



**Special Study Session City Council Meeting
5:30 PM, MONDAY, NOVEMBER 18, 2013
Conference Room A
Farmington City Hall
23600 Liberty St
Farmington, MI 48335**

SPECIAL STUDY SESSION MEETING AGENDA

1. ROLL CALL

Roll Call

2. APPROVAL OF AGENDA

3. PUBLIC COMMENT

**4. PRESENTATION-FISCAL YEAR 2012-13 FINANCIAL REPORT, PLANTE
& MORAN**

1. Fiscal Year 2012-13 Financial Report

5. HISTORIC DISTRICT REGULATIONS

6. OTHER BUSINESS

7. COUNCIL COMMENT

8. ADJOURNMENT

**Farmington City Council
Staff Report****Council Meeting Date:**
November 18, 2013**Reference
Number
(ID # 1420)****Submitted by:** Vincent Pastue, City Manager**Description:** Fiscal Year 2012-13 Financial Report**Requested Action:****Background:**

The City's auditors Plante & Moran will present the annual financial report for the period ending June 30, 2013.

Agenda Review**Review:**

Vincent Pastue Pending
City Manager Pending
City Council Pending



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October 15, 2013

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

We have audited the financial statements of the City of Farmington, Michigan (the "City") as of and for the year ended June 30, 2013 and have issued our report thereon dated October 15, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Honorable Mayor and members of the City Council of the City of Farmington.

Section II presents legislative and informational items that potentially could have an effect on the City of Farmington.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This information is intended solely for the use of the Honorable Mayor and City Council and management of the City of Farmington and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David Helisek".

David H. Helisek

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

October 15, 2013

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 25, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City of Farmington, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 29, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Farmington are described in Note I to the financial statements.

During the current year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of adopting this standard, the only impact on the City's financial statements was that "net assets" have now been relabeled as "net position."

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

October 15, 2013

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements include the liability and expense associated with other postemployment benefits (OPEB) funding and unbilled water and sewer charges. Management's estimate of the long-term cost of retiree healthcare benefits is based on an actuarial valuation in accordance with GASB Statement No. 45. Management estimates the unbilled water and sewer usage at year end using subsequent billings. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 5 - Capital Assets, Note 8 - Long-term Debt, Note 10 - Defined Benefit Pension Plan, and Note 11 - Postemployment Benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule (Attachment I) summarizes uncorrected misstatements of the financial statements which were requested to be recorded. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

October 15, 2013

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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

October 15, 2013

Section II - Legislative and Informational Items

Revenue Sharing

The State's FY 2013/2014 budget agreement has been reached and has put in place new requirements for CIP (County Incentive Program) and EVIP (Economic Vitality Incentive Program) compliance in the coming year. As you will note below, there are changes to each of the three categories with the most dramatic change to the newly titled Category 3: Unfunded Accrued Liability Plan. The agreement also provides for a 4.8 percent increase for CIP and EVIP. Below are the new requirements in effect for the upcoming year:

Category 1 - Accountability and Transparency - Due date 10/1/2013

- Produce a citizens guide, including recognition of unfunded liabilities
- Produce a performance dashboard
- Publish a detail debt service listing which includes, at minimum, the following:
 - Issuance date, issuance amount, type of debt instrument
 - Listing of all revenues pledged to finance debt service by debt instrument
 - Listing of the annual payment amounts
- Publish a projected budget report - Include current and succeeding year and assumptions used
- Note: All four of the above items must be made available in the city, village, township, or county clerk's office or posted on a publicly accessible website. In addition, all items shall be submitted directly to the State Department of Treasury.

Category 2 - Consolidation of Services - Due date 2/1/2014

- Produce a consolidation plan and make it readily available in the city, village, township, or county clerk's office or posted on a publicly accessible website, in addition to submitting it to the State Department of Treasury.
- If first-time filer of a consolidation plan:
 - Include any previous service cooperations, collaborations, consolidations, innovations, or privatizations with an estimated cost savings for each.
 - Include one or more new proposals to increase the level of cooperation, collaboration, consolidation, innovation, or privatization within jurisdiction or with others. The timeline to implement and potential savings are also required.
- For all other than first-time filers:
 - Must include an update on all previous initiatives addressing:
 - Whether the previously proposed plans were fully implemented
 - Barriers experienced in implementing the proposals
 - Estimated timeline of steps to accomplish the proposed plans
 - Include one or more new proposals to increase the level of cooperation, collaboration, consolidation, innovation, or privatization within jurisdiction or with others. The timeline to implement and potential savings are also required.
 - If no new initiatives identified, must address why it is not feasible to enter into any new consolidation efforts

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

October 15, 2013

Category 3 - Unfunded Accrued Liability Plan (UALP) - Due date 6/1/2014

If the most recent audited financial report includes unfunded accrued liabilities for employee pensions or other postemployment benefits, a plan to lower all unfunded accrued liabilities must be completed with the following elements:

- Listing of all previous actions taken to reduce unfunded accrued liabilities. This should include an estimated cost savings.
- Detailed plan of how the previous actions will continue to be implemented and maintained
- A list of additional actions that could be taken
- In the event that no actions have been taken to reduce the liabilities, an explanation as to why this is the case and what potential actions could be taken
- Note that any actuarial assumption changes and issuance of debt do not qualify as a new proposal
- The plan shall be readily available in the city, village, township, or county clerk's office or posted on a publicly accessible website. In addition, the entity should certify with the Department of Treasury that the plan is publicly available.
- If there are no unfunded accrued liabilities, the unit must certify to the Department of Treasury by the deadline and explain why none exist.

Personal Property Tax

The personal property tax was repealed by the passing of several bills during the Legislature's lame duck session in December. This repeal is contingent upon a state-wide vote in August 2014 to allow for a shifting of the use tax to a reimbursement fund. Key provisions of the act phase out the industrial portion of the tax over a nine-year period beginning in 2016. Also, businesses with less than \$40,000 taxable value in industrial and commercial personal property in any jurisdiction would no longer pay the tax. For the July 2013 and December 2013 levies, it will be business as usual and communities will continue to levy as they normally have. However, for the July 2014 levy, this will change. Communities will not be able to levy businesses with less than \$40,000 taxable value in industrial and commercial personal property. If during the state-wide vote in August 2014, the proposed personal property tax legislation fails, for future levies the less than \$40,000 taxable value will no longer be in effect. If this is the case, the communities will not be able to recover the amounts that were not levied in the July 2014 levy for the taxable values less than \$40,000 for industrial and commercial personal property - this will just be lost.

As for the impact on local communities, in short, those local governments that would lose at least 2.3 percent of their property tax base as a result of the changes would be eligible to be reimbursed at 80 percent of the revenue the personal property tax currently provides. This reimbursement would come from the Metropolitan Area Authority, a newly created entity led by five members appointed by the governor. This authority would be responsible for distributing the use tax collections as well as monies generated from expiring tax credits.

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

October 15, 2013

In addition, local governments would have the option to assess a special assessment on industrial property (referred to as essential services assessments). This assessment would not require local voter approval and would reimburse police, fire, ambulance services, and jail operations to ensure they receive 100 percent of the funding that they now get from the personal property tax.

When working through upcoming budgets and longer-term projections, please keep these items in mind. The final act has not yet been published by the State.

The Michigan Municipal League has developed a tool to aid communities in calculating the potential impact of the personal property tax cuts:

<http://www.mml.org/advocacy/inside208/post/PPT-calculation-spreadsheet-available.aspx>

Michigan Qualifying Statement Revisions and Changes to Filing Process

Bulletin 6 was recently issued by the State Department of Treasury and is effective beginning May 1, 2013. The bulletin details out the revisions made to the form, changes in the electronic filing process, and provides information on the new process to submit a reconsideration request.

The qualifying statement is now Form 5047. The new form and link to the online filing are available at www.michigan.gov/municipalfinance. You can also find Bulletin 6 by following this same link.

Several minor changes have been made to the form including the following: additional question asking for the municipality's six-digit municode, information buttons to provide added instruction, and elimination of the requirement to include SEV and population. In addition, changes were made to help ease the completion of the form such as the elimination of certain questions which were duplicative of information that the Department of Treasury already had at its disposal (i.e., audit filing date) as well as separating out compound questions to ease the process of responding to them.

The more significant change, however, is with the electronic filing process. Starting May 1, 2013, there is only one way in which a qualifying statement can be submitted, as follows:

1. The form is now a PDF that can be downloaded and saved. The form is fillable allowing preparers to type in responses and save the form with answers intact.
2. The PDF will be uploaded via the Department of Treasury website. The upload page is www.michigan.gov/municipalfinance. Once you are on the webpage, choose the Online Qualifying Statement link.

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

October 15, 2013

3. The State has a set naming convention that should be used for each uploaded file. The file should be named as follows: municipality's six-digit municode + fiscal year + the words "QStmt" (example: 7830402012QStmt). Please note, the system will only accept one qualifying statement per fiscal year per municipality.
4. Municipalities will not be able to use the same username and password that they used for filings prior to May 1, 2013. The State has directed each municipality to call the Local Audit and Finance Division at (517) 373-3227 to obtain a new username and password.

The bulletin also allows the qualifying statement to be filed by an individual other than the Chief Administrative Officer (CAO) as long as the CAO is made aware and takes full responsibility for the filing. The filer will be asked to indicate whether they are the CAO or the designee at the time the qualifying statement is filed.

