602	1,606,990	1,683,686	725,441	1,937,516	1,651,965	1,516,300	498,894	630,133	4,375
Total Pension Liability - Beginning of year	35,123,592	33,516,602	31,832,916	31,107,475	29,169,959	27,517,994	26,001,694	25,502,800	24,872,667	24,868,292
Total Pension Liability - End of year	**$ 36,564,194**	**$ 35,123,592**	**$ 33,516,602**	**$ 31,832,916**	**$ 31,107,475**	**$ 29,169,959**	**$ 27,517,994**	**$ 26,001,694**	**$ 25,502,800**	**$ 24,872,667**
Plan Fiduciary Net Position										
Contributions - Employer	$ 1,420,060	$ 1,194,730	$ 1,120,907	$ 1,095,663	$ 968,159	$ 798,148	$ 722,843	$ 670,288	$ 594,340	$ 486,144
Contributions - Member	131,832	126,468	118,933	112,166	105,478	84,216	65,738	60,195	59,397	55,978
Net investment income (loss)	3,759,331	1,682,812	2,366,452	(2,688,078)	2,964,713	2,795,874	2,522,346	(783,996)	2,501,487	2,050,005
Administrative expenses	(47,225)	(49,795)	(49,143)	(44,448)	(35,165)	(40,476)	(43,428)	(39,523)	(39,689)	(40,522)
Benefit payments, including refunds	(2,192,480)	(2,063,599)	(1,962,298)	(1,836,900)	(1,828,830)	(1,744,960)	(1,766,610)	(1,729,164)	(1,707,291)	(1,715,276)
Net Change in Plan Fiduciary Net Position	3,071,518	890,616	1,594,851	(3,361,597)	2,174,355	1,892,802	1,500,889	(1,822,200)	1,408,244	836,329
Plan Fiduciary Net Position - Beginning of year	23,604,449	22,713,833	21,118,982	24,480,579	22,306,224	20,413,422	18,912,533	20,734,733	19,326,489	18,490,160
Plan Fiduciary Net Position - End of year	**$ 26,675,967**	**$ 23,604,449**	**$ 22,713,833**	**$ 21,118,982**	**$ 24,480,579**	**$ 22,306,224**	**$ 20,413,422**	**$ 18,912,533**	**$ 20,734,733**	**$ 19,326,489**
City's Net Pension Liability - Ending	**$ 9,888,227**	**$ 11,519,143**	**$ 10,802,769**	**$ 10,713,934**	**$ 6,626,896**	**$ 6,863,735**	**$ 7,104,572**	**$ 7,089,161**	**$ 4,768,067**	**$ 5,546,178**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.96 %	67.20 %	67.77 %	66.34 %	78.70 %	76.47 %	74.18 %	72.74 %	81.30 %	77.70 %
Covered Payroll	$ 3,751,235	$ 3,497,454	$ 3,243,831	$ 2,992,027	$ 3,084,556	$ 2,928,849	$ 3,024,228	$ 2,893,629	$ 2,875,893	$ 2,737,705
City's Net Pension Liability as a Percentage of Covered Payroll	263.60 %	329.36 %	333.03 %	358.08 %	214.84 %	234.35 %	234.92 %	244.99 %	165.79 %	202.58 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years

Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 1,668,051	$ 1,283,700	$ 1,111,366	$ 1,128,146	$ 1,065,336	$ 859,627	$ 756,555	$ 700,803	$ 672,235	$ 545,225
Contributions in relation to the actuarially determined contribution	1,668,051	1,283,700	1,111,366	1,128,146	1,065,336	859,627	756,555	700,803	672,235	545,225
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ 3,751,235	$ 3,497,454	$ 3,243,831	$ 2,992,027	$ 3,084,556	$ 2,928,849	$ 3,024,228	$ 2,893,629	$ 2,875,893	$ 2,737,705
Contributions as a Percentage of Covered Payroll	44.47 %	36.70 %	34.26 %	36.75 %	34.54 %	29.35 %	25.02 %	24.22 %	23.37 %	19.92 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	10-15 years depending on division
Asset valuation method	5-year smoothed with dedicated gains policy
Inflation	2.5 percent
Salary increase	3.00-9.70 percent - Including inflation
Investment rate of return	7.25 percent
Retirement age	60 years
Mortality	50 percent male - 50 percent female blend of the Pub-2010 mortality tables
Other information	None

See notes to required supplementary information.

