

CITY OF FARMINGTON, MISSOURI

FINANCIAL STATEMENTS

September 30, 2008

CITY OF FARMINGTON, MISSOURI

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Mayor and City Council
City of Farmington
Farmington, Missouri 63640

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Farmington, Missouri, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Farmington, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Farmington, Missouri, as of September 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2009, on our consideration of the City of Farmington, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 19 and 43 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington, Missouri's basic financial statements. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Farmington, Missouri. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Thurman, Shinn & Company
Certified Public Accountants
March 12, 2009

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council
City of Farmington
Farmington, Missouri 63640

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Farmington, Missouri, as of and for the year ended September 30, 2008, which collectively comprise the City of Farmington, Missouri's basic financial statements and have issued our report thereon dated March 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Farmington, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Farmington, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Farmington, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Farmington, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Farmington, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the City of Farmington, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Farmington, Missouri's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Farmington, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Farmington, Missouri's in a separate letter dated March 12, 2009.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Thurman, Shinn & Company
Certified Public Accountants

March 12, 2009

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and City Council
City of Farmington
Farmington, Missouri 63640

Compliance

We have audited the compliance of the City of Farmington, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City of Farmington, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Farmington, Missouri's management. Our responsibility is to express an opinion on the City of Farmington, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Farmington, State Y's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Farmington, Missouri's compliance with those requirements.

In our opinion, the City of Farmington, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City of Farmington, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Farmington's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Farmington, Missouri's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thurman, Shinn & Company
Certified Public Accountants

March 12, 2009

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

The Management Discussion and Analysis (MDA) of the City of Farmington's financial performance highlights for the fiscal year ended September 30, 2008. The MDA should be read in conjunction with the financial statements and notes for the reporting period.

FISCAL YEAR HIGHLIGHTS

- Total net assets increased by \$4,333,756 or 8%. The Civic Center complex was reclassified as a business-type activity for the fiscal year. This resulted in a reclassification of \$8,717,198 from governmental to business-type activities. In addition to this change, net assets of governmental activities increased by \$2,339,097 and business-type activities increased by \$1,994,659.
- Government Fund assets exceeded liabilities for the period ended September 30, 2008 by \$23,998,010 (net assets). Business-Type Activity Fund assets exceeded liabilities by \$36,086,717.
- Government Funds reported an ending fund balance of \$5,971,712 for the period ended September 2008. This represents a reclassification of \$308,819 to Enterprise Funds and a fund balance increase of \$1,269,546 from the previous period.
- Enterprise Funds ended the fiscal period with total net assets of \$36,086,717. This represents a reclassification of \$308,819 from Governmental Funds and a net assets increase of \$1,994,659 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Farmington's financial statements are comprised of government-wide financial statements, fund financial statements, and accompanying notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

These statements are prepared to provide an overview of city finances in a combined financial statement. The basic financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets shows the difference between assets and liabilities represented as net assets. The Statement of Activities shows how the city's net assets changed in the most recent fiscal year. All revenues and expenses for the current year are reported regardless of when cash is received or paid; therefore, some revenues will result in cash flows in future fiscal years.

The Statement of Net Assets and Statement of Activities segregate city financial activities into the following categories:

- Governmental Activities. All of the city's basic services are considered to be governmental activities, including legislation, general administration, parks and recreation, library services, police, court, fire protection, street and right-of-way maintenance, and fleet and equipment maintenance. These activities are supported primarily with general revenues such as sales taxes, fuel taxes, fines, and user fees.
- Business-Type Activities. Revenues for these enterprises are derived from charges for services to customers that are intended to recover the full cost of operation of the activity. The electric and water utility, sewer utility, civic complex, and airport operations are reported as Business-Type Activities.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about each of the major funds. The City maintains the following Fund Types:

- Governmental Funds. Most basic services are reported within governmental funds. These fund statements are prepared on a modified accrual basis. They report only cash and other assets that can readily be converted to cash. Capital assets and other long-term assets and long-term liabilities are not presented in the governmental fund statements. The reconciliation between the difference in government funds and governmental activities is reported in the Statement of Net Assets and Statement of Activities.
- Proprietary Funds. These statements include the enterprise funds (utility, sewer, civic complex, and airport) and are prepared on a full accrual basis. The enterprise funds are the same as the business-type activities; however, additional information is provided including a Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to developing a full and complete understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements are found immediately following the basic financial statements.

