
City of Farmington, Michigan

**Financial Report
with Supplementary Information
June 30, 2025**

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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, 2025 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, 2025 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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.

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

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 23, 2025

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 \$1,890,000 in the net position of its governmental activities showing that the City is meeting this goal. The City experienced a decrease of approximately \$39,000 in the net position of its business-type activities, largely due to losses at the Civic Theater.

Governmental activities net position increased primarily due to a capital improvement millage. This millage generated approximately \$875,000 and was invested in capital assets.

In the City's Water and Sewer Fund, the net position increased by approximately \$34,000. In the City's Farmington Community Theater Fund, net position decreased by approximately \$74,000. 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.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

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, 2025 and 2024. Following the tables is an explanation of the reasons for significant fluctuations.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 13,472,897	\$ 13,409,744	\$ 2,565,770	\$ 2,806,223	\$ 16,038,667	\$ 16,215,967
Capital assets	29,173,429	27,711,801	17,939,475	17,948,108	47,112,904	45,659,909
Total assets	42,646,326	41,121,545	20,505,245	20,754,331	63,151,571	61,875,876
Deferred Outflows of Resources	3,030,557	2,713,494	352,797	335,238	3,383,354	3,048,732
Liabilities						
Current liabilities	2,720,430	2,586,802	451,325	400,239	3,171,755	2,987,041
Noncurrent liabilities	20,785,021	21,029,394	5,337,264	5,581,569	26,122,285	26,610,963
Total liabilities	23,505,451	23,616,196	5,788,589	5,981,808	29,294,040	29,598,004
Deferred Inflows of Resources	82,450	19,013	3,130	2,177	85,580	21,190
Net Position						
Net investment in capital assets	25,146,431	23,899,363	14,330,514	14,009,173	39,476,945	37,908,536
Restricted	2,650,881	1,875,254	-	-	2,650,881	1,875,254
Unrestricted	(5,708,330)	(5,574,787)	735,809	1,096,411	(4,972,521)	(4,478,376)
Total net position	<u>\$ 22,088,982</u>	<u>\$ 20,199,830</u>	<u>\$ 15,066,323</u>	<u>\$ 15,105,584</u>	<u>\$ 37,155,305</u>	<u>\$ 35,305,414</u>

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue						
Program revenue:						
Charges for services	\$ 2,426,632	\$ 2,411,667	\$ 6,053,064	\$ 5,709,219	\$ 8,479,696	\$ 8,120,886
Operating grants	2,109,321	1,813,916	-	-	2,109,321	1,813,916
Capital grants	1,561,084	221,950	-	-	1,561,084	221,950
General revenue:						
Property taxes	8,247,456	7,792,045	-	-	8,247,456	7,792,045
Intergovernmental	1,538,607	1,532,674	-	-	1,538,607	1,532,674
Investment earnings	611,026	562,086	63,645	79,366	674,671	641,452
Other revenue:						
Cable franchise fees	127,702	142,031	-	-	127,702	142,031
Sale of capital assets	9,100	17,650	-	250	9,100	17,900
Other miscellaneous income	233,519	223,455	-	-	233,519	223,455
Total revenue	16,864,447	14,717,474	6,116,709	5,788,835	22,981,156	20,506,309
Expenses						
General government	2,451,509	1,835,051	-	-	2,451,509	1,835,051
District court	520,693	636,549	-	-	520,693	636,549
Public safety	6,575,741	4,581,193	-	-	6,575,741	4,581,193
Public works	3,779,869	3,221,710	-	-	3,779,869	3,221,710
Health and welfare	7,749	6,576	-	-	7,749	6,576
Community and economic development	144,778	369,057	-	-	144,778	369,057
Recreation and culture	1,047,530	1,041,829	-	-	1,047,530	1,041,829
Interest on long-term debt	347,426	384,198	-	-	347,426	384,198
Water and Sewer	-	-	5,717,169	5,333,712	5,717,169	5,333,712
Farmington Community Theater	-	-	538,801	510,228	538,801	510,228
Total expenses	14,875,295	12,076,163	6,255,970	5,843,940	21,131,265	17,920,103
Transfers	(100,000)	(86,000)	100,000	86,000	-	-
Change in Net Position	1,889,152	2,555,311	(39,261)	30,895	1,849,891	2,586,206
Net Position - Beginning of year	20,199,830	17,644,519	15,105,584	15,074,689	35,305,414	32,719,208
Net Position - End of year	<u>\$ 22,088,982</u>	<u>\$ 20,199,830</u>	<u>\$ 15,066,323</u>	<u>\$ 15,105,584</u>	<u>\$ 37,155,305</u>	<u>\$ 35,305,414</u>

Governmental Activities

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

First, capital assets increased by approximately \$1,462,000. Significant capital assets constructed include a salt dome and sidewalks. Significant capital assets purchased include fitness courts, public safety vehicles, and a firetruck. Second, deferred outflows of resources increased by approximately \$317,000 because deferred OPEB costs increased by approximately \$334,000, resulting from differences between projected and actual experience and changes in assumptions related to economic and demographic factors.

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

Total revenue increased by approximately \$2,147,000. Operating grants increased by approximately \$295,000. Significant increases include an ARPA grant to pay for the City's ambulance service agreement with the City of Farmington Hills, Michigan; an increase in capital grants of approximately \$1,339,000 primarily due to a one-time grant to purchase a fire truck in the amount of \$750,000; and grants received to purchase fitness courts in the amount of \$200,000. Property taxes increased by approximately \$455,000 primarily due to an increase in taxable value of 6.6 percent.

Total expenses increased by approximately \$2,799,000. General government expenses increased by approximately \$616,000 because the planning and building director position charged to economic and community development was eliminated and an assistant city manager position was created in general government, reclassifying \$200,000 of expense; pension costs increased by approximately \$71,000; fleet maintenance costs increased by approximately \$89,000; and OPEB-related expenses increased by approximately \$163,000. Public safety expenses increased by approximately \$1,995,000 due to increases in ambulance fees of approximately \$194,000 and increases in OPEB-related expenditures of approximately \$1,518,000. Public works expenses increased by approximately \$558,000 because OPEB-related expenditures increased by approximately \$248,000 and depreciation increased by approximately \$168,000. 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 a decrease in net position of approximately \$39,000 in its business-type activities for the fiscal year ended June 30, 2025.

There were no significant changes to the statement of net position.

Significant changes in the statement of activities include an increase in revenue of approximately \$328,000 and an increase in expenses of \$412,000, resulting primarily from increased water and sewer charges from the Great Lakes Water Authority that were passed through to city customers through an increase in city rates.

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 an increase in fund balance of approximately \$261,000.

Revenue in the General Fund increased by approximately \$562,000 in the current year. Significant increases and decreases relate to the following:

Property taxes increased by approximately \$304,000 due to a 6.6 percent increase in taxable value. Of the 6.6 percent increase, 5 percent related to an inflationary increase.

Expenditures in the General Fund increased by approximately \$301,000 in the current year. Significant increases and decreases include the following:

General government increased by approximately \$336,980 due primarily to a reclassification of an employee position from community and economic development to general government.

District court decreased by approximately \$116,000 due to a decrease in the required contribution percentage.

Public safety increased by approximately \$565,000 due to increases of \$194,000 for ambulance services, approximately \$257,000 in salaries and related expenses for hiring of new officers, approximately \$33,000 in code enforcement, and approximately \$30,000 in capital outlay.

Public works increased by approximately \$193,000 primarily due to many small inflationary increases across multiple departments.

Community and economic development decreased by approximately \$224,000 due to the reclassification of an employee position to general government.

Debt service decreased by approximately \$405,000 due to the payoff of an installment purchase agreement in 2024.

Capital Improvement Millage Fund

The Capital Improvement Millage Fund expenditures exceeded revenue by approximately \$601,000. Expenditures exceeded revenue because the City is using resources to complete significant projects. Significant projects completed included capital improvements to the Governor Warner Mansion (\$53,000), a salt dome (\$521,000), a new fire truck (\$946,000), and two fitness courts (\$437,000).

General Operating Fund Budgetary Highlights

Actual revenue was under budget by approximately \$10,000. Significant variances include the following: state-shared revenue and grants were under budget by approximately \$42,000 primarily due to \$36,000 in master plan grant moneys not yet received. Other miscellaneous income was under budget by approximately \$32,000 due primarily to lower than anticipated net asset distribution from the City's general liability insurance carrier.