4.1.a

Attachment: Plante Moran cover letter (1420 : Fiscal Year 2012-13 Financial Report)

Packet Pg. 11

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

October 15, 2013

Attachment IClient: **City of Farmington, Michigan**
Opinion Unit: **Governmental Activities**
Y/E: **6/30/2013****SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	Bond issuance costs should be capitalized; however, these amounts would be retroactively reversed in accordance with GASB No. 65 implementation next year	\$ 65,020						\$ (65,020)	\$ 65,020
A2									
JUDGMENTAL ADJUSTMENTS:									
B1									
B2									
PROJECTED ADJUSTMENTS:									
C1									
C2									
		-	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
	Combined effect	65,020	-	-	-	-	-	(65,020)	65,020
	Total	\$ 65,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (65,020)	\$ 65,020
PASSED DISCLOSURES:									
D1									
D2									

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

October 15, 2013

Client: **City of Farmington, Michigan**
Opinion Unit: **Business-type Activities**
Y/E: 6/30/2013

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	To capitalize interest paid from the 2011 Capital Improvement Bonds related to the construction of water and sewer lines		\$ 84,113					\$ (84,113)	\$ 84,113
A2									
JUDGMENTAL ADJUSTMENTS:									
B1									
B2									
PROJECTED ADJUSTMENTS:									
C1									
C2									
		\$ -	-	\$ -	\$ -	\$ -	\$ -	-	-
	Combined effect	-	84,113	-	-	-	-	(84,113)	84,113
	Total	\$ -	\$ 84,113	\$ -	\$ -	\$ -	\$ -	\$ (84,113)	\$ 84,113
PASSED DISCLOSURES:									
D1									
D2									

4.1.a

Attachment: Plante Moran cover letter (1420 : Fiscal Year 2012-13 Financial Report)

Packet Pg. 13

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

October 15, 2013

Client: City of Farmington, Michigan
Opinion Unit: Water and Sewer Fund
Y/E: 6/30/2013**SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	To capitalize interest paid from the 2011 Capital Improvement Bonds related to the construction of water and sewer lines		\$ 84,113					\$ (84,113)	\$ 84,113
A2									
JUDGMENTAL ADJUSTMENTS:									
B1									
B2									
PROJECTED ADJUSTMENTS:									
C1		\$ -	-	\$ -	\$ -	\$ -	\$ -	-	-
C2									
	Combined effect	-	84,113	-	-	-	-	(84,113)	84,113
	Total	\$ -	\$ 84,113	\$ -	\$ -	\$ -	\$ -	\$ (84,113)	\$ 84,113

PASSED DISCLOSURES:D1
D2

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City of Farmington, Michigan

Financial Report with Supplemental Information June 30, 2013

City of Farmington, Michigan

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Independent Auditor's Report

To the City Council
 City of Farmington, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Farmington, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington, Michigan as of June 30, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Farmington, Michigan

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Farmington, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. Such 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 15, 2013

City of Farmington, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

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

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

One government-wide statement, the statement of net 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 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 sheets; and the recognition of certain revenues and expenditures such as bond proceeds, capital outlays, and debt principal repayment in the individual fund statements, which are not recorded in the government-wide statements.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

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

The City had a decrease of \$590,000 in net position in its governmental activities for the fiscal year ended June 30, 2013. Significant increases and decreases in revenue are as follows. Charges for services increased \$230,000. The increase was due to a one-time special assessment to improve the Drakeshire shopping center of \$353,000 and a decrease of \$100,000 in ticket revenue and court charges. Property taxes decreased \$136,000 in the current year due to a 4.95 percent reduction in taxable value.

Significant increases and decreases in expenses are as follows. Public safety expenses increased \$604,000. The increase resulted from one-time expenses of \$369,000 related to the Drakeshire shopping center project and an increase of \$260,000 in other postemployment benefit expenses from the prior year. Community and economic development increased \$201,000 as a result of the hiring of a community and economic development director to facilitate the numerous development projects planned within the City and professional services expenses related to the formation of a corridor improvement authority.

The City had an increase of \$22,000 in net position in its business-type activities for the fiscal year ended June 30, 2013. Significant increases and decreases in revenue are as follows. Water and sewer charges for service increased \$161,000. This increase is the result of an increase in rates. Theater revenue increased \$51,000, primarily due to increase in attendance and higher concession sales per customer. Water and sewer operating expenses increased \$86,000, primarily due to an increase in administrative expenses. Theater operating expenses increased \$34,000, primarily due to an increase in film rental expense resulting from higher attendance at the theater.

In a condensed format, the tables below show the net position and changes in net position (in thousands of dollars) as of June 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 9,132	\$ 7,719	\$ 3,581	\$ 3,751	\$ 12,713	\$ 11,470
Capital assets	<u>17,611</u>	<u>17,134</u>	<u>16,582</u>	<u>16,995</u>	<u>34,193</u>	<u>34,129</u>
Total assets	26,743	24,853	20,163	20,746	46,906	45,599
Liabilities						
Current liabilities	1,323	756	542	526	1,865	1,282
Long-term liabilities	<u>7,502</u>	<u>5,602</u>	<u>2,895</u>	<u>3,517</u>	<u>10,397</u>	<u>9,119</u>
Total liabilities	<u>8,825</u>	<u>6,358</u>	<u>3,437</u>	<u>4,043</u>	<u>12,262</u>	<u>10,401</u>
Net Position						
Net investment in capital assets	12,764	12,991	14,119	14,707	26,883	27,698
Restricted	1,415	1,536	-	75	1,415	1,611
Unrestricted	<u>3,739</u>	<u>3,968</u>	<u>2,607</u>	<u>1,921</u>	<u>6,346</u>	<u>5,889</u>
Total net position	<u>\$ 17,918</u>	<u>\$ 18,495</u>	<u>\$ 16,726</u>	<u>\$ 16,703</u>	<u>\$ 34,644</u>	<u>\$ 35,198</u>

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 2,039	\$ 1,795	\$ 4,666	\$ 4,454	\$ 6,705	\$ 6,249
Operating grants and contributions	718	701	-	-	718	701
Capital grants and contributions	192	206	-	-	192	206
General revenue:						
Property taxes	4,597	4,734	6	7	4,603	4,741
State-shared revenue	860	838	-	-	860	838
Unrestricted investment earnings	39	40	5	3	44	43
Cable franchise fees	188	178	-	-	188	178
Cell tower fees	43	48	-	-	43	48
Transfers	-	(305)	-	305	-	-
Income from joint venture	69	-	-	-	69	-
Gain on sale of capital assets	6	9	-	-	6	9
Total revenue	8,751	8,244	4,677	4,769	13,428	13,013
Program Expenses						
General government	1,744	1,762	-	-	1,744	1,762
Public safety	4,500	3,896	-	-	4,500	3,896
Public works	2,152	2,109	-	-	2,152	2,109
Health and welfare	12	6	-	-	12	6
Community and economic development	234	33	-	-	234	33
Recreation and culture	475	511	-	-	475	511
Interest on long-term debt	211	198	-	-	211	198
Water and sewer	-	-	4,181	4,094	4,181	4,094
Community theatre	-	-	473	452	473	452
Total program expenses	9,328	8,515	4,654	4,546	13,982	13,061
Change in Net Position	\$ (577)	\$ (271)	\$ 23	\$ 223	\$ (554)	\$ (48)

Governmental Activities

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

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

For several decades, the City experienced modest but steady growth in taxes. Since 2009, the City's taxable value has declined. For the fiscal year ended June 30, 2013, the decline was 5.0 percent. The following is a five-year history of the City's taxable value growth:

Fiscal Year	Taxable Value	Percent Change	Dollar Change	One Mill Generates
2009	\$ 419,820,960	-0.9%	\$ (3,855,430)	\$ 419,821
2010	406,024,900	-3.3%	(13,796,060)	406,025
2011	350,052,990	-13.6%	(55,408,610)	350,616
2012	319,276,670	-8.8%	(30,776,320)	319,277
2013	303,483,270	-4.9%	(15,793,400)	303,483

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

Year Ended June 30	Statutory Revenue Sharing	Percent Change	Constitutional Revenue Sharing	Percent Change	Total Revenue Sharing	Percent Change
2008	\$ 216,544	-9.4%	\$ 721,187	2.4%	\$ 937,731	-0.5%
2009	216,041	-0.2%	683,000	-5.3%	899,041	-4.1%
2010	137,532	-36.3%	662,075	-3.1%	799,607	-11.1%
2011	99,860	-27.4%	699,747	5.6%	799,607	0.0%
2012	93,297 *	-6.6%	744,808	6.4%	838,105	4.8%
2013	99,960 *	7.1%	760,227	2.1%	860,187	2.6%

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

Expenses increased by \$813,000 in the current year, or 9.5 percent. In general, expenses remain relatively stable each year and within the general rate of inflation. There were two exceptions to this. The first relates to retiree health care. During the current year, the City's increase in net other postemployment benefit obligation was \$548,000. This increase was \$296,000 higher than the prior year increase. The second relates to the one-time expenses related to the Drakeshire shopping center project of \$369,000. In response to the dramatic decrease in property tax revenue that the City experienced over the last several years, the City has taken the following actions:

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

- The City implemented a 5 percent pay cut for all employees, reduced medical and dental coverage for all employees, and instituted payroll deductions for medical and dental coverage for all employees of 10 percent of premiums or more.
- The City has restructured its operations and eliminated 10 full-time equivalent positions, reducing staffing by 16 percent since fiscal year 2005-2006.
- The City of Farmington, by policy, strives to maintain a cash surplus sufficient to bridge any expected gap in current year revenue or increases in ordinary, unanticipated current year expenditures. In the General Fund, the City's policy has been to maintain an unassigned fund balance of 25 percent of current year expenditures. The City met this target for the current year.
- Prudent financial planning places the City in a sound financial position with adequate cash reserves. In 2013, the City received an "AA" bond rating, with the rating agency analysis noting that "the City's financial position is very strong."

Business-type Activities

The City operates a water and sewer system and a theater. The water and sewer system provides water and sewage services to almost all of the City's residents and to some outside users. Rates are set to provide for annual operations to service debt and to build an operating cash reserve. Rates are evaluated annually. Water loss for the year was approximately 9.90 percent of water purchased and decreased from the prior year's 12.06 percent of water purchased. The water and sewer system ended the year with an increase in net position of \$13,926. The systems operations had income of \$113,107. This operating income was offset by \$109,630 of interest expense.