STATEMENT OF NET ASSETS

The City's combined net assets were \$60,084,727 at the end of the reported period. Governmental Activities comprised \$23,998,010 of the total and Business-Type Activities included \$36,086,717. Capital assets increased by \$4,333,756. The majority of the City's assets are comprised of capital assets, net of related debt, which equals approximately 78% of total net assets. Cash and Investments of Governmental Activities consist of \$1,708,873 of unrestricted cash or cash equivalents and \$3,132,278 of restricted cash. Business-Type Activities cash and cash equivalents consist of \$3,597,585 of unrestricted cash and \$3,389,028 of restricted cash.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash & Investments	4,111,455	4,400,736	7,716,309	6,671,846	11,827,764	11,072,582
Receivables	1,910,830	1,182,069	2,408,547	3,324,113	4,319,377	4,506,182
Due From Other Funds	268,436	794,510	-	40,000	268,436	834,510
Equipment Deposits	-	492,451	-	-	-	492,451
Inventory	-	-	1,262,455	1,030,380	1,262,455	1,030,380
Prepaid Expenses	43,346	87,948	52,966	74,234	96,312	162,182
Bond Issuance Costs	-	-	40,308	69,187	40,308	69,187
Capital Assets (Net)	<u>20,787,982</u>	<u>32,712,575</u>	<u>40,433,961</u>	<u>28,223,147</u>	<u>61,221,943</u>	<u>60,935,722</u>
Total Assets	27,122,049	39,670,289	51,914,546	39,432,907	79,036,595	79,103,196
Current Liabilities	1,252,336	2,460,939	2,745,510	3,321,752	3,997,846	5,782,691
Long-Term Liabilities	2,322,607	6,833,239	12,631,415	10,736,295	14,954,022	17,569,534
Other Liabilities	-	-	-	-	-	-
Total Liabilities	3,574,943	9,294,178	15,376,925	14,058,047	18,951,868	23,352,225
Invested in Capital Assets	18,026,298	25,365,125	30,144,645	20,483,089	48,170,943	45,848,214
Restricted	2,253,490	2,127,054	1,104,392	866,362	3,357,882	2,993,416
Unrestricted	<u>3,267,318</u>	<u>2,883,932</u>	<u>5,288,584</u>	<u>4,025,409</u>	<u>8,555,902</u>	<u>6,909,341</u>
Total Net Assets	<u>23,547,106</u>	<u>30,376,111</u>	<u>36,537,621</u>	<u>25,374,860</u>	<u>60,084,727</u>	<u>55,750,971</u>

STATEMENT OF ACTIVITIES

The government-wide statement of activities indicates that the major sources of program revenues are for charges for services, which decreased slightly from fiscal year 2007. Charges for utility services comprise the largest revenue source within this category. Residential electric rates were reduced at the beginning of the period and water and sewer usage and rates remained stable.

GOVERNMENT-WIDE

Total activity expenses during the fiscal year were \$30,492,777 and represented an over-all increase of \$150,135 or 1.3% from the previous year. Total revenue was 34,826,533 representing a nominal increase of .3% from the previous year. Capital grants and contributions were \$1,532,553 less than the previous fiscal year. A significant increase in sales tax revenue of \$1,686,002 resulted primarily from the imposition of a ½ cent capital improvement sales tax approved by voters in April 2007. Collection of the tax began in October 2007 with initial receipts occurring in December 2007.

GOVERNMENTAL FUNDS

Overall General Fund revenue activity was reduced by \$787,149. The net of civic complex operations and the reduction in general fund revenues indicates an increase in other general fund activity of approximately \$468,000 from the previous period.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

GOVERNMENTAL FUNDS-continued

The city imposes a one-cent general sales tax and two one-half cent capital improvement sales taxes to fund general operations and capital improvements respectively. Each capital improvement sales tax is allocated to specific capital projects as presented to the voters in the respective ballot initiatives. The sales tax approved in 2001 will expire in 2014 and is used to fund the certificate of participation obligations for the Centene Center, annual street improvement program, and other smaller capital improvement projects. The sales tax approved in 2007 will expire in 2012 and will be used to pay for sewer and water system improvements.

General sales tax comprises the most significant portion of general revenue and grew by 2.7% during the reporting period. Real and personal property taxes increased by \$56,774 or approximately 8.4% during the fiscal year. The total assessed valuation of increased by \$5,359,290 or approximately 3.0%. An increase of approximately 210% was realized in the utility and gross receipts tax. This is due to the settlement of a suit in which the cellular phone companies were protesting the telephone tax on mobile phones. The increase represents the additional taxes received plus those taxes previously paid under protest were reclassified from a potential liability to revenue.

An administrative pilot payment from the utility fund and sewer fund totaled \$319,659 representing approximately 1.5% of revenue and represented a noteworthy increase from the previous year due to prior year restrictions on utility PILOT payments imposed by the City Council. The city has significantly reduced its dependence on utility fund revenue in the past several years in response to increases in wholesale electric costs. The City currently imposes a PILOT fee on the electric, water, and sewer utility.