Required Supplementary Information
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios

Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability										
Service cost	$ 68,917	$ 62,142	$ 78,603	$ 81,642	$ 87,273	$ 89,011	$ 89,066	$ 102,908	$ 106,758	$ 107,013
Interest	721,550	586,697	569,384	670,676	651,482	675,619	660,434	755,902	740,117	722,901
Differences between expected and actual experience	2,344	565,672	(5,520)	(2,011,047)	(63,897)	(1,429,131)	37,529	(1,660,941)	63,600	124,964
Changes in assumptions	-	1,147,966	-	193,628	-	797,598	-	78,356	-	-
Benefit payments, including refunds	(484,900)	(393,888)	(379,906)	(380,912)	(414,768)	(539,343)	(600,783)	(665,475)	(700,645)	(716,960)
Net Change in Total OPEB Liability	307,911	1,968,589	262,561	(1,446,013)	260,090	(406,246)	186,246	(1,389,250)	209,830	237,918
Total OPEB Liability - Beginning of year	10,515,854	8,547,265	8,284,704	9,730,717	9,470,627	9,876,873	9,690,627	11,079,877	10,870,047	10,632,129
Total OPEB Liability - End of year	**$ 10,823,765**	**$ 10,515,854**	**$ 8,547,265**	**$ 8,284,704**	**$ 9,730,717**	**$ 9,470,627**	**$ 9,876,873**	**$ 9,690,627**	**$ 11,079,877**	**$ 10,870,047**
Plan Fiduciary Net Position										
Contributions - Employer	$ -	$ -	$ 24,883	$ 25,459	$ -	$ -	$ -	$ -	$ -	$ -
Net investment income (loss)	1,354,803	918,835	950,095	870,835	(1,368,754)	2,342,907	(91,358)	310,773	773,670	1,084,916
Miscellaneous other charges	(10,430)	(25,430)	(10,430)	(25,430)	(8,250)	(21,890)	(23,100)	(6,121)	(21,540)	-
Benefit payments, including refunds	(484,900)	(393,888)	(379,906)	(380,912)	(414,768)	(539,343)	(600,783)	(665,475)	(700,645)	(716,960)
Net Change in Plan Fiduciary Net Position	859,473	499,517	584,642	489,952	(1,791,772)	1,781,674	(715,241)	(360,823)	51,485	367,956
Plan Fiduciary Net Position - Beginning of year	10,259,812	9,760,295	9,175,653	8,685,701	10,477,473	8,695,799	9,411,040	9,771,863	9,720,378	9,352,422
Plan Fiduciary Net Position - End of year	**$ 11,119,285**	**$ 10,259,812**	**$ 9,760,295**	**$ 9,175,653**	**$ 8,685,701**	**$ 10,477,473**	**$ 8,695,799**	**$ 9,411,040**	**$ 9,771,863**	**$ 9,720,378**
Net OPEB (Asset) Liability - Ending	**$ (295,520)**	**$ 256,042**	**$ (1,213,030)**	**$ (890,949)**	**$ 1,045,016**	**$ (1,006,846)**	**$ 1,181,074**	**$ 279,587**	**$ 1,308,014**	**$ 1,149,669**
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	102.73 %	97.57 %	114.19 %	110.75 %	89.26 %	110.63 %	88.04 %	97.11 %	88.19 %	89.42 %
Covered-employee Payroll	$ 1,118,347	$ 1,125,182	$ 1,236,487	$ 1,150,043	$ 1,309,913	$ 1,402,168	$ 1,483,638	$ 1,505,032	$ 1,532,434	$ 1,587,676
Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll	(26.42)%	22.76 %	(98.10)%	(77.47)%	79.78 %	(71.81)%	79.61 %	18.58 %	85.36 %	72.41 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of OPEB Contributions

Last Ten Fiscal Years

Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 130,906	$ 43,224	$ 43,568	$ 149,489	$ 152,260	$ 76,023	$ 75,363	$ 233,882	$ 234,154	$ 100,742
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency	**$ (130,906)**	**$ (43,224)**	**$ (43,568)**	**$ (149,489)**	**$ (152,260)**	**$ (76,023)**	**$ (75,363)**	**$ (233,882)**	**$ (234,154)**	**$ (100,742)**
Covered-employee Payroll	$ 1,118,347	$ 1,125,182	$ 1,236,487	$ 1,150,043	$ 1,309,913	$ 1,402,168	$ 1,483,638	$ 1,505,032	$ 1,532,434	$ 1,587,676
Contributions as a Percentage of Covered-employee Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30 of even-numbered years. The valuation date is 36 months prior to the fiscal year end of odd-numbered fiscal years and 24 months prior to the fiscal year end of even-numbered fiscal years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar - Closed
Remaining amortization period	14 years
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 7.25 percent - Gradually decreasing to 3.50 percent in year 15
Salary increase	3.00 percent to 9.70 percent - Including 3.00 percent wage inflation
Investment rate of return	7.00 percent - Net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	A version of the sex-distinct Pub-2010 mortality tables

See notes to required supplementary information.