The City operates a theater, which ended the year with an increase in net position of \$8,190. The increase in net position was primarily due to increased attendance at the theater.

Analysis of Individual Funds

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

The General Fund ended the fiscal year with an increase in fund balance of \$168,944. Revenue decreased approximately \$125,000 in the current year. Property tax revenue decreased by approximately \$127,000 in the current year, a decrease in taxable value of 4.95 percent. This was partially offset by a reduction in the City's reserve for Michigan tax tribunal cases. Fines and forfeitures decreased \$49,000 due to less ticket writing activity. Other revenue decreased \$50,000 due primarily to the recording of two distributions from the City's liability insurance carrier in the prior year.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

Expenditures in the General Fund increased approximately \$51,000 in the current year. Community and Economic Development increased by \$111,000 because the City hired a Community and Economic Development Director to facilitate the numerous development projects planned within the City.

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

The Capital Improvement Fund recorded transfers to the debt service funds to pay for debt service. The Capital Improvement Fund also recorded a transfer in from the General Fund to provide funding for future capital improvement projects.

The City has four new major funds in the current year - the Grove Street Capital Project and debt service funds and the Drakeshire Capital Project and debt service funds. The Grove Street Funds recorded the issuance of debt and capital outlay expenditures related to the Grove Street streetscape, right-of-way acquisition, and road construction projects in the City's downtown. The bond issue will be repaid through DDA capture and a special assessment on the building owner fronting Grove Street. The Drakeshire Funds recorded the issuance of debt and façade improvement expenditures related to the Drakeshire shopping center. The bond issue will be repaid through a special assessment on the Drakeshire shopping center.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

General Operating Fund Budget Highlights

General Fund - Actual revenue was over budget by \$109,000. There were favorable minor variances with the amended budget in most of the City's revenue categories. The largest variances relate to property taxes and other revenue. Property taxes were over budget by \$39,000 because of a decrease in the reserve for Michigan tax tribunal cases. Other revenue exceeded the amended budget primarily due to the receipt of several insurance recoveries in the current fiscal year. The original budget was amended to include an increase in revenue of \$124,000. There were three significant amendments to budgeted revenue. First, federal grants were increased for public safety equipment. Second, state-shared revenue and grants were increased because sales tax collections at the state level were higher than budgeted by the State. In addition, the City received a grant from the State to offset the cost of consolidating its dispatch department with that of a neighboring community. Third, other revenue was increased \$51,000 due to a distribution of net assets from the City's insurance company. Actual expenditures were under budget by \$295,000 as a result of numerous small favorable budget variances throughout each City department. In addition, the budget for general government included the purchase of computer equipment for \$70,000, which was not spent during the fiscal year. The original budget was amended to include an increase in budgeted expenditures of \$212,000. The budget for general government was increased \$70,000 for the purchase of computer equipment. The budget for public services was amended to add \$103,000 for sidewalk maintenance. Transfers in - capital improvement fund was increased to cover the cost of the City's sidewalk maintenance program. Transfers out - capital improvement fund was increased \$250,000 to provide funding for future capital improvement projects.

Major, Local, and Municipal Streets Fund - There were no significant revenue variances from the budget, except for federal grants and transfers from other funds. These variances relate to the timing of construction projects. Budgeted federal grant revenue and transfers from other funds were decreased because of the timing of the related road projects. Budgeted contracts and grants revenue was decreased as a result of lower than anticipated winter maintenance on the State trunkline maintained by the City. The expenditures recorded in these street funds are divided into two categories: construction and operations and maintenance. Variances from the construction budget resulted solely from the timing difference between when the projects were budgeted and when work was completed. The timing differences occur because the City's road programs typically span two fiscal years. Operations and maintenance were amended as a result of the mild winter and lower than normal winter maintenance costs, as well as a general decrease in the level of maintenance required for the City's major streets in the current year.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Long-term Debt Activity

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

- Road improvements for major and local street improvements including Grove Street, Drake, Oakland and Warner, and Farmington Road in the amount of \$1,325,000
- Sidewalk improvements city-wide in the amount of \$102,000
- Public safety and public works equipment and vehicles in the amount of \$91,000

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

- Replacement of water and sewer mains associated with Grove and Oakland and Warner Street in the amount of \$192,000
- Lining of the Floral Park sewer pipe in the amount of \$47,000
- Water and sewer equipment in the amount of \$32,000

The City had two major debt issuances in the current year. The first related to \$1,300,000 of capital improvement bonds issued to finance a portion of the Grove and Oakland and Warner Street projects. The second related to \$400,000 of special assessment bonds issued to finance façade replacement in the Drakeshire Special Assessment District.

Economic Factors and Next Year's Budgets and Rates

The City has enjoyed a relatively stable property tax millage rate over many years with the exception of a millage added in 1991 to provide for extensive revisions to the City's sewer system, a road program millage approved by the voters in 1995 to ensure streets in the City are in excellent repair, and a millage added in 2011 to help offset the reduction in taxable value brought about by a dramatic decrease in the housing market. With these three additions totaling approximately 4 mills, the millage went from about 11 mills in 1990 to 15 mills in 2013.

During the current year, property taxes comprised 54.9 percent of the City's General Fund revenue. Typically, property tax values have increased greater than the rate of inflation. However, due to the local and national decline in the housing market, this is no longer the case.

State-shared revenue accounted for about 11.5 percent of General Fund revenue this year and current funding levels remain at risk as a result of the financial condition and priorities of the State.

City of Farmington, Michigan

Management's Discussion and Analysis (Continued)

In addition to the decline of property taxes and state-shared revenue, the decline of the financial markets in 2008 will continue to have a significant effect on the City's pension system. Currently, the system is funded at 95.5 percent based on the most recent actuarial valuation dated December 31, 2012. This percentage may decrease as the result of the continued recognition of the significant losses in the financial markets that are being phased in over a period of 10 years.

The City is also impacted by its retiree healthcare obligations. The City paid \$692,000 in the current year for insurance for its retirees. This is down \$4,000 from the prior year. Costs decreased primarily due to a change in the type of insurance offered to retirees. Retirees were compensated for this change in insurance by an increase in their monthly pensions.

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

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

Contacting the City's Financial Management

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

City of Farmington, Michigan

Statement of Net Position June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,946,251	\$ 1,658,321	\$ 7,604,572	\$ 396,550
Receivables (Note 4)	1,731,496	1,480,273	3,211,769	-
Internal balances (Note 7)	26,700	(26,700)	-	-
Inventory	61,356	80,312	141,668	-
Prepaid expenses and other assets	57,125	61,038	118,163	-
Restricted assets (Note 1)	815,662	327,844	1,143,506	-
Investment in joint ventures	81,535	-	81,535	-
Long term advance to component unit (Note 7)	411,618	-	411,618	-
Capital assets (Note 5):				
Assets not subject to depreciation	2,735,112	376,360	3,111,472	241,633
Assets subject to depreciation	14,876,079	16,205,781	31,081,860	457,571
Total assets	26,742,934	20,163,229	46,906,163	1,095,754
Liabilities				
Accounts payable	449,006	505,624	954,630	22,190
Due to other governmental units	-	-	-	5,392
Accrued and other liabilities	271,927	36,586	308,513	44,078
Deferred revenue (Note 4)	599,995	-	599,995	-
Long-term advance from primary government	-	-	-	411,618
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	39,669	36,199	75,868	-
Compensated absences	219,370	10,879	230,249	-
Current portion of long-term debt	377,507	100,000	477,507	-
Due in more than one year:				
Compensated absences	59,794	10,135	69,929	-
Net OPEB obligation	1,690,054	83,281	1,773,335	-
Long-term debt (Note 8)	5,117,557	2,655,000	7,772,557	-
Total liabilities	8,824,879	3,437,704	12,262,583	483,278
Net Position				
Net investment in capital assets	12,764,120	14,118,786	26,882,906	699,204
Restricted for:				
Roads	1,019,974	-	1,019,974	-
Cable fees - Peg	116,360	-	116,360	-
Sidewalks	151,179	-	151,179	-
Debt service	128,000	-	128,000	-
Unrestricted	3,738,422	2,606,739	6,345,161	(86,728)
Total net position	\$ 17,918,055	\$ 16,725,525	\$ 34,643,580	\$ 612,476

City of Farmington, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,744,267	\$ 611,884	\$ -	\$ -
Public safety	4,499,792	736,413	65,699	57,049
Public works	2,151,653	665,307	628,243	135,197
Health and welfare	12,196	-	-	-
Community and economic development	233,842	4,605	-	-
Recreation and culture	475,887	20,994	24,298	-
Interest on long-term debt	211,643	-	-	-
Total governmental activities	9,329,280	2,039,203	718,240	192,246
Business-type activities:				
Water and sewer	4,181,226	4,184,703	-	-
Farmington Community Theater	473,599	481,770	-	-
Total business-type activities	4,654,825	4,666,473	-	-
Total primary government	\$ 13,984,105	\$ 6,705,676	\$ 718,240	\$ 192,246
Component units:				
Downtown Development Authority	\$ 831,966	\$ 344,331	\$ 216,000	\$ 25,000
Brownfield Redevelopment Authority	6,464	-	-	-
Corridor Improvement Authority	26,123	-	90,000	-
Total component units	\$ 864,553	\$ 344,331	\$ 306,000	\$ 25,000
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Cell tower fees				
Gain on sale of fixed assets				
Income from joint venture				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,132,383)	\$ -	\$ (1,132,383)	\$ -
(3,640,631)	-	(3,640,631)	-
(722,906)	-	(722,906)	-
(12,196)	-	(12,196)	-
(229,237)	-	(229,237)	-
(430,595)	-	(430,595)	-
(211,643)	-	(211,643)	-
(6,379,591)	-	(6,379,591)	-
-	3,477	3,477	-
-	8,171	8,171	-
-	11,648	11,648	-
(6,379,591)	11,648	(6,367,943)	-
-	-	-	(246,635)
-	-	-	(6,464)
-	-	-	63,877
-	-	-	(189,222)
4,597,251	5,876	4,603,127	263,350
860,187	-	860,187	-
38,966	4,592	43,558	112
187,821	-	187,821	-
43,454	-	43,454	-
6,146	-	6,146	-
69,280	-	69,280	-
5,803,105	10,468	5,813,573	263,462
(576,486)	22,116	(554,370)	74,240
18,494,541	16,703,409	35,197,950	538,236
\$ 17,918,055	\$ 16,725,525	\$ 34,643,580	\$ 612,476