The original budget was amended to include an increase in revenue of approximately \$267,000. This increase is composed primarily of an increase in state-shared revenue and grants of approximately \$172,000 due to an increase for public safety CPE training (\$21,000), public safety academy assistance (\$64,000), election grants (\$15,000), and a master plan grant (\$45,000).

Actual expenditures were under budget by approximately \$471,000. Significant positive budget variances resulted from the following: public safety was under budget by approximately \$283,000 primarily due to an open code enforcement position (\$50,000), delayed capital expenditures (\$40,000), and unspent training funds (\$36,000).

The original budget was amended to include an increase in budgeted expenditures of approximately \$239,000. Significant changes in budgeted expenditures include an increase in general government of approximately \$199,000 related to a reclassification of an employee position from community and economic development to general government.

Capital Assets and Debt Administration

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

- Road repair (\$162,000)
- Sidewalks (\$369,000)
- Public safety vehicles and equipment (\$1,129,000)
- City hall and DPW building improvements (\$158,000)
- DPW vehicles and equipment (\$364,450)

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

- Water and sewer line improvements (\$564,000)

Economic Factors and Next Year's Budgets and Rates

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 0.8171 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 53.3 percent of the City's General Fund revenue. Taxable value (TV) increased by 6.6 percent in the City. For the upcoming fiscal year, taxable value will increase by 4.3 percent, and the City anticipates taxable value growth into the foreseeable future. Several factors that will have a positive impact on taxable value include the construction of 53 new townhomes, which are currently under construction; construction of a 30-unit apartment building, which will break ground in the 2025/2026 fiscal year; and the construction of a fiber network by a private company valued at \$15,000,000, which is nearing completion in the current fiscal year.

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 67.2 percent based on the most recent actuarial valuation dated December 31, 2024. This is a decrease of 0.6 percentage points over the prior year. The decrease is the result of plan experience differences.

The City is also impacted by its retiree health care obligations. Currently, the system is funded at 97.6 percent based on the most recent actuarial valuation with a measurement date of June 30, 2025. This is a decrease of 16.6 percentage points from the prior year. The reason for the decrease is a greater than anticipated increase in health care premiums. In order to provide a degree of budget stability, the City issued bonds in 2013 to fund its retiree health care obligations. 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.

June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 11,287,087	\$ 993,289	\$ 12,280,376	\$ 783,956
Receivables (Note 4)	1,312,085	1,638,056	2,950,141	621,182
Internal balances (Note 6)	163,418	(163,418)	-	-
Inventory	21,152	97,343	118,495	-
Prepaid expenses and other assets	128,054	500	128,554	6,980
Restricted assets	561,101	-	561,101	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,540,386	433,710	3,974,096	514,114
Assets subject to depreciation - Net	25,633,043	17,505,765	43,138,808	1,259,015
Total assets	42,646,326	20,505,245	63,151,571	3,185,247
Deferred Outflows of Resources				
Deferred charges on bond refunding	478,018	57,339	535,357	-
Deferred pension costs (Note 9)	2,159,489	280,500	2,439,989	-
Deferred OPEB costs (Note 10)	393,050	14,958	408,008	-
Total deferred outflows of resources	3,030,557	352,797	3,383,354	-
Liabilities				
Accounts payable	1,304,016	396,233	1,700,249	635,874
Due to other governmental units	-	703	703	-
Refundable deposits	286,519	512	287,031	-
Accrued liabilities and other	443,202	53,877	497,079	112,569
Unearned revenue	686,693	-	686,693	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	186,654	39,442	226,096	4,708
Current portion of long-term debt (Note 7)	1,128,250	421,750	1,550,000	-
Due in more than one year:				
Compensated absences (Note 7)	148,051	1,653	149,704	1,792
Net pension liability (Note 9)	10,194,910	1,324,233	11,519,143	-
Net OPEB liability (Note 10)	246,656	9,386	256,042	-
Long-term debt (Note 7)	8,880,500	3,540,800	12,421,300	-
Total liabilities	23,505,451	5,788,589	29,294,040	754,943
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 10)	82,450	3,130	85,580	-
Net Position				
Net investment in capital assets	25,146,431	14,330,514	39,476,945	1,773,129
Restricted:				
Roads	2,395,926	-	2,395,926	-
Drug forfeiture	85,758	-	85,758	-
Grants	32,376	-	32,376	-
Opioid settlement	136,821	-	136,821	-
Unrestricted	(5,708,330)	735,809	(4,972,521)	657,175
Total net position	\$ 22,088,982	\$ 15,066,323	\$ 37,155,305	\$ 2,430,304

City of Farmington, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,451,509	\$ 321,238	\$ 14,953	\$ -
District court	520,693	316,128	-	-
Public safety	6,575,741	603,756	378,241	787,386
Public works	3,779,869	982,803	1,668,296	420,553
Health and welfare	7,749	-	-	-
Community and economic development	144,778	73,498	21,900	-
Recreation and culture	1,047,530	129,209	25,931	353,145
Interest on long-term debt	347,426	-	-	-
Total governmental activities	14,875,295	2,426,632	2,109,321	1,561,084
Business-type activities:				
Water and Sewer	5,717,169	5,689,685	-	-
Farmington Community Theater	538,801	363,379	-	-
Total business-type activities	6,255,970	6,053,064	-	-
Total primary government	<u><u>\$ 21,131,265</u></u>	<u><u>\$ 8,479,696</u></u>	<u><u>\$ 2,109,321</u></u>	<u><u>\$ 1,561,084</u></u>
Component units:				
Downtown Development Authority	\$ 955,188	\$ 176,335	\$ 217,329	\$ 617,050
Brownfield Redevelopment Authority	625,544	-	6,047	600,924
Corridor Improvement Authority	19,543	-	-	7,300
Total component units	<u><u>\$ 1,600,275</u></u>	<u><u>\$ 176,335</u></u>	<u><u>\$ 223,376</u></u>	<u><u>\$ 1,225,274</u></u>
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				

Statement of Activities

Year Ended June 30, 2025

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,115,318)	\$ -	\$ (2,115,318)	\$ -
(204,565)	-	(204,565)	-
(4,806,358)	-	(4,806,358)	-
(708,217)	-	(708,217)	-
(7,749)	-	(7,749)	-
(49,380)	-	(49,380)	-
(539,245)	-	(539,245)	-
(347,426)	-	(347,426)	-
(8,778,258)	-	(8,778,258)	-
-	(27,484)	(27,484)	-
-	(175,422)	(175,422)	-
-	(202,906)	(202,906)	-
(8,778,258)	(202,906)	(8,981,164)	-
-	-	-	55,526
-	-	-	(18,573)
-	-	-	(12,243)
-	-	-	24,710
8,247,456	-	8,247,456	720,334
1,410,370	-	1,410,370	8,357
128,237	-	128,237	-
611,026	63,645	674,671	42,413
127,702	-	127,702	-
9,100	-	9,100	-
233,519	-	233,519	-
10,767,410	63,645	10,831,055	771,104
(100,000)	100,000	-	-
1,889,152	(39,261)	1,849,891	795,814
20,199,830	15,105,584	35,305,414	1,634,490
\$ 22,088,982	\$ 15,066,323	\$ 37,155,305	\$ 2,430,304

City of Farmington, Michigan

Governmental Funds Balance Sheet

June 30, 2025

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,755,702	\$ 1,896,260	\$ 3,220,365	\$ 9,872,327
Receivables	613,921	378,580	315,392	1,307,893
Advances to other funds (Note 6)	154,000	-	-	154,000
Inventory	21,152	-	-	21,152
Prepaid expenses and other assets	11,666	32,251	5,000	48,917
Restricted assets	-	561,101	-	561,101
Total assets	\$ 5,556,441	\$ 2,868,192	\$ 3,540,757	\$ 11,965,390
Liabilities				
Accounts payable	\$ 353,126	\$ 689,598	\$ 78,285	\$ 1,121,009
Due to other funds (Note 6)	9,346	-	5,525	14,871
Refundable deposits	286,519	-	-	286,519
Accrued liabilities and other	383,305	481	9,533	393,319
Unearned revenue	252,475	434,218	-	686,693
Total liabilities	1,284,771	1,124,297	93,343	2,502,411
Deferred Inflows of Resources - Unavailable revenue	-	378,472	96,453	474,925
Fund Balances				
Nonspendable - Inventory, prepaid expenses, and advances to other funds	186,818	32,251	5,000	224,069
Restricted:				
Roads	-	-	2,390,926	2,390,926
Grants and donations	32,376	-	-	32,376
Capital projects	-	561,101	-	561,101
Opioid settlement	-	-	40,368	40,368
Drug forfeiture	85,758	-	-	85,758
Committed - Capital projects	-	772,071	-	772,071
Assigned:				
Other	548,593	-	-	548,593
Debt service	-	-	87,355	87,355
Cemetery	46,259	-	-	46,259
Capital projects	-	-	827,312	827,312
Unassigned	3,371,866	-	-	3,371,866
Total fund balances	4,271,670	1,365,423	3,350,961	8,988,054
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,556,441	\$ 2,868,192	\$ 3,540,757	\$ 11,965,390