Required Supplementary Information
Schedule of OPEB Investment Returns

Last Ten Fiscal Years

Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	13.56 %	9.65 %	10.59 %	10.32 %	(13.67)%	28.30 %	(1.04)%	3.29 %	8.27 %	12.20 %

See notes to required supplementary information.

Budgetary Information

A reconciliation of the General Fund budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures	Other Financing Uses	Net Change in Fund Balance
Amounts per operating statement	$ 12,319,974	$ 11,887,968	$ (660,522)	$ (228,516)
American Rescue Plan Act	(237,167)	(352,635)	-	115,468
Amounts per budget statement	$ 12,082,807	$ 11,535,333	$ (660,522)	$ (113,048)

The City did not have any significant variances between General Fund original and amended budget or between amended budget and actual.

Pension Information

Changes in Assumptions

- 2026 - The discount rate was reduced from 7.18 percent to 7.04 percent in the December 31, 2025 actuarial valuation
- 2024 - The discount rate was reduced from 7.25 percent to 7.18 percent in the December 31, 2023 actuarial valuation.
- 2022 - The discount rate was reduced from 7.6 percent to 7.25 percent in the December 31, 2021 actuarial valuation.
- 2021 - A five-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. The experience study resulted in updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates that were first used in the December 31, 2020 actuarial valuation.
- 2020 - The discount rate was reduced from 7.75 percent to 7.6 percent in the December 31, 2019 actuarial valuation.
- 2016 - The discount rate was reduced from 8.0 percent to 7.75 percent in the December 31, 2016 actuarial valuation. In addition, the mortality rates were updated to be based on the RP-2014 tables.

OPEB Information

Changes in Assumptions

- 2025 - The retirement rate was updated to 100 percent at 25 years of service for the remaining active members. There was also an update to elections of health care coverage at retirement, where, irrespective of sex, 20 percent elected one-person coverage and 80 percent elected two-person/family.
- 2023 - The health care cost trend rates were reset for pre-65 and post-65 medical and drug costs.
- 2021 - The mortality rates were updated to be based on the sex-distinct Pub-2010 tables. In addition, the health care cost trend rates were updated for pre-65 medical and drug costs to 7.50 percent, and the health care cost trend rates for post-65 medical and drug costs were updated to 6.25 percent.

Supplementary Information

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Street	Opioid Settlement
Assets				
Cash and investments	$ 757,665	$ 101,192	$ 1,299,704	$ 11,208
Receivables:				
Property taxes receivable	-	-	2,244	-
Other receivables	-	-	-	93,478
Allowance for doubtful accounts	-	-	(2,244)	-
Due from other governments	177,575	69,972	71	-
Prepaid expenses and other assets	500	2,000	-	-
Total assets	**$ 935,740**	**$ 173,164**	**$ 1,299,775**	**$ 104,686**
Liabilities				
Accounts payable:				
Accounts payable	$ 26,707	$ 47,627	$ -	$ -
Retainage payable	837	895	-	-
Due to other funds	6,210	3,355	-	-
Accrued liabilities and other	7,072	5,497	1,016	-
Total liabilities	40,826	57,374	1,016	-
Deferred Inflows of Resources - Unavailable revenue	-	-	-	93,478
Total liabilities and deferred inflows of resources	40,826	57,374	1,016	93,478
Fund Balances				
Nonspendable	500	2,000	-	-
Restricted:				
Roads	894,414	113,790	1,298,759	-
Opioid settlement	-	-	-	11,208
Assigned:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total fund balances	894,914	115,790	1,298,759	11,208
Total liabilities, deferred inflows of resources, and fund balances	**$ 935,740**	**$ 173,164**	**$ 1,299,775**	**$ 104,686**