City of Farmington, Michigan

	Major Special Revenue Funds			
	General Fund	Major Streets	Local Streets	Municipal Street Fund
Assets				
Cash and investments	\$ 2,655,196	\$ 60,062	\$ 70,472	\$ 892,309
Receivables	321,524	68,568	123,148	-
Due from other funds	158,572	409,284	59,015	-
Inventory	61,356	-	-	-
Prepaid expenses and other assets	1,780	-	-	-
Long-term advance to component unit	411,618	-	-	-
Restricted assets	128,000	-	-	-
Total assets	\$ 3,738,046	\$ 537,914	\$ 252,635	\$ 892,309
Liabilities				
Accounts payable	\$ 277,813	\$ 161,431	\$ 9,762	\$ -
Due to other funds	283,207	36,283	6,875	439,838
Accrued and other liabilities	206,514	2,570	999	5,126
Payable from restricted assets	-	-	-	-
Deferred revenue	-	-	96,000	-
Total liabilities	767,534	200,284	113,636	444,964
Fund Balances				
Nonspendable:				
Inventory	61,356	-	-	-
Prepays	1,780	-	-	-
Long-term receivable	411,618	-	-	-
Restricted:				
Roads	-	337,630	138,999	447,345
Capital projects	-	-	-	-
Cable fees - Peg	116,360	-	-	-
Sidewalks	-	-	-	-
Debt service	128,000	-	-	-
Assigned:				
IT computers	70,000	-	-	-
Debt service	-	-	-	-
Cemetery	46,259	-	-	-
Capital projects	-	-	-	-
Debt service	75,200	-	-	-
Unassigned	2,059,939	-	-	-
Total fund balances	2,970,512	337,630	138,999	447,345
Total liabilities and fund balances	\$ 3,738,046	\$ 537,914	\$ 252,635	\$ 892,309

**Governmental Funds
Balance Sheet
June 30, 2013**

Major Capital Projects			Major Debt Service Funds			
Capital Improvement Fund	Grove Street Capital Projects	Drakeshire Capital Projects	Grove Street Debt Service	Drakeshire Debt Service	Nonmajor Funds	Total
\$ 1,710,742	\$ -	\$ -	\$ -	\$ 934	\$ 2,968	\$ 5,392,683
-	-	-	600,000	400,000	218,256	1,731,496
250,000	-	-	-	-	-	876,871
-	-	-	-	-	-	61,356
-	-	-	-	-	-	1,780
-	-	-	-	-	-	411,618
-	-	-	-	-	-	815,662
-	630,296	57,366	-	-	-	-
\$ 1,960,742	\$ 630,296	\$ 57,366	\$ 600,000	\$ 400,934	\$ 221,224	\$ 9,291,466
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,006
102,029	-	-	-	-	-	868,232
-	-	-	-	-	-	215,209
-	13,314	26,355	-	-	-	39,669
-	-	-	600,000	400,000	218,256	1,314,256
102,029	13,314	26,355	600,000	400,000	218,256	2,886,372
-	-	-	-	-	-	61,356
-	-	-	-	-	-	1,780
-	-	-	-	-	-	411,618
-	-	-	-	-	-	923,974
-	-	-	-	-	-	647,993
-	616,982	31,011	-	-	-	116,360
-	-	-	-	-	-	151,179
151,179	-	-	-	-	-	128,000
-	-	-	-	-	-	70,000
-	-	-	-	934	2,968	3,902
-	-	-	-	-	-	46,259
1,707,534	-	-	-	-	-	1,707,534
-	-	-	-	-	-	75,200
-	-	-	-	-	-	2,059,939
1,858,713	616,982	31,011	-	934	2,968	6,405,094
\$ 1,960,742	\$ 630,296	\$ 57,366	\$ 600,000	\$ 400,934	\$ 221,224	\$ 9,291,466

City of Farmington, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 6,405,094
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	17,611,191
Investments in joint ventures are not financial resources and are not reported in the funds	81,535
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	714,261
Bonds payable are not due and payable in the current period and are not reported in the funds	(5,495,064)
Accrued interest is not due and payable in the current period and is not reported in the funds	(45,718)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(1,690,054)
Internal service funds are included as part of governmental activities	336,810
Net Position of Governmental Activities	<u>\$ 17,918,055</u>

City of Farmington, Michigan

	Major Special Revenue Funds			
	General Fund	Major Streets	Local Streets	Municipal Street Fund
Revenue				
Property taxes	\$ 4,304,273	\$ -	\$ -	\$ 292,912
Licenses and permits	95,590	-	-	-
Federal grants	107,328	-	-	-
State-shared revenue and grants	896,805	464,282	163,961	-
Charges for services	1,717,252	-	-	-
Fines and forfeitures	484,821	-	-	-
Investment income	-	-	-	-
Other revenue:				
Special assessments	-	-	16,050	-
Local donations	9,082	-	-	-
Other miscellaneous income	219,801	40	28	229
Total revenue	7,834,952	464,322	180,039	293,141
Expenditures				
Current:				
General government	1,597,344	-	-	-
District court	437,931	-	-	-
Public safety	3,636,885	-	-	-
Public works	1,192,934	747,568	318,702	-
Health and welfare	12,196	-	-	-
Community and economic development	233,842	-	-	-
Recreation and culture	406,905	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	7,518,037	747,568	318,702	-
Excess of Revenue Over (Under) Expenditures	316,915	(283,246)	(138,663)	293,141
Other Financing Sources (Uses)				
Face value of debt issue	-	-	-	-
Transfers in	102,029	395,343	141,912	-
Transfers out	(250,000)	(139,688)	-	(537,255)
Total other financing (uses) sources	(147,971)	255,655	141,912	(537,255)
Net Change in Fund Balances	168,944	(27,591)	3,249	(244,114)
Fund Balances - Beginning of year	2,801,568	365,221	135,750	691,459
Fund Balances - End of year	\$ 2,970,512	\$ 337,630	\$ 138,999	\$ 447,345

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

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

Major Capital Projects Fund			Major Debt Service Fund			
Capital Improvement Fund	Grove Street Capital Projects	Drakeshire Capital Projects	Grove Street Debt Service	Drakeshire Debt Service	Nonmajor Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66	\$ 4,597,251
-	-	-	-	-	-	95,590
-	-	-	-	-	-	107,328
-	-	-	-	-	-	1,525,048
-	-	-	-	14,000	-	1,731,252
-	-	-	-	-	-	484,821
-	46	28	-	1	-	75
-	-	-	-	-	31,179	47,229
-	-	-	-	-	78,214	87,296
9,733	-	-	-	-	9,766	239,597
<u>9,733</u>	<u>46</u>	<u>28</u>	<u>-</u>	<u>14,001</u>	<u>119,225</u>	<u>8,915,487</u>
-	-	-	-	-	-	1,597,344
-	-	-	-	-	-	437,931
-	-	369,017	-	-	-	4,005,902
-	-	-	-	-	-	2,259,204
-	-	-	-	-	-	12,196
-	-	-	-	-	-	233,842
-	-	-	-	-	-	406,905
-	683,064	-	-	-	-	683,064
-	-	-	-	-	363,077	363,077
-	-	-	-	13,067	178,806	191,873
<u>-</u>	<u>683,064</u>	<u>369,017</u>	<u>-</u>	<u>13,067</u>	<u>541,883</u>	<u>10,191,338</u>
9,733	(683,018)	(368,989)	-	934	(422,658)	(1,275,851)
-	1,300,000	400,000	-	-	-	1,700,000
250,000	-	-	-	-	388,796	1,278,080
(351,137)	-	-	-	-	-	(1,278,080)
<u>(101,137)</u>	<u>1,300,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>388,796</u>	<u>1,700,000</u>
(91,404)	616,982	31,011	-	934	(33,862)	424,149
1,950,117	-	-	-	-	36,830	5,980,945
<u>\$ 1,858,713</u>	<u>\$ 616,982</u>	<u>\$ 31,011</u>	<u>\$ -</u>	<u>\$ 934</u>	<u>\$ 2,968</u>	<u>\$ 6,405,094</u>

City of Farmington, Michigan

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	424,149
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		1,524,099
Depreciation expense		(1,042,932)
Net book value of assets disposed of		(3,355)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		352,775
Change in investment in joint venture		69,283
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		347,477
Change in accrued interest payable and other		(4,175)
Proceeds of bond issuance recorded as other financing sources in the fund statements, but not in the statement of activities		(1,700,000)
Increase in net OPEB obligation expenses reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment		(532,412)
Internal service funds are included as part of governmental activities		(11,395)
Change in Net Position of Governmental Activities	\$	<u>(576,486)</u>