Interest earnings for the period were \$175,963 less than the previous fiscal year. Interest earnings declined principally due to expiration of the depository services contract with US Bank and lower interest rate bearing account products being offered in the current financial markets. Fines and Forfeitures increased by \$176,586 or approximately 52% primarily due to an increase in court fines attributable to increasing the number of patrol officers back to prior levels. It should be noted that in Fiscal Year 2007 the city realized an approximate 22% decrease in this same area. Motor fuel and vehicle taxes were \$62,323 less than the previous period reflecting an approximate 10.4% reduction in associated revenue.

BUSINESS-TYPE FUNDS

Total operating revenues for the Airport Fund increased from \$11,435 in Fiscal Year 2007 to \$203,248 in Fiscal Year 2008. The City assumed operational control of the airport from its Fixed Base Operator. Consequently, the City realizes revenue from rents and fuel sales to maintain airport operations. The airport operated at a loss (excluding depreciation) of \$25,781. Prior year losses (net of depreciation) were \$44,950. The City completed several capital improvement projects at the airport funded in large part by grants from the Federal Aviation Administration, Missouri Department of Transportation, and private grants. The City contributed approximately \$35,000 in cash match for the grants. Net assets for the Airport Fund increased by \$638,189 during the reporting period.

The Utility Fund (water and electric) operating revenues (excluding depreciation) was \$1,917,250. The excess revenue was attributable primarily to operating expenses that were budgeted, but not expended during the fiscal year. Net assets for the Utility Fund increased by \$1,040,573.

The following table outlines the revenues and expenses for the two-year period ended September 30, 2008.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Charges for Services	48,689	1,298,133	23,462,257	22,530,917	23,510,946	23,829,050
Capital Grants	-	-	752,599	1,771,416	752,599	1,771,416
Operating Grants and Contributions	63,687	577,423	-	-	63,687	577,423
General Revenues					-	-
Taxes					-	-
Sales Tax	6,564,869	4,878,867	-	-	6,564,869	4,878,867
Real and Personal Property Tax	825,803	862,628	-	-	825,803	862,628
Motor Fuel and Vehicle Tax	538,221	600,544	-	-	538,221	600,544
Utility and Gross Receipts Tax	805,826	260,358	-	-	805,826	260,358
Fines and Forfeitures	518,406	341,820	-	-	518,406	341,820
Licenses and Permits	152,371	218,042	-	-	152,371	218,042
Interest Income	105,346	339,033	178,749	207,582	284,095	546,615
TIF Revenue	401,097	720,941	-	-	401,097	720,941
Administrative Pilot	319,659	-	-	-	319,659	-
Other	88,954	131,281	-	-	88,954	131,281
Transfers In	-	-	1,086,195	90,749	1,086,195	90,749
Total Revenues	<u>10,432,928</u>	<u>10,229,070</u>	<u>25,479,800</u>	<u>24,600,664</u>	<u>35,912,728</u>	<u>34,829,734</u>
Expenses						
General Government	1,279,539	1,229,094	-	-	1,279,539	1,229,094
Public Safety	2,891,370	2,909,707	-	-	2,891,370	2,909,707
Streets and Public Works	1,973,984	2,109,962	-	-	1,973,984	2,109,962
Culture and Recreation	862,743	2,759,427	-	-	862,743	2,759,427
Electric	-	-	18,310,169	18,125,893	18,310,169	18,125,893
Water	-	-	1,028,960	1,058,129	1,028,960	1,058,129
Sewer	-	-	2,043,264	1,795,835	2,043,264	1,795,835
Airport	-	-	333,463	136,078	333,463	136,078
Civic Complex	-	-	1,769,285	-	1,769,285	-
Transfers Out	1,086,195	90,749	-	-	1,086,195	90,749
Total Expenses	<u>8,093,831</u>	<u>9,098,939</u>	<u>23,485,141</u>	<u>21,115,935</u>	<u>31,578,972</u>	<u>30,214,874</u>
Increase (Decrease) in Net Assets	2,339,097	1,130,131	1,994,659	3,484,729	4,333,756	4,614,860
Net Assets, Beginning	21,658,913	16,368,311	34,092,058	21,890,131	55,750,971	38,258,442
Prior Period Adjustment (GASB 34)	-	12,877,669	-	-	-	12,877,669

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

FUND STATEMENTS

Reconciliation to the government-wide financial statements is provided with each major fund statement. The General Fund balance decreased by \$326,384 during the period and reported an ending fund balance of \$2,763,135. General Fund Revenues decreased from fiscal year 2007 by \$787,149.. The civic complex was reclassified into a separate fund in the current reporting period significantly impacting the general fund activity. Additionally, \$300,000 in cash was transferred to the newly established fund to ensure sufficient operating and capital replacement funds.