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2026

Debt Service Funds				Capital Project Fund	
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	Total
$ 51,165	$ 3,178	$ -	$ 35,876	$ 1,115,363	$ 3,375,351
-	-	-	-	550	2,794
-	-	-	-	-	93,478
-	-	-	-	(550)	(2,794)
-	-	-	-	22	247,640
-	-	-	-	-	2,500
$ 51,165	**$ 3,178**	**$ -**	**$ 35,876**	**$ 1,115,385**	**$ 3,718,969**
$ -	$ -	$ -	$ -	$ -	$ 74,334
-	-	-	-	-	1,732
-	-	-	-	185,303	194,868
-	-	-	-	405	13,990
-	-	-	-	185,708	284,924
-	-	-	-	-	93,478
-	-	-	-	185,708	378,402
-	-	-	-	-	2,500
-	-	-	-	-	2,306,963
-	-	-	-	-	11,208
51,165	3,178	-	35,876	-	90,219
-	-	-	-	929,677	929,677
51,165	3,178	-	35,876	929,677	3,340,567
$ 51,165	**$ 3,178**	**$ -**	**$ 35,876**	**$ 1,115,385**	**$ 3,718,969**

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Street	Opioid Settlement
Revenue				
Property taxes	$ -	$ -	$ 628,464	$ -
Intergovernmental	1,048,642	396,516	16,992	-
Investment income	28,394	1,338	48,255	822
Other miscellaneous income	71,779	-	-	9,025
Total revenue	1,148,815	397,854	693,711	9,847
Expenditures				
Current services - Public works	874,418	1,318,512	-	39,007
Debt service:				
Principal	110,000	-	-	-
Interest on long-term debt	23,913	-	-	-
Total expenditures	1,008,331	1,318,512	-	39,007
Excess of Revenue Over (Under) Expenditures	140,484	(920,658)	693,711	(29,160)
Other Financing Sources (Uses)				
Transfers in	45,878	911,692	-	-
Transfers out	(444,346)	-	(513,224)	-
Total other financing (uses) sources	(398,468)	911,692	(513,224)	-
Net Change in Fund Balances	(257,984)	(8,966)	180,487	(29,160)
Fund Balances - Beginning of year	1,152,898	124,756	1,118,272	40,368
Fund Balances - End of year	**$ 894,914**	**$ 115,790**	**$ 1,298,759**	**$ 11,208**

Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2026

Debt Service Funds				Capital Project Fund	
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	Total
$ -	$ -	$ -	$ -	$ 250,376	$ 878,840
-	-	-	-	-	1,462,150
1,792	111	-	1,261	37,292	119,265
32,300	-	71,393	-	-	184,497
34,092	111	71,393	1,261	287,668	2,644,752
-	-	-	-	-	2,231,937
20,000	-	65,000	603,250	-	798,250
12,300	-	6,393	142,875	-	185,481
32,300	-	71,393	746,125	-	3,215,668
1,792	111	-	(744,864)	287,668	(570,916)
-	-	-	745,825	-	1,703,395
-	-	-	-	(185,303)	(1,142,873)
-	-	-	745,825	(185,303)	560,522
1,792	111	-	961	102,365	(10,394)
49,373	3,067	-	34,915	827,312	3,350,961
$ 51,165	**$ 3,178**	**$ -**	**$ 35,876**	**$ 929,677**	**$ 3,340,567**

Supplementary Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2026

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	$ 305,633	$ 540,021	$ 613,758	$ 1,459,412
Due from other funds	-	-	30,304	30,304
Prepaid expenses and other assets	92,419	-	-	92,419
Total current assets	398,052	540,021	644,062	1,582,135
Noncurrent assets - Capital assets subject to depreciation	-	-	1,547,231	1,547,231
Total assets	398,052	540,021	2,191,293	3,129,366
Deferred Outflows of Resources - Deferred outflows related to pension	-	-	33,923	33,923
Liabilities				
Current liabilities:				
Accounts payable	-	-	6,841	6,841
Due to other funds	-	-	489	489
Accrued liabilities and other	3,724	-	2,850	6,574
Compensated absences	-	202,146	-	202,146
Total current liabilities	3,724	202,146	10,180	216,050
Noncurrent liabilities:				
Compensated absences	-	297,848	-	297,848
Net pension liability	-	-	210,257	210,257
Total liabilities	3,724	499,994	220,437	724,155
Deferred Inflows of Resources - Deferred inflows related to pensions	-	-	25,587	25,587
Net Position				
Net investment in capital assets	-	-	1,547,231	1,547,231
Unrestricted	394,328	40,027	431,961	866,316
Total net position	**$ 394,328**	**$ 40,027**	**$ 1,979,192**	**$ 2,413,547**