City of Farmington, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Funds			Governmental
	Water and Sewer	Farmington	Total	Activities
		Community Theater		Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and investments	\$ 1,540,083	\$ 118,238	\$ 1,658,321	\$ 553,568
Receivables	1,470,477	9,796	1,480,273	-
Due from other funds	2,866	-	2,866	18,061
Inventory	77,698	2,614	80,312	-
Prepaid expenses and other assets	60,538	500	61,038	55,345
Total current assets	3,151,662	131,148	3,282,810	626,974
Noncurrent assets:				
Restricted assets	327,844	-	327,844	-
Capital assets:				
Assets not subject to depreciation	283,475	92,885	376,360	-
Assets subject to depreciation	15,435,846	769,935	16,205,781	-
Total noncurrent assets	16,047,165	862,820	16,909,985	-
Total assets	19,198,827	993,968	20,192,795	626,974
Liabilities				
Current liabilities:				
Accounts payable	469,671	35,953	505,624	-
Due to other funds	16,510	13,056	29,566	-
Accrued and other liabilities	31,260	5,326	36,586	11,000
Compensated absences	10,879	-	10,879	219,370
Current portion of long-term debt	100,000	-	100,000	-
Total current liabilities	628,320	54,335	682,655	230,370
Noncurrent liabilities:				
Payable from restricted assets	36,199	-	36,199	-
Compensated absences	10,135	-	10,135	59,794
Net OPEB obligation	83,281	-	83,281	-
Long-term debt	2,655,000	-	2,655,000	-
Total noncurrent liabilities	2,784,615	-	2,784,615	59,794
Total liabilities	3,412,935	54,335	3,467,270	290,164
Net Position				
Net investment in capital assets	13,255,966	862,820	14,118,786	-
Unrestricted	2,529,926	76,813	2,606,739	336,810
Total net position	<u>\$ 15,785,892</u>	<u>\$ 939,633</u>	<u>\$ 16,725,525</u>	<u>\$ 336,810</u>

City of Farmington, Michigan

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Funds			Governmental Activities
	Water and Sewer	Farmington Community Theater	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 1,744,800	\$ -	\$ 1,744,800	\$ -
Sewage disposal charges	2,338,674	-	2,338,674	-
Fees	-	481,770	481,770	-
Other income	101,229	-	101,229	-
Service charges	-	-	-	216,347
Total operating revenue	4,184,703	481,770	4,666,473	216,347
Operating Expenses				
Source of supply	2,008,283	-	2,008,283	-
Administrative and general	948,634	436,960	1,385,594	-
Transmission, distribution, and maintenance	461,442	-	461,442	-
Insurance costs	-	-	-	176,898
Accrued benefit expense	-	-	-	55,334
Depreciation	653,237	36,639	689,876	-
Total operating expenses	4,071,596	473,599	4,545,195	232,232
Operating Income (Loss)	113,107	8,171	121,278	(15,885)
Nonoperating Revenue (Expenses)				
Property tax revenue	5,876	-	5,876	-
Investment income	4,573	19	4,592	4,490
Interest expense	(109,630)	-	(109,630)	-
Total nonoperating (expenses) revenue	(99,181)	19	(99,162)	4,490
Change in Net Position	13,926	8,190	22,116	(11,395)
Net Position - Beginning of year	15,771,966	931,443	16,703,409	348,205
Net Position - End of year	<u>\$ 15,785,892</u>	<u>\$ 939,633</u>	<u>\$ 16,725,525</u>	<u>\$ 336,810</u>

City of Farmington, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds			Governmental
	Water and Sewer	Farmington	Total	Activities
		Community Theater		Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 4,158,079	\$ 480,855	\$ 4,638,934	\$ 216,347
Payments to suppliers	(2,856,066)	(315,852)	(3,171,918)	(163,207)
Payments to employees	(518,714)	(118,961)	(637,675)	(76,428)
Internal activity - Payments to other funds	12,562	2,053	14,615	-
Other payments	(146,421)	(4,041)	(150,462)	-
Net cash provided by (used in) operating activities	649,440	44,054	693,494	(23,288)
Cash Flows from Capital and Related Financing Activities				
Property taxes	(4,099)	-	(4,099)	-
Purchase of capital assets	(805,074)	(5,245)	(810,319)	-
Principal and interest paid on capital debt	(210,236)	-	(210,236)	-
Net cash used in capital and related financing activities	(1,019,409)	(5,245)	(1,024,654)	-
Cash Flows from Investing Activities - Interest received on investments	4,573	19	4,592	4,490
Net (Decrease) Increase in Cash and Cash Equivalents	(365,396)	38,828	(326,568)	(18,798)
Cash and Cash Equivalents - Beginning of year	2,233,323	79,410	2,312,733	572,366
Cash and Cash Equivalents - End of year	<u>\$ 1,867,927</u>	<u>\$ 118,238</u>	<u>\$ 1,986,165</u>	<u>\$ 553,568</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,540,083	\$ 118,238	\$ 1,658,321	\$ 553,568
Restricted cash	327,844	-	327,844	-
Total cash and cash equivalents	<u>\$ 1,867,927</u>	<u>\$ 118,238</u>	<u>\$ 1,986,165</u>	<u>\$ 553,568</u>

City of Farmington, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2013

	Enterprise Funds			Governmental
	Water and Sewer	Farmington Community Theater	Total	Proprietary Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 113,107	\$ 8,171	\$ 121,278	\$ (15,885)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	653,237	36,639	689,876	-
Changes in assets and liabilities:				
Receivables	(173,045)	(4,956)	(178,001)	-
Due from others	980	-	980	61,729
Inventories	2,249	167	2,416	-
Prepaid and other assets	3,999	(500)	3,499	19,541
Accounts payable	25,596	2,806	28,402	-
Due to others	11,582	2,053	13,635	-
Accrued and other liabilities	11,735	(326)	11,409	(88,673)
Net cash provided by (used in) operating activities	<u>\$ 649,440</u>	<u>\$ 44,054</u>	<u>\$ 693,494</u>	<u>\$ (23,288)</u>

City of Farmington, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Other Employee Benefits	Private Purpose Trust Fund - Cemetery Perpetual Care Trust	Agency Fund
Assets			
Cash and investments	\$ 319,023	\$ 21,522	\$ 185,559
Investment pools	2,408,735	-	-
Due from primary government	-	-	984
Total assets	<u>2,727,758</u>	<u>21,522</u>	<u>\$ 186,543</u>
Liabilities			
Accounts payable	11,029	-	\$ -
Accrued and other liabilities	-	21,522	186,543
Total liabilities	<u>11,029</u>	<u>21,522</u>	<u>\$ 186,543</u>
Net Position Held in Trust for Other Employee Benefits	<u>\$ 2,716,729</u>	<u>\$ -</u>	

City of Farmington, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position - Other Employee Benefits Year Ended June 30, 2013

	Other Employee Benefits
Additions	
Investment income:	
Interest and dividends	\$ 85,857
Net realized and unrealized gain on investments	118,517
Less investment expenses	(15,104)
Net investment income	189,270
Other	12,550
Contributions - Employer	692,000
Total additions	893,820
Deductions - Insurance costs	721,122
Net Increase in Plan Assets	172,698
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	2,544,031
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 2,716,729

City of Farmington, Michigan

Component Units Statement of Net Position June 30, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets				
Cash and investments	\$ 302,888	\$ 29,785	\$ 63,877	\$ 396,550
Capital assets:				
Assets not subject to depreciation	241,633	-	-	241,633
Assets subject to depreciation	457,571	-	-	457,571
Total assets	1,002,092	29,785	63,877	1,095,754
Liabilities				
Accounts payable	22,190	-	-	22,190
Due to other governmental units	447	4,945	-	5,392
Accrued and other liabilities	44,078	-	-	44,078
Long-term advance from primary government	411,618	-	-	411,618
Total liabilities	478,333	4,945	-	483,278
Net Position				
Net investment in capital assets	699,204	-	-	699,204
Unrestricted	(175,445)	24,840	63,877	(86,728)
Total net position	<u>\$ 523,759</u>	<u>\$ 24,840</u>	<u>\$ 63,877</u>	<u>\$ 612,476</u>

City of Farmington, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 831,966	\$ 344,331	\$ 216,000	\$ 25,000
Brownfield Redevelopment Authority	6,464	-	-	-
Corridor Improvement Authority	26,123	-	90,000	-
Total component units	\$ 864,553	\$ 344,331	\$ 306,000	\$ 25,000

General revenue:

Property taxes

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, 2013**

Net (Expense) Revenue and Changes in Net Position			
Downtown Development Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ (246,635)	\$ -	\$ -	\$ (246,635)
-	(6,464)	-	(6,464)
-	-	63,877	63,877
(246,635)	(6,464)	63,877	(189,222)
260,975	2,375	-	263,350
104	8	-	112
261,079	2,383	-	263,462
14,444	(4,081)	63,877	74,240
509,315	28,921	-	538,236
\$ 523,759	\$ 24,840	\$ 63,877	\$ 612,476

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

Discretely Presented Component Units

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

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

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

Jointly Governed Organization

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington Hills. The City provides 15.33 percent of the funding for the Michigan 47th District Court Administration Fund.

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

The City participates in the Southwest Oakland Cable Commission (the "Cable Commission") as a joint venture with the cities of Farmington Hills and Novi. The Cable Commission receives 2 percent of the total cable television charges from the cable television company as franchise fees and currently does not receive a subsidy from the City. The City recorded an equity interest in the amount of \$75,680 for the year ended June 30, 2013. Financial information for the joint venture can be obtained from the Cable Commission's administrative offices at 33300 Nine Mile Road, Farmington, Michigan.

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC). The RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom and the Charter Township of South Lyon. The RRRASOC receives its operating revenue from member contributions and miscellaneous income. The City contributed \$12,965 for the year ended June 30, 2013. Financial information for the RRRASOC can be obtained from the RRRASOC's administrative offices at 20000 West Eight Mile Road, Southfield, Michigan.

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

Government-wide and Fund Financial Statements

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

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

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

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

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

Grove Street Capital Project Fund - The Grove Street Capital Project Fund accounts for the resources used to construct the Grove Street improvement project.

Grove Street Debt Service Fund - The Grove Street Debt Service Fund accounts for the resources used to pay the debt service related to the 2013 Capital Improvement Bonds.

Drakeshire Capital Project Fund - The Drakeshire Capital Project Fund accounts for the resources used to construct the Drakeshire improvement project.