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2025

Fund Balances Reported in Governmental Funds	\$ 8,988,054
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)	27,605,107
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	474,925
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	(9,530,732)
Accrued interest is not due and payable in the current period and is not reported in the funds	(29,893)
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	(7,818,675)
Retiree health care benefits	63,944
Internal service funds are included as part of governmental activities	<u>2,336,252</u>
Net Position of Governmental Activities	<u><u>\$ 22,088,982</u></u>

City of Farmington, Michigan

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

Year Ended June 30, 2025

	General Fund	Capital Improvement Millage Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 6,585,872	\$ 875,204	\$ 786,380	\$ 8,247,456
Intergovernmental:				
Federal grants	546,893	-	-	546,893
State-shared revenue and grants	1,698,186	24,117	1,460,586	3,182,889
Local grants and contributions	-	1,003,145	-	1,003,145
Charges for services	2,196,544	-	-	2,196,544
Fines and forfeitures	344,404	-	-	344,404
Licenses and permits	387,953	-	-	387,953
Investment income	361,525	123,856	125,645	611,026
Other miscellaneous income	246,258	104,222	113,282	463,762
Total revenue	12,367,635	2,130,544	2,485,893	16,984,072
Expenditures				
Current services:				
General government	2,592,183	200,500	-	2,792,683
District court	520,693	-	-	520,693
Public safety	5,340,822	945,899	-	6,286,721
Public works	1,734,042	593,590	1,263,431	3,591,063
Health and welfare	7,749	-	-	7,749
Community and economic development	144,778	-	-	144,778
Recreation and culture	931,151	587,524	-	1,518,675
Debt service:				
Principal	-	320,000	769,500	1,089,500
Interest on long-term debt	-	84,360	201,672	286,032
Total expenditures	11,271,418	2,731,873	2,234,603	16,237,894
Excess of Revenue Over (Under) Expenditures	1,096,217	(601,329)	251,290	746,178
Other Financing Sources (Uses)				
Transfers in	-	-	1,101,915	1,101,915
Transfers out	(835,624)	-	(366,291)	(1,201,915)
Total other financing (uses) sources	(835,624)	-	735,624	(100,000)
Net Change in Fund Balances	260,593	(601,329)	986,914	646,178
Fund Balances - Beginning of year	4,011,077	1,966,752	2,364,047	8,341,876
Fund Balances - End of year	<u>\$ 4,271,670</u>	<u>\$ 1,365,423</u>	<u>\$ 3,350,961</u>	<u>\$ 8,988,054</u>

Governmental Funds

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

Year Ended June 30, 2025

Net Change in Fund Balances Reported in Governmental Funds	\$ 646,178
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	3,019,466
Depreciation expense	(1,714,911)
Net book value of assets disposed of	(40,526)
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	370,551
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	1,025,049
Interest expense is recognized in the government-wide statements as it accrues	3,057
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)	(1,644,052)
Internal service funds are included as part of governmental activities	224,340
Change in Net Position of Governmental Activities	<u>\$ 1,889,152</u>

Proprietary Funds Statement of Net Position

June 30, 2025

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 971,591	\$ 21,698	\$ 993,289	\$ 1,414,760
Receivables	1,633,847	4,209	1,638,056	4,192
Due from other funds	-	-	-	24,289
Inventory	90,679	6,664	97,343	-
Prepaid expenses and other assets	-	500	500	79,137
Total current assets	2,696,117	33,071	2,729,188	1,522,378
Noncurrent assets - Capital assets:				
Assets not subject to depreciation	340,825	92,885	433,710	-
Assets subject to depreciation - Net	17,044,488	461,277	17,505,765	1,568,322
Total noncurrent assets	17,385,313	554,162	17,939,475	1,568,322
Total assets	20,081,430	587,233	20,668,663	3,090,700
Deferred Outflows of Resources				
Deferred charges on bond refunding	57,339	-	57,339	-
Deferred pension costs	280,500	-	280,500	58,249
Deferred OPEB costs	14,958	-	14,958	-
Total deferred outflows of resources	352,797	-	352,797	58,249
Liabilities				
Current liabilities:				
Accounts payable	376,816	19,417	396,233	183,007
Due to other governmental units	-	703	703	-
Due to other funds	9,418	-	9,418	-
Refundable deposits	-	512	512	-
Accrued liabilities and other	46,423	7,454	53,877	19,990
Compensated absences	38,574	868	39,442	186,654
Current portion of long-term debt	421,750	-	421,750	-
Total current liabilities	892,981	28,954	921,935	389,651
Noncurrent liabilities:				
Advances from other funds	-	154,000	154,000	-
Compensated absences	1,378	275	1,653	148,051
Net pension liability	1,324,233	-	1,324,233	274,995
Net OPEB liability	9,386	-	9,386	-
Long-term debt	3,540,800	-	3,540,800	-
Total noncurrent liabilities	4,875,797	154,275	5,030,072	423,046
Total liabilities	5,768,778	183,229	5,952,007	812,697
Deferred Inflows of Resources - Deferred OPEB cost reductions	3,130	-	3,130	-
Net Position				
Net investment in capital assets	13,776,352	554,162	14,330,514	1,568,322
Unrestricted	885,967	(150,158)	735,809	767,930
Total net position	\$ 14,662,319	\$ 404,004	\$ 15,066,323	\$ 2,336,252

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

Year Ended June 30, 2025

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Farmington Community Theater	Total	Proprietary Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,436,535	\$ -	\$ 2,436,535	\$ -
Sewage disposal charges	3,064,173	-	3,064,173	-
Fees	-	357,219	357,219	-
Other income	188,977	6,160	195,137	13,314
Service charges	-	-	-	881,116
Total operating revenue	5,689,685	363,379	6,053,064	894,430
Operating Expenses				
Source of supply	2,845,430	-	2,845,430	-
Administration and general	1,060,658	497,692	1,558,350	-
Transmission, distribution, and maintenance	1,020,576	-	1,020,576	-
Insurance costs	-	-	-	168,593
Fleet maintenance	-	-	-	404,477
Depreciation	686,333	34,949	721,282	147,179
Total operating expenses	5,612,997	532,641	6,145,638	720,249
Operating Income (Loss)	76,688	(169,262)	(92,574)	174,181
Nonoperating Revenue (Expense)				
Investment income	61,887	1,758	63,645	54,831
Interest expense	(104,172)	(6,160)	(110,332)	-
Loss on sale of assets	-	-	-	(4,672)
Total nonoperating (expense) revenue	(42,285)	(4,402)	(46,687)	50,159
Transfers In	-	100,000	100,000	-
Change in Net Position	34,403	(73,664)	(39,261)	224,340
Net Position - Beginning of year	14,627,916	477,668	15,105,584	2,111,912
Net Position - End of year	<u>\$ 14,662,319</u>	<u>\$ 404,004</u>	<u>\$ 15,066,323</u>	<u>\$ 2,336,252</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2025