Supplementary Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2026

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Operating Revenue				
Other income	$ -	$ -	$ 4,079	$ 4,079
Service charges	234,785	10,000	665,889	910,674
Total operating revenue	234,785	10,000	669,968	914,753
Operating Expenses				
Insurance costs	213,285	-	-	213,285
Accrued benefit expense	-	165,289	-	165,289
Fleet maintenance	-	-	344,638	344,638
Depreciation	-	-	174,382	174,382
Total operating expenses	213,285	165,289	519,020	897,594
Operating Income (Loss)	21,500	(155,289)	150,948	17,159
Nonoperating Revenue				
Investment income	13,982	18,286	17,432	49,700
Gain on sale of assets	-	-	10,436	10,436
Total nonoperating revenue	13,982	18,286	27,868	60,136
Change in Net Position	35,482	(137,003)	178,816	77,295
Net Position - Beginning of year	358,846	177,030	1,800,376	2,336,252
Net Position - End of year	**$ 394,328**	**$ 40,027**	**$ 1,979,192**	**$ 2,413,547**

Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2026

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	$ 234,785	$ 10,000	$ 669,968	$ 914,753
Payments to suppliers	(238,067)	-	(439,984)	(678,051)
Payments to employees and fringes	-	-	(97,561)	(97,561)
Payments to other funds	-	-	(5,526)	(5,526)
Other receipts	-	-	4,192	4,192
Net cash and cash equivalents (used in) provided by operating activities	(3,282)	10,000	131,089	137,807
Cash Flows Used in Financing Activities - Purchase of capital assets	-	-	(142,855)	(142,855)
Cash Flows Provided by Investing Activities - Interest received on investments	13,982	18,286	17,432	49,700
Net Increase in Cash and Cash Equivalents	10,700	28,286	5,666	44,652
Cash and Cash Equivalents - Beginning of year	294,933	511,735	608,092	1,414,760
Cash and Cash Equivalents - End of year	**$ 305,633**	**$ 540,021**	**$ 613,758**	**$ 1,459,412**
Classification of Cash and Cash Equivalents - Cash and investments	**$ 305,633**	**$ 540,021**	**$ 613,758**	**$ 1,459,412**
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities				
Operating income (loss)	$ 21,500	$ (155,289)	$ 150,948	$ 17,159
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:				
Depreciation	-	-	174,382	174,382
Changes in assets and liabilities:				
Receivables	-	-	4,192	4,192
Due to and from other funds	-	-	(5,526)	(5,526)
Prepaid and other assets	(13,282)	-	-	(13,282)
Accounts payable	(11,500)	-	(176,166)	(187,666)
Net pension liability	-	-	(64,738)	(64,738)
Deferrals related to pension	-	-	49,913	49,913
Accrued and other liabilities	-	165,289	(1,916)	163,373
Total adjustments	(24,782)	165,289	(19,859)	120,648
Net cash and cash equivalents (used in) provided by operating activities	**$ (3,282)**	**$ 10,000**	**$ 131,089**	**$ 137,807**

Supplementary Information
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2026

	Custodial	47th District Court	Tax Collection	Total
Assets - Cash and cash equivalents	$ 18,838	$ 1,840,728	$ -	$ 1,859,566
Liabilities - Accrued liabilities and other	215	-	-	215
Net Position - Organizations and other governments	**$ 18,623**	**$ 1,840,728**	**$ -**	**$ 1,859,351**

Supplementary Information
Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2026

	Custodial	47th District Court	Tax Collection	Total
Additions				
Property tax collections	$ -	$ -	$ 14,278,037	$ 14,278,037
Other additions	36,292	-	-	36,292
District court collections	-	4,285,575	-	4,285,575
Total additions	36,292	4,285,575	14,278,037	18,599,904
Deductions				
Tax distributions to other governments	-	-	14,278,037	14,278,037
Other deductions	30,304	-	-	30,304
District court disbursements	-	3,866,990	-	3,866,990
Total deductions	30,304	3,866,990	14,278,037	18,175,331
Net Increase in Fiduciary Net Position	5,988	418,585	-	424,573
Net Position - Beginning of year	12,635	1,422,143	-	1,434,778
Net Position - End of year	**$ 18,623**	**$ 1,840,728**	**$ -**	**$ 1,859,351**