Drakeshire Debt Service Fund - The Drakeshire Debt Service Fund accounts for the resources used to pay the debt service related to the 2012 Special Assessment Bonds.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

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

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

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

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

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

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

Property Tax Revenue

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

The 2012 taxable valuation of the City totaled \$303 million, on which ad valorem taxes levied consisted of 14 mills for the City's operating purposes and 1 mill for street improvements and maintenance. The ad valorem taxes levied, net of related captures, raised \$4,073,000 for operations and \$291,000 for street improvements and maintenance. These amounts are recognized in the respective General Fund and special revenue, debt service, and enterprise funds as tax revenue.

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

Assets, Liabilities, and Net Position or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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

Restricted Assets - Restricted assets in the governmental activities consist of cash and cash equivalents in the amount of \$815,662. These assets are restricted for a reserve as required by the 2012 Drakeshire Capital Improvement Bonds in the amount of \$128,000, and unspent bond proceeds in the amount of \$630,296 and \$57,366 related to the 2013 Grove Street Capital Improvement Bonds and 2012 Drakeshire Capital Improvement Bonds, respectively.

Restricted assets consist of cash and cash equivalents in the amount of \$327,844 in the Water and Sewer Fund related to unspent bond proceeds from the 2011 Capital Improvement Bonds.

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

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

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

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

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

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

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

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

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability

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

Shortfall at July 1, 2012		\$	(661,845)
Current year permit revenue			64,934
Related expenses:			
Direct costs	\$	142,849	
Estimated indirect costs		14,285	157,134
Current year shortfall			<u>(92,200)</u>
Cumulative shortfall at June 30, 2013		\$	<u>(754,045)</u>

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2013 has not been calculated.

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

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments

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

The Disability Health Insurance Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 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.

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,092,555 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$133,699 of 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 a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City did not hold any investments that were subject to interest rate risk.

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
General Government			
Chase - Pooled investments	\$ 4,180,788	Aaa	Moody's
Comerica - Pooled investments	251,267	Not rated	N/A
MBIA - Investments	251,683	AAAm	Standard & Poor's
Total	\$ 4,683,738		

Note 4 - Receivables and Deferred Revenue

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

	General	Major Streets	Local Streets	Drakeshire	Grove	Nonmajor Funds	Total
				Debt Service	Street Debt Service		
Receivables:							
Taxes	\$ 3,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,739
Special assessments	-	-	96,000	400,000	600,000	218,256	1,314,256
Due from other governmental units	248,004	68,568	27,148	-	-	-	343,720
Interest and other	69,781	-	-	-	-	-	69,781
Net receivables	\$ 321,524	\$ 68,568	\$ 123,148	\$ 400,000	\$ 600,000	\$ 218,256	\$ 1,731,496

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

	Governmental Funds	
	Unavailable	Unearned
General government - Special assessments	\$ 714,261	\$ 599,995

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Receivables and Deferred Revenue (Continued)

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

	Water and Sewer Fund	Farmington Community Theater
Receivables:		
Delinquent water and sewer bills	\$ 192,750	\$ -
Customer receivables	1,264,648	-
Intergovernmental	10,419	-
Other	2,660	9,796
	<u>\$ 1,470,477</u>	<u>\$ 9,796</u>
Total receivables		

Note 5 - Capital Assets

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

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,348,363	\$ -	\$ 607,560	\$ -	\$ 1,955,923
Construction in progress	282,326	(221,071)	717,934	-	779,189
Subtotal	1,630,689	(221,071)	1,325,494	-	2,735,112
Capital assets being depreciated:					
Flowage rights	946,170	-	-	-	946,170
County roads	391,690	-	-	-	391,690
Infrastructure	18,527,225	221,071	102,029	-	18,850,325
Building and improvements	3,232,989	-	5,670	-	3,238,659
Court buildings	2,310,486	-	-	-	2,310,486
Equipment and other	949,990	-	90,906	(3,112)	1,037,784
Vehicles	1,566,333	-	-	(69,072)	1,497,261
Subtotal	27,924,883	221,071	198,605	(72,184)	28,272,375
Accumulated depreciation:					
Flowage rights	831,927	-	17,617	-	849,544
County roads	117,505	-	13,056	-	130,561
Infrastructure	7,487,734	-	708,243	-	8,195,977
Buildings and improvements	1,893,402	-	89,295	-	1,982,697
Court building	537,543	-	58,067	-	595,610
Equipment and other	608,387	-	47,778	(2,472)	653,693
Vehicles	945,695	-	108,876	(66,357)	988,214
Subtotal	12,422,193	-	1,042,932	(68,829)	13,396,296
Net capital assets being depreciated	15,502,690	221,071	(844,327)	(3,355)	14,876,079
Net capital assets	<u>\$ 17,133,379</u>	<u>\$ -</u>	<u>\$ 481,167</u>	<u>\$ (3,355)</u>	<u>\$ 17,611,191</u>

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 174,009	\$ -	\$ -	\$ -	\$ 174,009
Construction in progress	793,055	(829,985)	239,281	-	202,351
Subtotal	967,064	(829,985)	239,281	-	376,360
Capital assets being depreciated:					
Building	1,869,018	-	5,245	-	1,874,263
Water and sewer mains	26,682,283	829,985	-	-	27,512,268
Water storage tank	53,791	-	-	-	53,791
Water meters	152,760	-	-	-	152,760
Truck and tractors	443,750	-	-	-	443,750
Office equipment	646,030	-	32,306	(2,398)	675,938
	29,847,632	829,985	37,551	(2,398)	30,712,770
Accumulated depreciation:					
Building	965,305	-	50,202	-	1,015,507
Water and sewer mains	11,838,590	-	555,104	-	12,393,694
Water storage tank	53,791	-	-	-	53,791
Water meters	142,703	-	42,577	-	185,280
Truck and tractors	336,178	-	17,677	-	353,855
Office equipment	482,944	-	24,316	(2,398)	504,862
Subtotal	13,819,511	-	689,876	(2,398)	14,506,989
Net capital assets being depreciated	16,028,121	829,985	(652,325)	-	16,205,781
Net capital assets	\$ 16,995,185	\$ -	\$ (413,044)	\$ -	\$ 16,582,141
Component Units					
	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 76,500	\$ -	\$ 140,133	\$ -	\$ 216,633
Construction in progress	-	-	25,000	-	25,000
Subtotal	76,500	-	165,133	-	241,633
Capital assets being depreciated:					
Green areas	32,311	-	-	-	32,311
Office equipment	41,017	-	-	-	41,017
Land improvements	204,838	-	299,643	-	504,481
Subtotal	278,166	-	299,643	-	577,809
Accumulated depreciation:					
Green areas	30,234	-	560	-	30,794
Office equipment	16,744	-	4,512	-	21,256
Land improvements	48,847	-	19,341	-	68,188
Subtotal	95,825	-	24,413	-	120,238
Net capital assets being depreciated	182,341	-	275,230	-	457,571
Net capital assets	\$ 258,841	\$ -	\$ 440,363	\$ -	\$ 699,204

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 89,057
Public safety	150,469
Public works	734,422
Recreation and culture	<u>68,984</u>
Total governmental activities	<u>\$ 1,042,932</u>
Business-type activities:	
Water and sewer	\$ 653,237
Theater	<u>36,639</u>
Total business-type activities	<u>\$ 689,876</u>
Component unit activities:	
Office equipment	\$ 4,512
Land improvements	<u>19,901</u>
Total component unit activities	<u>\$ 24,413</u>

Construction Commitments - The City has active construction projects for Grove Street and Warner and Oakland Street with one contractor. At year end, the City's commitment with the contractor is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Grove Street and Warner and Oakland Street	\$ 588,291	\$ 1,363,294

Note 6 - Lease Agreement

The Downtown Development Authority entered into a 42-month lease agreement with a third party for 33200 Grand River Avenue and collects rental income of \$4,000 per month. The term of the lease is January 1, 2013 through June 30, 2016. The lessee has an option to purchase the building for \$350,000 at any time during the lease period.

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government/Component Unit		
General Fund	Major Streets Fund	\$ 36,283
	Local Streets Fund	4,015
	Municipal Street Fund	620
	Capital Improvement Fund	102,029
	Water and Sewer Fund	2,569
	Theater Fund	13,056
	Total General Fund	158,572
Major Streets Fund	Municipal Street	395,343
	Water and sewer	13,941
	Total Major Streets Fund	409,284
Local Streets Fund	General Fund	15,140
	Municipal Streets Fund	43,875
	Total Local Streets Fund	59,015
Capital Improvement Fund	General Fund	250,000
Employee Accrued Benefits Fund	General Fund	18,061
	General Fund	6
Water and Sewer Fund	Local Streets Fund	2,860
	Total Water and Sewer Fund	2,866
	Total	<u>\$ 897,798</u>
Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
General Fund	Downtown Development Authority	<u>\$ 411,618</u>

The advance from the General Fund to the Downtown Development Authority is expected to be repaid based on anticipated rental revenue from the Downtown Development Authority in future years including a 1 percent interest charged.

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

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

Interfund Transfers

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

Transfers In	Transfers Out				Total
	General Fund	Capital Improvement Fund	Major Street Fund	Municipal Street Fund	
General Fund	\$ -	\$ 102,029	\$ -	\$ -	\$ 102,029
Major Streets Fund	-	-	-	395,343	395,343
Local Streets Fund	-	-	-	141,912	141,912
Capital Improvement Fund	250,000	-	-	-	250,000
Nonmajor governmental funds	-	249,108	139,688	-	388,796
Total	\$ 250,000	\$ 351,137	\$ 139,688	\$ 537,255	\$ 1,278,080

The transfer from the General Fund to the Capital Improvement Fund was made to fund future capital improvement projects.

The transfer from the Capital Improvement Fund to the General Fund was made to fund the sidewalk improvement program.