	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	\$ 5,777,919	\$ 370,042	\$ 6,147,961	\$ 893,461
Payments to suppliers	(4,044,270)	(335,193)	(4,379,463)	(289,975)
Payments to employees	(667,461)	(160,241)	(827,702)	(103,801)
Internal activity - Receipts from (payments to) other funds	20,096	(2,635)	17,461	-
Net cash and cash equivalents provided by (used in) operating activities	1,086,284	(128,027)	958,257	499,685
Cash Flows Provided by Noncapital Financing Activities				
- Transfers from other funds	-	100,000	100,000	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(706,777)	(5,872)	(712,649)	(349,450)
Principal and interest paid on capital debt	(465,586)	(6,160)	(471,746)	-
Net cash and cash equivalents used in capital and related financing activities	(1,172,363)	(12,032)	(1,184,395)	(349,450)
Cash Flows Provided by Investing Activities - Interest received on investments	61,887	1,758	63,645	54,831
Net (Decrease) Increase in Cash and Cash Equivalents	(24,192)	(38,301)	(62,493)	205,066
Cash and Cash Equivalents - Beginning of year	995,783	59,999	1,055,782	1,209,694
Cash and Cash Equivalents - End of year	<u>\$ 971,591</u>	<u>\$ 21,698</u>	<u>\$ 993,289</u>	<u>\$ 1,414,760</u>
Classification of Cash and Cash Equivalents	<u>\$ 971,591</u>	<u>\$ 21,698</u>	<u>\$ 993,289</u>	<u>\$ 1,414,760</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities				
Operating income (loss)	\$ 76,688	\$ (169,262)	\$ (92,574)	\$ 174,181
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:				
Depreciation	686,333	34,949	721,282	147,179
Changes in assets and liabilities:				
Receivables	88,234	6,663	94,897	-
Due to and from other funds	20,096	(2,635)	17,461	(4,554)
Inventories	17,153	(173)	16,980	-
Prepaid and other assets	-	-	-	(22,615)
Net OPEB liability	58,008	-	58,008	-
Accounts payable	45,456	874	46,330	176,239
Net pension liability	108,781	-	108,781	69,974
Deferrals related to pension or OPEB	(24,337)	-	(24,337)	(13,446)
Accrued and other liabilities	9,872	1,557	11,429	(30,858)
Unearned revenue	-	-	-	3,585
Total adjustments	1,009,596	41,235	1,050,831	325,504
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 1,086,284</u>	<u>\$ (128,027)</u>	<u>\$ 958,257</u>	<u>\$ 499,685</u>

The Evergreen-Farmington Sanitary Drain Drainage District issued debt on behalf of the City's Water and Sewer Fund in the amount of \$42,295, which was used to invest in the drainage district.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2025

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Assets				
Cash and cash equivalents	\$ 339,093	\$ 14,764	\$ 1,434,778	\$ 1,788,635
Investments:				
Mutual funds - Equity	1,399,909	-	-	1,399,909
Common stock	4,973,726	-	-	4,973,726
Mutual funds - Fixed income	1,792,891	-	-	1,792,891
Corporate bonds	250,908	-	-	250,908
Real estate	656,672	-	-	656,672
Private equity	518,391	-	-	518,391
Government securities	327,139	-	-	327,139
Receivables	1,084	-	-	1,084
Total assets	10,259,813	14,764	1,434,778	11,709,355
Net Position				
Restricted:				
Postemployment benefits other than pension	10,259,813	-	-	10,259,813
Organizations and other governments	-	14,764	1,434,778	1,449,542
Total net position	<u><u>\$ 10,259,813</u></u>	<u><u>\$ 14,764</u></u>	<u><u>\$ 1,434,778</u></u>	<u><u>\$ 11,709,355</u></u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

	Retiree Health Care Fund	Private Purpose Trust Fund - Cemetery Trust Fund	Custodial Funds	Total Fiduciary Funds
Additions				
Investment income:				
Interest and dividends	\$ 341,609	\$ -	\$ -	\$ 341,609
Net realized and unrealized gain on investments	616,195	-	-	616,195
Less investment expense	(38,968)	-	-	(38,968)
Net investment income	918,836	-	-	918,836
Property tax collections	-	-	13,820,242	13,820,242
Other additions	-	14,764	41,595	56,359
District court collections	-	-	4,106,679	4,106,679
Total additions - Net	918,836	14,764	17,968,516	18,902,116
Deductions				
Insurance costs	393,888	-	-	393,888
Administrative expenses	25,430	-	-	25,430
Tax distributions to other governments	-	-	13,820,242	13,820,242
Other deductions	-	-	31,742	31,742
District court disbursements	-	-	3,828,554	3,828,554
Total deductions	419,318	-	17,680,538	18,099,856
Net Increase in Fiduciary Net Position	499,518	14,764	287,978	802,260
Net Position - Beginning of year	9,760,295	-	1,146,800	10,907,095
Net Position - End of year	\$ 10,259,813	\$ 14,764	\$ 1,434,778	\$ 11,709,355

City of Farmington, Michigan

Component Units Statement of Net Position

June 30, 2025

	Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets				
Cash and cash equivalents	\$ 453,211	\$ 40,578	\$ 290,167	\$ 783,956
Receivables	15,457	600,924	4,801	621,182
Prepaid expenses and other assets	6,980	-	-	6,980
Capital assets:				
Assets not subject to depreciation	514,114	-	-	514,114
Assets subject to depreciation - Net	1,259,015	-	-	1,259,015
Total assets	2,248,777	641,502	294,968	3,185,247
Liabilities				
Accounts payable	30,150	600,924	4,800	635,874
Accrued liabilities and other	106,497	-	6,072	112,569
Noncurrent liabilities:				
Due within one year	4,708	-	-	4,708
Due in more than one year	1,792	-	-	1,792
Total liabilities	143,147	600,924	10,872	754,943
Net Position				
Net investment in capital assets	1,773,129	-	-	1,773,129
Unrestricted	332,501	40,578	284,096	657,175
Total net position	<u>\$ 2,105,630</u>	<u>\$ 40,578</u>	<u>\$ 284,096</u>	<u>\$ 2,430,304</u>

City of Farmington, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 955,188	\$ 176,335	\$ 217,329	\$ 617,050
Brownfield Redevelopment Authority	625,544	-	6,047	600,924
Corridor Improvement Authority	19,543	-	-	7,300
Total component units	\$ 1,600,275	\$ 176,335	\$ 223,376	\$ 1,225,274

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, 2025

Net Revenue (Expense) and Changes in Net Position			
Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ 55,526	\$ -	\$ -	\$ 55,526
-	(18,573)	-	(18,573)
-	-	(12,243)	(12,243)
55,526	(18,573)	(12,243)	24,710
607,683	36,074	76,577	720,334
8,357	-	-	8,357
28,844	1,895	11,674	42,413
644,884	37,969	88,251	771,104
700,410	19,396	76,008	795,814
1,405,220	21,182	208,088	1,634,490
\$ 2,105,630	\$ 40,578	\$ 284,096	\$ 2,430,304

June 30, 2025

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 five 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 six 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 13.55 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 \$16,094 for the year ended June 30, 2025. 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.

June 30, 2025

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.

June 30, 2025**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.

June 30, 2025

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 an advance-funded federal grant award from the American Rescue Plan, as well as advance funding on other 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 and other postemployment 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.

June 30, 2025

Note 1 - Significant Accounting Policies (Continued)

The City reports deferred inflows related to unavailable revenue 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 2024 property tax revenue was levied and collectible on July 1, 2024 and is recognized as revenue in the year ended June 30, 2025 when the proceeds of the levy are budgeted and available for the financing of operations.

June 30, 2025**Note 1 - Significant Accounting Policies (Continued)**

The 2024 taxable valuation of the City totaled \$466 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 13.600 mills for general operating purposes, 0.400 mills for capital improvements, 1.3975 mills for street improvements and maintenance, 2.8171 mills for operations and capital, and 1.7716 mills for operating the Authority. This resulted in approximately \$5,955,000 for general operating, \$175,000 for capital improvements, \$612,000 for street improvements and maintenance, \$1,233,000 for operations and capital, and \$53,000 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. In the government-wide and proprietary fund financial statements, a portion of the vacation pay and compensated time off is accrued when incurred for the amount that would be paid out or used as leave. 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 Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating 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.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 101, *Compensated Absences*. As a result, the liability for compensated absences in the statements of net position throughout have been calculated to comply with this new pronouncement. The impact was not material, and, therefore, the net position as of July 1, 2024 has not changed.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2026.

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 20 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.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2025 has not been calculated.

June 30, 2025

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

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 is 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, 2024		\$	(1,284,707)
Current year permit revenue			387,953
Related expenses:			
Direct costs	\$	339,532	
Estimated indirect costs		33,953	373,485
Current year surplus			14,468
Cumulative shortfall at June 30, 2025		\$	(1,270,239)

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 \$256,784 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$175,128 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, 2025, the City's investments in the Oakland County Local Government Investment Pool, Michigan CLASS investment pool, and Comerica J Fund were \$1,017,452, \$6,713,845, and \$5,089,520, 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	Weighted-average Maturity (Years)
Fiduciary Funds		
Mutual funds - Fixed income	\$ 1,792,891	3.39
Corporate bonds	250,908	3.99
Government securities	327,139	4.36
Total	<u>\$ 2,370,938</u>	

June 30, 2025

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, 2025, 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	\$ 1,792,891	Not rated	Not rated
Corporate bonds	250,908	A2-BAA2	Moody's
Government securities	327,139	Not rated - AAA	Moody's
Total	\$ 2,370,938		

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.

June 30, 2025

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2025:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2025				
	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, 2025
Assets				
Debt securities:				
Mutual funds - Fixed income	\$ 1,792,891	\$ -	\$ -	\$ 1,792,891
Corporate bonds	-	250,908	-	250,908
Government securities	327,139	-	-	327,139
Equity securities:				
Mutual funds - Equity	1,399,909	-	-	1,399,909
Stocks	4,973,726	-	-	4,973,726
Private equity	-	-	518,391	518,391
Total equity securities	6,373,635	-	518,391	6,892,026
Total	\$ 8,493,665	\$ 250,908	\$ 518,391	9,262,964
Investments measured at NAV:				
Michigan CLASS investment pool				6,713,845
Oakland County Local Government Investment Pool				1,017,452
Comerica J Fund				5,089,520
Real estate funds				656,672
Total investments measured at NAV				13,477,489
Total assets				\$ 22,740,453

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, 2025, 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	\$ 6,713,845	\$ -	No restrictions	None
Oakland County Local Government Investment Pool	1,017,452	-	No restrictions	None
Real estate funds	656,672	-	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 Treasuries 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 \$5,089,520 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.

June 30, 2025

Note 4 - Receivables

Receivables as of June 30, 2025 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	\$ 38,870	\$ 3,249	\$ -	\$ -	\$ 42,119
Other receivables	-	-	96,453	-	96,453
Due from other governmental units	519,878	378,513	218,939	-	1,117,330
Interest and other	91,719	68	-	4,192	95,979
Allowance for doubtful accounts	(36,546)	(3,250)	-	-	(39,796)
Net receivables	<u>\$ 613,921</u>	<u>\$ 378,580</u>	<u>\$ 315,392</u>	<u>\$ 4,192</u>	<u>\$ 1,312,085</u>

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	\$ 212,220	\$ -	\$ 212,220
Customer receivables	1,402,666	-	1,402,666
Intergovernmental	6,163	-	6,163
Interest and other	12,798	4,209	17,007
Total receivables	<u>\$ 1,633,847</u>	<u>\$ 4,209</u>	<u>\$ 1,638,056</u>
			Component Units
Other			\$ 16,529
Due from other governmental units			604,652
Property taxes receivable			34,839
Allowance for doubtful accounts			(34,838)
Total			<u>\$ 621,182</u>

June 30, 2025

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 2,100,552	\$ -	\$ -	\$ -	\$ 2,100,552
Construction in progress	4,858,344	(4,685,566)	1,267,056	-	1,439,834
Subtotal	6,958,896	(4,685,566)	1,267,056	-	3,540,386
Capital assets being depreciated:					
County roads	391,690	-	-	-	391,690
Flowage rights	946,170	-	-	-	946,170
Infrastructure	33,122,815	4,685,566	435,412	(62,347)	38,181,446
Buildings and improvements	4,748,544	-	158,346	-	4,906,890
Equipment and other	2,277,720	-	210,498	(193,456)	2,294,762
Vehicles	2,856,869	-	1,297,604	(42,043)	4,112,430
Court building	1,687,748	-	-	-	1,687,748
Subtotal	46,031,556	4,685,566	2,101,860	(297,846)	52,521,136
Accumulated depreciation:					
County roads	274,181	-	13,056	-	287,237
Flowage rights	946,170	-	-	-	946,170
Infrastructure	17,876,808	-	1,282,608	(21,821)	19,137,595
Buildings and improvements	2,811,149	-	112,489	-	2,923,638
Equipment and other	1,211,908	-	62,142	(188,784)	1,085,266
Vehicles	1,449,579	-	358,040	(42,043)	1,765,576
Court building	708,856	-	33,755	-	742,611
Subtotal	25,278,651	-	1,862,090	(252,648)	26,888,093
Net capital assets being depreciated	20,752,905	4,685,566	239,770	(45,198)	25,633,043
Net governmental activities capital assets	\$ 27,711,801	\$ -	\$ 1,506,826	\$ (45,198)	\$ 29,173,429

June 30, 2025

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 174,009	\$ -	\$ -	\$ -	\$ 174,009
Construction in progress	392,418	(207,616)	74,899	-	259,701
Subtotal	566,427	(207,616)	74,899	-	433,710
Capital assets being depreciated:					
Water and sewer mains	34,015,827	93,416	563,983	-	34,673,226
Water storage tank	224,377	-	-	-	224,377
Water meters	703,327	-	14,894	-	718,221
Building	2,235,636	106,486	45,403	-	2,387,525
Truck and tractors	67,044	-	-	-	67,044
Office equipment	685,471	7,714	13,470	-	706,655
Subtotal	37,931,682	207,616	637,750	-	38,777,048
Accumulated depreciation:					
Water and sewer mains	18,047,899	-	602,186	-	18,650,085
Water storage tank	122,023	-	11,375	-	133,398
Water meters	248,037	-	35,211	-	283,248
Building	1,490,014	-	53,510	-	1,543,524
Truck and tractors	67,043	-	-	-	67,043
Office equipment	574,985	-	19,000	-	593,985
Subtotal	20,550,001	-	721,282	-	21,271,283
Net capital assets being depreciated	17,381,681	207,616	(83,532)	-	17,505,765
Net business-type activities capital assets	<u>\$ 17,948,108</u>	<u>\$ -</u>	<u>\$ (8,633)</u>	<u>\$ -</u>	<u>\$ 17,939,475</u>

June 30, 2025

Note 5 - Capital Assets (Continued)**Component Units**

	Balance July 1, 2024	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 460,580	\$ -	\$ -	\$ -	\$ 460,580
Construction in progress	52,695	(52,695)	53,534	-	53,534
Subtotal	513,275	(52,695)	53,534	-	514,114
Capital assets being depreciated:					
Green area	332,970	-	-	(15,766)	317,204
Office equipment	27,772	-	-	-	27,772
Land improvements	735,821	52,695	663,582	-	1,452,098
Subtotal	1,096,563	52,695	663,582	(15,766)	1,797,074
Accumulated depreciation:					
Green area	324,382	-	1,457	(15,766)	310,073
Office equipment	23,197	-	1,144	-	24,341
Land improvements	190,584	-	13,061	-	203,645
Subtotal	538,163	-	15,662	(15,766)	538,059
Net capital assets being depreciated	558,400	52,695	647,920	-	1,259,015
Net capital assets	<u>\$ 1,071,675</u>	<u>\$ -</u>	<u>\$ 701,454</u>	<u>\$ -</u>	<u>\$ 1,773,129</u>

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

Governmental activities:	
General government	\$ 91,905
Public safety	250,836
Public works	1,248,574
Recreation and culture	123,596
Internal service fund (depreciation is charged to the various functions based on their usage of the asset)	147,179
Total governmental activities	<u>\$ 1,862,090</u>
Business-type activities:	
Water and sewer	\$ 686,333
Theater	34,949
Total business-type activities	<u>\$ 721,282</u>
Component unit activities - Downtown Development Authority	\$ 15,662

June 30, 2025

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 - Thomas and School streets	\$ 540	\$ 496,355
Governmental activities - Salt dome	521,121	106,434
Governmental activities - Fitness courts	437,484	35,016
Governmental activities - Crack sealing	28,304	16,696
Business-type activities - Evergreen Farmington Sanitary Drain Drainage District	226,300	163,962
Business-type activities - Thomas and School streets and water and sewer	147,889	128,472
Total	<u>\$ 1,361,638</u>	<u>\$ 946,935</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Internal service fund - DPW Equipment Revolving Fund	General Fund	\$ 9,346
	Nonmajor governmental fund	5,525
	Water and Sewer Fund	<u>9,418</u>
	Total internal service fund - DPW Equipment Revolving Fund	<u>\$ 24,289</u>

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, 2026 and bears interest at 4 percent.