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

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

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Bond and contract obligations:							
Transportation Fund Bond -							
2007 Michigan Transportation Fund Bonds:							
Amount of issue - \$1,450,000		\$100,000 -					
Maturing through 2021	3.9%	\$145,000	\$ 1,185,000	\$ -	\$ (95,000)	\$ 1,090,000	\$ 100,000
County drain contract -							
2003 Caddell Drain Refunding Issue:							
Amount of issue - \$286,280		\$25,307 -					
Maturing through 2014	2.7%-4.0%	\$26,097	76,710	-	(26,097)	50,613	25,307
Building Authority Bonds:							
2001 Building Authority Bonds -							
47th District Court:							
Amount of issue - \$1,400,300		\$87,200-					
Maturing through 2021	4.2%-5.5%	\$126,664	910,831	-	(76,380)	834,451	87,200
2009 Capital Improvement Bond:							
Amount of issue - \$1,000,000		\$35,000-					
Maturing through 2029	4.750%- 4.875%	\$75,000	900,000	-	(35,000)	865,000	35,000
2005 Capital Improvement Bond:							
Amount of issue - \$1,500,000		\$120,000-					
Maturing through 2019	3.50%- 4.0%	\$155,000	1,070,000	-	(115,000)	955,000	120,000
2013 Capital Improvement Bond:							
Amount of issue - \$1,300,000		\$10,000-					
Maturing through 2033	1.0% - 3.25%	\$100,000	-	1,300,000	-	1,300,000	10,000
Special assessment bond -							
2012 Special Assessment Bond:							
Amount of issue - \$400,000							
Maturing through 2019	6%	\$80,000	-	400,000	-	400,000	-
Total governmental activities			4,142,541	1,700,000	(347,477)	5,495,064	377,507
Accumulated compensated absences			301,677	217,515	(240,028)	279,164	219,370
OPEB			1,157,642	532,412	-	1,690,054	-
Total governmental activities			<u>\$ 5,601,860</u>	<u>\$ 2,449,927</u>	<u>\$ (587,505)</u>	<u>\$ 7,464,282</u>	<u>\$ 596,877</u>

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
2003 Capital Improvement Sewer Bonds:							
Amount of issue - \$900,000		\$45,000-					
Maturing through 2023	3.2%-4.8%	\$60,000	\$ 585,000	\$ -	\$ (45,000)	\$ 540,000	\$ 45,000
1991 Water Supply and Sewer Disposal System Bonds:							
Amount of issue - \$934,212							
Maturing through 2013	2.0%	\$55,000	55,000	-	(55,000)	-	-
2011 General Obligation Capital Improvement Water and Sewer Bonds -							
Maturing through 2031	2.0%- 4.25%	\$55,000- \$90,000	2,215,000	-	-	2,215,000	55,000
Total business-type activities			2,855,000	-	(100,000)	2,755,000	100,000
Accumulated compensated absences							
OPEB			24,021	9,026	(12,033)	21,014	10,879
			67,771	15,510	-	83,281	-
Total business-type activities			\$ 2,946,792	\$ 24,536	\$ (112,033)	\$ 2,859,295	\$ 110,879

Total interest expense for the year was approximately \$321,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 377,507	\$ 217,700	\$ 595,207	\$ 100,000	\$ 106,887	\$ 206,887
2015	518,143	198,973	717,116	105,000	103,838	208,838
2016	503,474	177,946	681,420	110,000	100,575	210,575
2017	531,840	156,504	688,344	115,000	97,091	212,091
2018	542,477	133,608	676,085	120,000	93,068	213,068
2019-2023	1,871,624	376,763	2,248,387	715,000	384,950	1,099,950
2024-2028	670,000	174,574	844,574	885,000	220,063	1,105,063
2029-2033	479,999	51,781	531,780	605,000	38,994	643,994
Total	\$ 5,495,064	\$ 1,487,849	\$ 6,982,913	\$ 2,755,000	\$ 1,145,466	\$ 3,900,466

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Long-term Debt (Continued)

The DDA has agreed to pay the City, from its tax increment revenue, the amounts necessary to cover the principal and interest on the 2013 Grove Street Capital Improvement Bond. The DDA has further agreed to reimburse the City for any costs of the project, not financed from the proceeds of the bonds, including, if necessary, the 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.

Note 9 - Risk Management

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

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

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 9 - Risk Management (Continued)

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	
	2013	2012
Unpaid claims - Beginning of year	\$ 16,850	\$ 20,600
Incurred claims - Including claims incurred but not reported	38,535	(3,250)
Claim payments	(44,385)	(500)
Unpaid claims - End of year	\$ 11,000	\$ 16,850

Note 10 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 56 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 48 current active employees. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$466,160 for the plan was equal to the City's required and actual contribution. In the December 31, 2010 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 1 percent for calendar years 2011 to 2014. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. For open divisions, the unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 20 years for open divisions. For closed divisions, the unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period is 18 years for closed divisions.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 466,160	\$ 420,458	\$ 450,793
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -

	Year Ended December 31		
	2012	2011	2010
Actuarial value of assets	\$ 20,487,000	\$ 20,384,000	\$ 19,901,000
Actuarial accrued liability (AAL)			
(entry age)	\$ 21,453,000	\$ 20,694,000	\$ 20,068,000
Unfunded AAL (UAAL)	\$ 966,000	\$ 310,000	\$ 167,000
Funded ratio	95.5 %	98.5 %	99.2 %
Covered payroll	\$ 2,826,623	\$ 3,202,749	\$ 3,239,000
UAAL as a percentage of covered payroll	34.2 %	9.7 %	5.2 %

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note II - Postemployment Benefits

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

Farmington Retiree Health Care Plan (RHCP)

The Farmington RHCP is available to all full-time public safety employees and all other full-time employees that had over 20 years of service as of June 30, 2009. The amount of the benefit is determined based on labor contracts and employee agreements, in accordance with the City of Farmington's Retiree Health Care Plan (the "Plan"). The Plan was established by ordinance and created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999, and is administered by the City of Farmington. The Irrevocable Trust Fund (the "Trust Fund"), established in the Plan, funds the City's share of retiree healthcare insurance premiums and is administered by a board of trustees. Currently, 39 retirees are eligible, 36 are participating, and three are receiving payments in lieu of coverage. Payments in lieu of insurance coverage are paid by the City.

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

Funding Policy - The City, by ordinance, is required to fund the Trust Fund in an amount sufficient to pay all projected coverage premiums for that fiscal year. The City may contribute additional amounts consistent with the actuarial valuations and calculations made by the actuary for the Trust Fund to result in a prefunded plan. For the year ended June 30, 2013, the Trust Fund received employer contributions of \$692,000 and paid postemployment healthcare premiums of \$689,338. There were no required employee contributions.

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note II - Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. This valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 25 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,304,264
Interest on the prior year's net OPEB obligation	49,017
ARC adjustment	<u>(113,359)</u>
Annual OPEB cost	1,239,922
Amounts contributed to health insurance trust (which pays current premiums)	<u>(692,000)</u>
Increase in net OPEB obligation	547,922
OPEB obligation - Beginning of year	<u>1,225,413</u>
OPEB obligation - End of year	<u>\$ 1,773,335</u>

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

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/11	\$ 986,265	58	\$ 972,999
6/30/12	1,040,725	68	1,225,413
6/30/13	1,239,922	53	1,773,335

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 2,186,781	\$ 13,126,316	\$ 10,939,535	16.7	\$ 3,200,000	341.9
6/30/11	2,433,154	25,374,612	22,941,458	9.6	N/A	N/A
6/30/13	2,690,351	17,232,578	14,542,227	15.6	N/A	N/A

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Postemployment Benefits (Continued)

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

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

City of Farmington's Retiree Health Care Plan

In the June 30, 2013 actuarial valuation, which stipulated the ARC for the year ended June 30, 2013, the individual entry-age actuarial cost method was used. The actuarial assumptions included an 4 percent investment rate of return, which is the expected long-term investment return of the City's General Fund and plan assets at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after 10 years. The actuarial value of assets was set equal to the reported market value at June 30, 2013. The UAAL is being amortized on a closed basis, with a remaining amortization period at June 30, 2013 of 25 years.

MERS Health Care Savings Plan (HCSP)

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

City of Farmington, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Postemployment Benefits (Continued)

On June 30, 2009, in accordance with labor contracts and employee agreements, all full-time employees with less than 20 years of service as of June 30, 2009, except for public safety, were converted to the defined contribution retiree healthcare plan from the Farmington RHCP. Under the terms of the MERS HCSP, each employee was given a start-up contribution by the City based on years of service rendered to the City. Under terms of the agreement, nonunion, dispatch, and department head employees receive \$2,100 per year in contributions from the City to their HCSP account. Department of Public Service employees contribute \$60 per year to the HCSP. Employer contributions for the year were approximately \$37,000. Terms of the MERS HCSP may be amended by future labor contracts and by council resolutions.