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)	\$ 366,291
General Fund	Nonmajor governmental funds (2)	735,624
	Nonmajor enterprise fund (3)	<u>100,000</u>
	Total General Fund	<u>835,624</u>
	Total	<u>\$ 1,201,915</u>

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

June 30, 2025

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

- (2) The transfer from the General Fund to the nonmajor governmental funds was made to provide for current year debt service payments (2020 Maxfield Training Center Installment Purchase Agreement and Retiree Health Care Funding Bonds).
- (3) 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.

Long-term debt activity for the year ended June 30, 2025 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		\$631,000-					
Maturing through 2033	1.79%- 2.82%	\$912,250	\$ 7,033,250	\$ -	\$ (664,500)	\$ 6,368,750	\$ 688,250
2020 Capital Improvement Bond:							
Amount of issue -							
\$2,000,000		\$120,000-					
Maturing through 2035	2%	\$175,000	1,585,000	-	(160,000)	1,425,000	165,000
2022 Capital Improvement Bonds							
Millage:							
Amount of issue -							
\$3,000,000		\$70,000-					
Maturing through 2037	2.30%- 3.30%	\$305,000	2,480,000	-	(265,000)	2,215,000	275,000
Total bonds and contracts payable			11,098,250	-	(1,089,500)	10,008,750	1,128,250
Compensated absences			343,827	-	(9,122)	334,705	186,654
Total governmental activities long-term debt			\$ 11,442,077	\$ -	\$ (1,098,622)	\$ 10,343,455	\$ 1,314,904

June 30, 2025

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%		\$ 184,005	\$ 42,295	\$ -	\$ 226,300	\$ -
2015 Capital Improvement Bond: Amount of issue - \$1,500,000 Maturing through 2035	3.00%- 3.50%	\$70,000- \$100,000	935,000	-	(75,000)	860,000	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	1,666,750	-	(210,500)	1,456,250	221,750
2020 Capital Improvement Bond: Amount of issue - \$2,000,000 Maturing through 2035	2.00%	\$125,000- \$160,000	1,545,000	-	(125,000)	1,420,000	125,000
Total bonds and contracts payable			4,330,755	42,295	(410,500)	3,962,550	421,750
Compensated absences			35,362	5,733	-	41,095	39,442
Total business-type activities long-term debt			<u>\$ 4,366,117</u>	<u>\$ 48,028</u>	<u>\$ (410,500)</u>	<u>\$ 4,003,645</u>	<u>\$ 461,192</u>

Total interest expense for the year was approximately \$393,000.

Component Units

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 2,602	\$ 3,898	\$ -	\$ 6,500	\$ 4,708

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

June 30, 2025

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
2026	\$ 1,128,250	\$ 259,989	\$ 1,388,239	\$ 421,750	\$ 96,264	\$ 518,014
2027	1,167,000	232,706	1,399,706	428,000	86,489	514,489
2028	1,210,500	203,739	1,414,239	455,735	76,246	531,981
2029	1,258,750	173,299	1,432,049	462,797	65,451	528,248
2030	1,002,250	141,112	1,143,362	479,601	54,372	533,973
2031-2035	3,847,000	318,243	4,165,243	1,627,182	119,417	1,746,599
Thereafter	395,000	19,635	414,635	87,485	3,778	91,263
Total	\$ 10,008,750	\$ 1,348,723	\$ 11,357,473	\$ 3,962,550	\$ 502,017	\$ 4,464,567

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	
	2025	2024
Estimated liability - Beginning of year	\$ 39,707	\$ 73,625
Estimated claims incurred, including changes in estimates	(19,532)	35,506
Claim payments	(4,951)	(69,424)
Estimated liability - End of year	<u>\$ 15,224</u>	<u>\$ 39,707</u>

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.

June 30, 2025**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.

June 30, 2025**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, 2024
Inactive plan members or beneficiaries currently receiving benefits	64
Inactive plan members entitled to but not yet receiving benefits	25
Active plan members	42
Total employees covered by the plan	131

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, 2025, 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, 2025 were set in the December 31, 2023 actuarial valuation and modified through the fiscal year ended June 30, 2025 as benefits were changed. The contribution rates for the year ended June 30, 2025 as a percentage of annual payroll are as follows: nonunion - 30.30 percent; department heads - 59.65 percent; and public safety hired after November 18, 2019 - 11.25 percent. The City contributes \$14,126 per month for the department of public works, \$23,749 per month for the command, and \$26,416 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, 2025 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, 2024 measurement date. The total pension liability was based on the December 31, 2024 actuarial valuation.

June 30, 2025

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, 2023	\$ 33,516,602	\$ 22,713,833	\$ 10,802,769
Changes for the year:			
Service cost	495,584	-	495,584
Interest	2,350,200	-	2,350,200
Differences between expected and actual experience	815,913	-	815,913
Changes in assumptions	8,892	-	8,892
Contributions - Employer	-	1,194,730	(1,194,730)
Contributions - Employee	-	126,468	(126,468)
Net investment income	-	1,682,812	(1,682,812)
Benefit payments, including refunds	(2,063,599)	(2,063,599)	-
Administrative expenses	-	(49,795)	49,795
Net changes	1,606,990	890,616	716,374
Balance at December 31, 2024	<u>\$ 35,123,592</u>	<u>\$ 23,604,449</u>	<u>\$ 11,519,143</u>

The plan's fiduciary net position represents 67.2 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, 2025, the City recognized pension expense of \$1,920,811.

At June 30, 2025, 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	\$ 777,629	\$ -
Changes in assumptions	86,567	-
Net difference between projected and actual earnings on pension plan investments	933,210	-
Employer contributions to the plan subsequent to the measurement date	642,583	-
Total	<u>\$ 2,439,989</u>	<u>\$ -</u>

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 \$642,583 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
2026	\$ 1,028,328
2027	973,897
2028	(188,739)
2029	(16,080)
Total	\$ 1,797,406

Actuarial Assumptions

The total pension liability in the December 31, 2024 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 7.18 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 7.18 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, 2024 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 7.18 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 (6.18%)	Current Discount Rate (7.18%)	1 Percentage Point Increase (8.18%)
Net pension liability of the City	\$ 15,449,200	\$ 11,519,143	\$ 8,210,203

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.

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 services as of July 1, 2009.

Benefits Provided

Under the terms of the MERS HCSP, nonunion, department head, and public safety 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, 2025, the Trust Fund paid postemployment health care premiums of \$393,888. There were no required employee contributions. Plan members are not required to contribute to the Plan.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2025 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2025 measurement date. The June 30, 2025 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2024, which used update procedures to roll forward the estimated liability to June 30, 2025.

June 30, 2025

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB (Asset) Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset) Liability
Balance at July 1, 2024	\$ 8,547,265	\$ 9,760,295	\$ (1,213,030)
Changes for the year:			
Service cost	62,142	-	62,142
Interest	586,697	-	586,697
Differences between expected and actual experience	565,672	-	565,672
Changes in assumptions	1,147,966	-	1,147,966
Net investment income	-	918,835	(918,835)
Benefit payments, including refunds	(393,888)	(393,888)	-
Administrative expenses	-	(25,430)	25,430
Net changes	1,968,589	499,517	1,469,072
Balance at June 30, 2025	<u>\$ 10,515,854</u>	<u>\$ 10,259,812</u>	<u>\$ 256,042</u>

The Plan's fiduciary net position represents 97.57 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, 2025, the City recognized an OPEB expense of \$1,205,919.

At June 30, 2025, 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
Difference between expected and actual experience	\$ 134,684	\$ -
Changes in assumptions	273,324	-
Net difference between projected and actual earnings on OPEB plan investments	-	(85,580)
Total	<u>\$ 408,008</u>	<u>\$ (85,580)</u>

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
2026	\$ 656,074
2027	(169,410)
2028	(114,176)
2029	(50,060)
Total	<u>\$ 322,428</u>

June 30, 2025

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, 2025. 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, 2025 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	5.00
Emerging markets equity	3.00	6.00
Fixed income and preferred	22.00	1.40
Private real estate	5.00	4.30
Private credit	5.00	5.60
Private equity	5.00	9.50
Real assets	5.00	3.60
Cash or cash equivalents	2.00	0.80

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.65 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 Liability to Changes in the Discount Rate

The following presents the net OPEB liability 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	\$ 1,697,882	\$ 256,042	\$ (919,615)

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

The following presents the net OPEB liability 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	\$ (1,019,258)	\$ 256,042	\$ 1,814,038

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 liability, 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.