Note 12 - Upcoming Accounting Pronouncements

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

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

Required Supplemental Information

City of Farmington, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,262,952	\$ 4,265,672	\$ 4,304,273	\$ 38,601
Licenses and permits	69,800	79,750	95,590	15,840
Federal grants	59,778	101,173	107,328	6,155
State-shared revenue and grants	871,310	897,662	896,805	(857)
Charges for services	1,750,708	1,718,444	1,717,252	(1,192)
Fines and forfeitures	460,500	485,500	484,821	(679)
Other revenue	126,870	178,040	228,883	50,843
Total revenue	7,601,918	7,726,241	7,834,952	108,711
Expenditures				
Current:				
General government	1,703,790	1,727,846	1,597,344	130,502
District court	466,538	470,097	437,931	32,166
Public safety	3,695,911	3,721,146	3,636,885	84,261
Public works	1,146,123	1,201,904	1,192,934	8,970
Health and welfare	12,581	12,816	12,196	620
Community and economic development	102,975	240,636	233,842	6,794
Recreation and culture	454,570	439,025	406,905	32,120
Contingency	19,430	-	-	-
Total expenditures	7,601,918	7,813,470	7,518,037	295,433
Excess of Revenue (Under) Over Expenditures	-	(87,229)	- 316,915	404,144
Other Financing Sources (Uses)				
Transfers in - Capital Improvement Fund	-	103,000	102,029	(971)
Transfers out - Capital Improvement Fund	-	(250,000)	(250,000)	-
Total other financing uses	-	(147,000)	(147,971)	(971)
Net Change in Fund Balance	-	(234,229)	168,944	403,173
Fund Balance - July 1, 2012	2,801,568	2,801,568	2,801,568	-
Fund Balance - June 30, 2013	\$ 2,801,568	\$ 2,567,339	\$ 2,970,512	\$ 403,173

City of Farmington, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 416,000	\$ 46,200	\$ -	\$ (46,200)
State-shared revenue	383,926	383,926	389,755	5,829
Contracts and grants	90,320	77,044	74,527	(2,517)
Other revenue	150	50	40	(10)
Total revenue	890,396	507,220	464,322	(42,898)
Expenditures - Current				
Construction	1,906,985	1,445,802	551,061	894,741
Operations and maintenance	301,338	246,063	196,507	49,556
Total expenditures	2,208,323	1,691,865	747,568	944,297
Excess of Expenditures Over Revenue	(1,317,927)	(1,184,645)	(283,246)	901,399
Other Financing Sources (Uses)				
Transfer in - Capital Improvement Fund	535,000	535,000	-	(535,000)
Transfer in - Municipal Streets Fund	739,755	609,525	395,343	(214,182)
Transfer out - Debt Service Fund	(139,688)	(139,688)	(139,688)	-
Transfer out - Local Street Fund	(3,849)	-	-	-
Total other financing sources	1,131,218	1,004,837	255,655	(749,182)
Net Change in Fund Balance	(186,709)	(179,808)	(27,591)	152,217
Fund Balance - July 1, 2012	365,221	365,221	365,221	-
Fund Balance - June 30, 2013	\$ 178,512	\$ 185,413	\$ 337,630	\$ 152,217

City of Farmington, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 161,998	\$ 161,998	\$ 163,961	\$ 1,963
Special assessments	12,600	14,850	16,050	1,200
Other revenue	50	50	28	(22)
Total revenue	174,648	176,898	180,039	3,141
Expenditures				
Construction	146,500	152,253	142,164	10,089
Operations and maintenance	178,497	186,645	176,538	10,107
Total expenditures	324,997	338,898	318,702	20,196
Excess of Expenditures Over Revenue	(150,349)	(162,000)	(138,663)	23,337
Other Financing Sources				
Transfers in - Major Streets Fund	3,849	-	-	-
Transfers in - Municipal Streets Fund	146,500	152,000	141,912	(10,088)
Total other financing sources	150,349	152,000	141,912	(10,088)
Net Change in Fund Balance	-	(10,000)	3,249	13,249
Fund Balance - July 1, 2012	135,750	135,750	135,750	-
Fund Balance - June 30, 2013	<u>\$ 135,750</u>	<u>\$ 125,750</u>	<u>\$ 138,999</u>	<u>\$ 13,249</u>

City of Farmington, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Municipal Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 290,711	\$ 289,671	\$ 292,912	\$ 3,241
Other revenue	750	-	229	229
Total revenue	291,461	289,671	293,141	3,470
Other Financing Uses				
Transfer out - Major Streets Fund	(739,775)	(609,525)	(395,343)	214,182
Transfer out - Local Streets Fund	(146,500)	(152,000)	(141,912)	10,088
Total other financing uses	(886,275)	(761,525)	(537,255)	224,270
Net Change in Fund Balance	(594,814)	(471,854)	(244,114)	227,740
Fund Balance - July 1, 2012	691,459	691,459	691,459	-
Fund Balance - June 30, 2013	<u>\$ 96,645</u>	<u>\$ 219,605</u>	<u>\$ 447,345</u>	<u>\$ 227,740</u>

Other Supplemental Information

City of Farmington, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Debt Service Funds				Total Nonmajor Governmental Funds
	Nonvoted Debt Service	2007 MTA 175 Debt Service	Streetscape Debt Service	Special Assessment Debt Service	
Assets					
Cash and investments	\$ 205	\$ -	\$ -	\$ 2,763	\$ 2,968
Receivables	-	-	-	218,256	218,256
Total assets	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,019</u>	<u>\$ 221,224</u>
Liabilities and Fund Balances					
Liabilities - Accrued and other liabilities - Deferred revenue	\$ -	\$ -	\$ -	\$ 218,256	\$ 218,256
Fund Balances - Assigned - Debt service	<u>205</u>	<u>-</u>	<u>-</u>	<u>2,763</u>	<u>2,968</u>
Total liabilities and fund balances	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,019</u>	<u>\$ 221,224</u>

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2013

	Debt Service Funds				Total Nonmajor Governmental Funds
	Nonvoted Debt Service	2007 MTA 175 Debt Service	Streetscape Debt Service	Special Assessment Debt Service	
Revenue					
Property taxes	\$ 48	\$ -	\$ -	\$ 18	\$ 66
Other revenue	5	-	78,214	40,940	119,159
Total revenue	53	-	78,214	40,958	119,225
Expenditures - Debt service					
Principal	118,077	95,000	35,000	115,000	363,077
Interest on long-term debt	52,287	44,688	43,214	38,617	178,806
Total expenditures	170,364	139,688	78,214	153,617	541,883
Excess of Expenditures Over Revenue	(170,311)	(139,688)	-	(112,659)	(422,658)
Other Financing Sources - Transfers in	136,424	139,688	-	112,684	388,796
Net Change in Fund Balances	(33,887)	-	-	25	(33,862)
Fund Balances - Beginning of year	34,092	-	-	2,738	36,830
Fund Balances - End of year	\$ 205	\$ -	\$ -	\$ 2,763	\$ 2,968

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2013

	Self Insurance	Employee Accrued Benefits Fund	Total
Assets - Current assets			
Cash and investments	\$ 285,379	\$ 268,189	\$ 553,568
Due from other funds	-	18,061	18,061
Prepaid expenses and other assets	55,345	-	55,345
Total assets	340,724	286,250	626,974
Liabilities			
Current liabilities:			
Accrued and other liabilities	11,000	-	11,000
Compensated absences	-	219,370	219,370
Total current liabilities	11,000	219,370	230,370
Noncurrent liabilities - Compensated absences	-	59,794	59,794
Total liabilities	11,000	279,164	290,164
Net Position - Unrestricted	\$ 329,724	\$ 7,086	\$ 336,810

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

	Self Insurance	Employee Accrued Benefits Fund	Total
Operating Revenue - Service charges	\$ 161,081	\$ 55,266	\$ 216,347
Operating Expenses			
Insurance costs	176,898	-	176,898
Accrued benefit expense	-	55,334	55,334
Total operating expenses	<u>176,898</u>	<u>55,334</u>	<u>232,232</u>
Operating Loss	(15,817)	(68)	(15,885)
Nonoperating Revenue - Investment income	<u>4,422</u>	<u>68</u>	<u>4,490</u>
Change in Net Position	(11,395)	-	(11,395)
Net Position - Beginning of year	<u>341,119</u>	<u>7,086</u>	<u>348,205</u>
Net Position - End of year	<u>\$ 329,724</u>	<u>\$ 7,086</u>	<u>\$ 336,810</u>

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Self Insurance	Employee Accrued Benefits Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 161,081	\$ 55,266	\$ 216,347
Payments to suppliers	(163,207)	-	(163,207)
Payments to employees	-	(76,428)	(76,428)
Net cash used in operating activities	(2,126)	(21,162)	(23,288)
Cash Flows from Investing Activities -			
Interest received on investments	4,422	68	4,490
Net Increase (Decrease) in Cash and Cash Equivalents	2,296	(21,094)	(18,798)
Cash and Cash Equivalents - Beginning of year	283,083	289,283	572,366
Cash and Cash Equivalents - End of year	<u>\$ 285,379</u>	<u>\$ 268,189</u>	<u>\$ 553,568</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 285,379</u>	<u>\$ 268,189</u>	<u>\$ 553,568</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (15,817)	\$ (68)	\$ (15,885)
Changes in assets and liabilities:			
Due from others	-	61,729	61,729
Prepaid and other assets	19,541	-	19,541
Accrued and other liabilities	(5,850)	(82,823)	(88,673)
Net cash used in operating activities	<u>\$ (2,126)</u>	<u>\$ (21,162)</u>	<u>\$ (23,288)</u>

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Fiduciary Net Position Fiduciary Funds June 30, 2013

	OPEB Trust Funds		
	Retiree Healthcare Fund	Disability Health Insurance	Total OPEB Trust Funds
Assets			
Cash and investments	\$ 292,646	\$ 26,377	\$ 319,023
Investment pools	2,408,735	-	2,408,735
Total assets	2,701,381	26,377	2,727,758
Liabilities - Accounts payable	11,029	-	11,029
Net Position Held in Trust for Other Employee Benefits	\$ 2,690,352	\$ 26,377	\$ 2,716,729

City of Farmington, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2013

	Retiree Healthcare Fund	Disability Health Insurance	Total
Additions			
Investment income:			
Interest and dividends	\$ 85,843	\$ 14	\$ 85,857
Net realized and unrealized gain on investments	118,517	-	118,517
Less investment expenses	(15,104)	-	(15,104)
Net investment income	189,256	14	189,270
Other	12,550	-	12,550
Contributions - Employer	692,000	-	692,000
Total additions	893,806	14	893,820
Deductions - Insurance costs	689,338	31,784	721,122
Net Increase (Decrease) in Net Position Held in Trust	204,468	(31,770)	172,698
Net Position Held in Trust for Other Employee Benefits - Beginning of year	2,485,884	58,147	2,544,031
Net Position Held in Trust for Other Employee Benefits - End of year	<u>\$ 2,690,352</u>	<u>\$ 26,377</u>	<u>\$ 2,716,729</u>