Assumption Changes

The health care cost trend rates were reset for pre-65 and post-65 medical and drug costs.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,590,579	\$ 6,584,791	\$ 6,585,872	\$ 1,081
Intergovernmental:				
Federal grants	30,357	30,431	32,155	1,724
State-shared revenue and grants	1,568,667	1,740,360	1,698,186	(42,174)
Charges for services	2,196,076	2,195,278	2,196,544	1,266
Fines and forfeitures	360,000	335,000	344,404	9,404
Licenses and permits	313,520	364,655	387,953	23,298
Investment income	228,300	301,201	328,027	26,826
Other miscellaneous income	275,288	278,110	246,258	(31,852)
Total revenue	11,562,787	11,829,826	11,819,399	(10,427)
Expenditures				
Current services:				
General government	2,465,590	2,664,452	2,592,183	72,269
District court	520,694	520,694	520,693	1
Public safety	5,275,462	5,349,709	5,066,703	283,006
Public works	1,474,675	1,520,136	1,493,423	26,713
Health and welfare	7,140	7,749	7,749	-
Community and economic development	251,359	163,166	144,778	18,388
Recreation and culture	993,143	1,001,446	931,151	70,295
Total expenditures	10,988,063	11,227,352	10,756,680	470,672
Excess of Revenue Over Expenditures	574,724	602,474	1,062,719	460,245
Other Financing Sources (Uses)				
Transfers in	232,900	269,100	-	(269,100)
Transfers out	(807,624)	(835,624)	(835,624)	-
Total other financing uses	(574,724)	(566,524)	(835,624)	(269,100)
Net Change in Fund Balance	-	35,950	227,095	191,145
Fund Balance - Beginning of year	3,929,107	3,929,107	3,929,107	-
Fund Balance - End of year	<u>\$ 3,929,107</u>	<u>\$ 3,965,057</u>	<u>\$ 4,156,202</u>	<u>\$ 191,145</u>

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

	Last Ten Plan Years									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 495,584	\$ 449,943	\$ 414,007	\$ 369,531	\$ 396,874	\$ 409,084	\$ 388,664	\$ 384,427	\$ 367,638	\$ 384,742
Interest	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	1,804,775
Changes in benefit terms	-	-	-	(8,182)	(10,200)	(3,847)	-	-	-	-
Differences between expected and actual experience	815,913	701,062	(55,378)	133,677	(78,868)	44,792	(147,213)	16,098	(583,546)	786,640
Changes in assumptions	8,892	241,915	-	1,109,857	1,048,979	807,047	-	-	-	1,027,429
Benefit payments, including refunds	(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)	(1,637,965)
Net Change in Total Pension Liability	1,606,990	1,683,686	725,441	1,937,516	1,651,965	1,516,300	498,894	630,133	4,375	2,365,621
Total Pension Liability - Beginning of year	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	22,502,671
Total Pension Liability - End 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
Plan Fiduciary Net Position										
Contributions - Employer	\$ 1,194,730	\$ 1,120,907	\$ 1,095,663	\$ 968,159	\$ 798,148	\$ 722,843	\$ 670,288	\$ 594,340	\$ 486,144	\$ 586,076
Contributions - Member	126,468	118,933	112,166	105,478	84,216	65,738	60,195	59,397	55,978	56,538
Net investment income (loss)	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	(288,575)
Administrative expenses	(49,795)	(49,143)	(44,448)	(35,165)	(40,476)	(43,428)	(39,523)	(39,689)	(40,522)	(42,719)
Benefit payments, including refunds	(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)	(1,637,965)
Net Change in Plan Fiduciary Net Position	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	(1,326,645)
Plan Fiduciary Net Position - Beginning of year	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	19,816,805
Plan Fiduciary Net Position - End 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
City's Net Pension Liability - Ending	\$ 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	\$ 6,378,132
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.20 %	67.77 %	66.34 %	78.70 %	76.47 %	74.18 %	72.74 %	81.30 %	77.70 %	74.35 %
Covered Payroll	\$ 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	\$ 2,843,843
City's Net Pension Liability as a Percentage of Covered Payroll	329.36 %	333.03 %	358.08 %	214.84 %	234.35 %	234.92 %	244.99 %	165.79 %	202.58 %	224.28 %

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended June 30										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,283,700	\$ 1,111,366	\$ 1,128,146	\$ 1,065,336	\$ 859,627	\$ 756,555	\$ 700,803	\$ 672,235	\$ 545,225	\$ 478,424
Contributions in relation to the actuarially determined contribution	1,283,700	1,111,366	1,128,146	1,065,336	859,627	756,555	700,803	672,235	545,225	478,424
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 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	\$ 2,843,843
Contributions as a Percentage of Covered Payroll	36.70 %	34.26 %	36.75 %	34.54 %	29.35 %	25.02 %	24.22 %	23.37 %	19.92 %	16.82 %

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

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

Last Eight Fiscal Years

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

Required Supplementary Information
Schedule of OPEB Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 43,224	\$ 43,568	\$ 149,489	\$ 152,260	\$ 76,023	\$ 75,363	\$ 233,882	\$ 234,154	\$ 100,742	\$ 104,518
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency	\$ (43,224)	\$ (43,568)	\$ (149,489)	\$ (152,260)	\$ (76,023)	\$ (75,363)	\$ (233,882)	\$ (234,154)	\$ (100,742)	\$ (104,518)
Covered-employee Payroll	\$ 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	15 years
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 7.5 percent, gradually decreasing to 3.5 percent in year 12
Salary increase	3.0 to 9.7 percent
Investment rate of return	7.00 percent - Net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility conditions
Mortality	A version of the sex-distinct Pub-2010 mortality tables

City of Farmington, Michigan

Required Supplementary Information Schedule of OPEB Investment Returns

	Last Eight Fiscal Years Years Ended June 30							
	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return - Net of investment expense	9.65 %	10.59 %	10.32 %	(13.67)%	28.30 %	(1.04)%	3.29 %	8.27 %

June 30, 2025

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	\$ 12,367,635	\$ 11,271,418	\$ (835,624)	\$ 260,593
American Rescue Plan Act	(548,236)	(514,738)	-	(33,498)
Amounts per budget statement	<u>\$ 11,819,399</u>	<u>\$ 10,756,680</u>	<u>\$ (835,624)</u>	<u>\$ 227,095</u>

Pension Information

Changes in Assumptions

- 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

City of Farmington, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Street	Opioid Settlement
Assets				
Cash and investments	\$ 1,046,867	\$ 99,786	\$ 1,118,585	\$ 40,368
Receivables:				
Other receivables	-	-	-	96,453
Due from other governments	156,783	62,129	23	-
Prepaid expenses and other assets	1,000	4,000	-	-
Total assets	<u><u>\$ 1,204,650</u></u>	<u><u>\$ 165,915</u></u>	<u><u>\$ 1,118,608</u></u>	<u><u>\$ 136,821</u></u>
Liabilities				
Accounts payable:				
Accounts payable	\$ 44,867	\$ 32,200	\$ -	\$ -
Retainage payable	327	891	-	-
Due to other funds	2,627	2,898	-	-
Accrued liabilities and other	3,931	5,170	336	-
Total liabilities	51,752	41,159	336	-
Deferred Inflows of Resources - Unavailable revenue	-	-	-	96,453
Total liabilities and deferred inflows of resources	51,752	41,159	336	96,453
Fund Balances				
Nonspendable	1,000	4,000	-	-
Restricted:				
Roads	1,151,898	120,756	1,118,272	-
Opioid settlement	-	-	-	40,368
Assigned:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total fund balances	<u>1,152,898</u>	<u>124,756</u>	<u>1,118,272</u>	<u>40,368</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,204,650</u></u>	<u><u>\$ 165,915</u></u>	<u><u>\$ 1,118,608</u></u>	<u><u>\$ 136,821</u></u>

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2025

Debt Service Funds				Capital Project Fund	Total
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	
\$ 49,373	\$ 3,067	\$ -	\$ 34,915	\$ 827,404	\$ 3,220,365
-	-	-	-	-	96,453
-	-	-	-	4	218,939
-	-	-	-	-	5,000
\$ 49,373	\$ 3,067	\$ -	\$ 34,915	\$ 827,408	\$ 3,540,757
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,067
-	-	-	-	-	1,218
-	-	-	-	-	5,525
-	-	-	-	96	9,533
-	-	-	-	96	93,343
-	-	-	-	-	96,453
-	-	-	-	96	189,796
-	-	-	-	-	5,000
-	-	-	-	-	2,390,926
-	-	-	-	-	40,368
49,373	3,067	-	34,915	-	87,355
-	-	-	-	827,312	827,312
49,373	3,067	-	34,915	827,312	3,350,961
\$ 49,373	\$ 3,067	\$ -	\$ 34,915	\$ 827,408	\$ 3,540,757

City of Farmington, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Street	Opioid Settlement
Revenue				
Property taxes	\$ -	\$ -	\$ 611,508	\$ -
Intergovernmental	1,037,900	410,721	11,965	-
Investment income	39,797	1,424	45,636	1,609
Other miscellaneous income	-	-	-	7,748
Total revenue	1,077,697	412,145	669,109	9,357
Expenditures				
Current services - Public works	526,287	737,144	-	-
Debt service:				
Principal	105,000	-	-	-
Interest on long-term debt	26,013	-	-	-
Total expenditures	657,300	737,144	-	-
Excess of Revenue Over (Under) Expenditures	420,397	(324,999)	669,109	9,357
Other Financing Sources (Uses)				
Transfers in	-	366,291	-	-
Transfers out	(256,534)	-	(109,757)	-
Total other financing (uses) sources	(256,534)	366,291	(109,757)	-
Net Change in Fund Balances	163,863	41,292	559,352	9,357
Fund Balances - Beginning of year	989,035	83,464	558,920	31,011
Fund Balances - End of year	\$ 1,152,898	\$ 124,756	\$ 1,118,272	\$ 40,368

Supplementary Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2025

Debt Service Funds				Capital Project Fund	Total
Grove Street Debt Service	Nonvoted Debt Service	Streetscape Debt Service	Retiree Health Care Funding Bonds	Capital Improvement	
\$ -	\$ -	\$ -	\$ -	\$ 174,872	\$ 786,380
-	-	-	-	-	1,460,586
2,040	127	-	1,411	33,601	125,645
32,733	-	72,801	-	-	113,282
34,773	127	72,801	1,411	208,473	2,485,893
-	-	-	-	-	1,263,431
20,000	-	65,000	579,500	-	769,500
12,483	-	7,801	155,375	-	201,672
32,483	-	72,801	734,875	-	2,234,603
2,290	127	-	(733,464)	208,473	251,290
-	-	-	735,624	-	1,101,915
-	-	-	-	-	(366,291)
-	-	-	735,624	-	735,624
2,290	127	-	2,160	208,473	986,914
47,083	2,940	-	32,755	618,839	2,364,047
\$ 49,373	\$ 3,067	\$ -	\$ 34,915	\$ 827,312	\$ 3,350,961

Supplementary Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2025

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 294,933	\$ 511,735	\$ 608,092	\$ 1,414,760
Receivables	-	-	4,192	4,192
Due from other funds	-	-	24,289	24,289
Prepaid expenses and other assets	79,137	-	-	79,137
Total current assets	374,070	511,735	636,573	1,522,378
Noncurrent assets - Capital assets subject to depreciation	-	-	1,568,322	1,568,322
Total assets	374,070	511,735	2,204,895	3,090,700
Deferred Outflows of Resources - Deferred outflows related to pension	-	-	58,249	58,249
Liabilities				
Current liabilities:				
Accounts payable	-	-	183,007	183,007
Accrued liabilities and other	15,224	-	4,766	19,990
Compensated absences	-	186,654	-	186,654
Total current liabilities	15,224	186,654	187,773	389,651
Noncurrent liabilities:				
Compensated absences	-	148,051	-	148,051
Net pension liability	-	-	274,995	274,995
Total liabilities	15,224	334,705	462,768	812,697
Net Position				
Net investment in capital assets	-	-	1,568,322	1,568,322
Unrestricted	358,846	177,030	232,054	767,930
Total net position	<u><u>\$ 358,846</u></u>	<u><u>\$ 177,030</u></u>	<u><u>\$ 1,800,376</u></u>	<u><u>\$ 2,336,252</u></u>

City of Farmington, Michigan

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

Year Ended June 30, 2025

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Operating Revenue				
Other income	\$ -	\$ 9,122	\$ 4,192	\$ 13,314
Service charges	213,126	80,106	587,884	881,116
Total operating revenue	213,126	89,228	592,076	894,430
Operating Expenses				
Insurance costs	168,593	-	-	168,593
Fleet maintenance	-	-	404,477	404,477
Depreciation	-	-	147,179	147,179
Total operating expenses	168,593	-	551,656	720,249
Operating Income	44,533	89,228	40,420	174,181
Nonoperating Revenue				
Investment income	14,758	17,845	22,228	54,831
Loss on sale of assets	-	-	(4,672)	(4,672)
Total nonoperating revenue	14,758	17,845	17,556	50,159
Change in Net Position	59,291	107,073	57,976	224,340
Net Position - Beginning of year	299,555	69,957	1,742,400	2,111,912
Net Position - End of year	\$ 358,846	\$ 177,030	\$ 1,800,376	\$ 2,336,252

Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2025

	Self-insurance Fund	Employee Accrued Benefits Fund	DPW Equipment Revolving Fund	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 213,126	\$ 89,228	\$ 591,107	\$ 893,461
Payments to suppliers	(215,691)	-	(74,284)	(289,975)
Payments to employees and fringes	-	(9,122)	(94,679)	(103,801)
Net cash and cash equivalents (used in) provided by operating activities	(2,565)	80,106	422,144	499,685
Cash Flows Used in Financing Activities -				
Purchase of capital assets	-	-	(349,450)	(349,450)
Cash Flows Provided by Investing Activities -				
Interest received on investments	14,758	17,845	22,228	54,831
Net Increase in Cash and Cash Equivalents	12,193	97,951	94,922	205,066
Cash and Cash Equivalents - Beginning of year	282,740	413,784	513,170	1,209,694
Cash and Cash Equivalents - End of year	<u><u>\$ 294,933</u></u>	<u><u>\$ 511,735</u></u>	<u><u>\$ 608,092</u></u>	<u><u>\$ 1,414,760</u></u>
Classification of Cash and Cash Equivalents -				
Cash and investments	<u><u>\$ 294,933</u></u>	<u><u>\$ 511,735</u></u>	<u><u>\$ 608,092</u></u>	<u><u>\$ 1,414,760</u></u>
Reconciliation of Operating Income to Net Cash and Cash Equivalents from Operating Activities				
Operating income	\$ 44,533	\$ 89,228	\$ 40,420	\$ 174,181
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:				
Depreciation	-	-	147,179	147,179
Changes in assets and liabilities:				
Receivables	-	-	3,585	3,585
Due to and from other funds	-	-	(4,554)	(4,554)
Prepaid and other assets	(22,615)	-	-	(22,615)
Accounts payable	-	-	176,239	176,239
Net pension liability	-	-	69,974	69,974
Deferrals related to pension	-	-	(13,446)	(13,446)
Accrued and other liabilities	(24,483)	(9,122)	2,747	(30,858)
Total adjustments	(47,098)	(9,122)	381,724	325,504
Net cash and cash equivalents (used in) provided by operating activities	<u><u>\$ (2,565)</u></u>	<u><u>\$ 80,106</u></u>	<u><u>\$ 422,144</u></u>	<u><u>\$ 499,685</u></u>

Supplementary Information
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2025

	Custodial	47th District Court	Tax Collection	Total
Assets - Cash and cash equivalents	\$ 12,635	\$ 1,422,143	\$ -	\$ 1,434,778
Liabilities	-	-	-	-
Net Position - Organizations and other governments	<u>\$ 12,635</u>	<u>\$ 1,422,143</u>	<u>\$ -</u>	<u>\$ 1,434,778</u>

Supplementary Information
Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2025

	Custodial	47th District Court	Tax Collection	Total
Additions				
Property tax collections	\$ -	\$ -	\$ 13,820,242	\$ 13,820,242
Other additions	41,595	-	-	41,595
District court collections	-	4,106,679	-	4,106,679
Total additions	41,595	4,106,679	13,820,242	17,968,516
Deductions				
Tax distributions to other governments	-	-	13,820,242	13,820,242
Other deductions	31,742	-	-	31,742
District court disbursements	-	3,828,554	-	3,828,554
Total deductions	31,742	3,828,554	13,820,242	17,680,538
Net Increase in Fiduciary Net Position	9,853	278,125	-	287,978
Net Position - Beginning of year	2,782	1,144,018	-	1,146,800
Net Position - End of year	\$ 12,635	\$ 1,422,143	\$ -	\$ 1,434,778