Motor fuel and vehicle sales tax decreased by approximately 10.4% from the previous year; the decrease is attributed in part to increased fuel cost and a reduction in new and used auto sales. Revenue from licenses and permits decreased by \$65,671. Fines and Forfeitures increased by \$176,586. General Government expenses decreased by \$111,728; Public Safety expenses decreased by \$14,742; Streets and Public Works increased by \$107,718, Culture and Recreation (Net of Civic Complex) increased by \$36,151; Capital Outlay increased by \$468,171 primarily due to the receipt of a fire truck ordered in FY2007; and Debt Service Principal increased by \$401,490 primarily due to the pay-off of a capital lease on the fire truck.

The Debt Service Fund experienced a slight deficit during the period of \$11,705 and reported an ending fund balance of \$919,012. Revenues decreased by \$115,232 due to a decrease in the debt service levy from the previous year following the full funding of the debt service reserve account. \$509,645 of debt service reserves and \$58,741 in accrued interest was transferred to the Civic Complex Fund.

The Special Allocation Fund receives and disburses revenues for each of the City's two tax increment financing districts. The City has engaged in an intergovernmental agreement with St. Francois County to pay a portion of the costs related to construction of the County Annex within the Downtown Farmington/Karsch Boulevard Redevelopment Area. The City's share of the project was previously financed with a line-of-credit, however, the City opted to fund the outstanding balance with an interfund loan from the General Fund in the amount of \$630,000. The City has executed redevelopment agreements with two private developments in the Highway 67 Redevelopment Area. However, no EATS revenues or PILOT payments have resulted from the Highway 67 Redevelopment Area projects.

BUDGETARY HIGHLIGHTS

For the fiscal year 2008, the final budget expenditures for the general fund increased by \$1.052 million from the original budgeted expenditures. This increase was due largely to the delivery of a new fire truck which required the expenditures of an equipment deposit shown in the prior year as revenue and the decision by the City Council to pay-off the debt on the fire truck. This decision was made as a result of a settlement being reached with the mobile phone companies on payment of a telephone tax. The settlement provided an increase of approximately \$420,000 in the budgeted revenues for the general fund in the fiscal year 2008. Additionally, the City budget also required a significant amendment of approximately 26% in the expense area of vehicle gas and oil. This was due to an increase in gas prices nation-wide. The City ended the year with a 54% increase in gas and oil expense over the prior year. The general fund salaries and overtime expenses were amended to show an approximate increase of 3.1% to account for the re-grading of some positions to ensure that the pay for these positions were in-line with similar positions within the City and with the market. Actual general fund salaries and overtime expenses came in approximately .5% below the amended budget amount of \$3,124,650.

The tables on the following pages detail activity within each of the major funds:

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>GENERAL FUND ACTUAL</u>	<u>FY2008</u>	<u>FY2007</u>
<u>REVENUES</u>		
Sales Tax	3,372,772	3,284,460
Real and Personal Property Tax	734,047	677,273
Grants and Contributions	63,687	445,211
Charges for Services	48,689	1,298,133
Licenses and Permits	152,371	218,042
Motor Fuel and Vehicle Tax	538,221	600,544
Fines and Forfeitures	518,406	341,820
Utility & Gross Receipts Tax	805,826	260,358
Administrative PILOT Payment	319,659	-
Interest Income	48,689	224,652
Other	88,087	127,110
Total Operating Revenues	6,690,454	7,477,603
<u>EXPENSES</u>		
General Government		
Administration	983,244	1,057,235
Buildings and Maintenance	108,654	146,391
Public Safety		
Police	1,860,778	1,832,450
Municipal court	94,237	89,681
Fire	734,613	770,782
Emergency Preparedness	-	11,457
Streets and Public Works		
Streets	626,248	563,138
Public Works	233,776	219,403
Maintenance	299,814	269,579
Culture and Recreation		
Park	540,571	482,608
Library	240,207	262,019
Civic Center and Water Park	-	1,303,623
Capital Outlay	580,732	112,561
Debt Service-Principal	492,451	90,961
Total Expenses	6,795,325	7,211,888
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSE</u>	(104,871)	265,715
<u>OTHER FINANCING SOURCES</u>		
Transfer Out	(221,513)	(9,880)
Lease Proceeds	-	492,451
Total Other Financing Sources	(221,513)	482,571
<u>NET CHANGE IN FUND BALANCE</u>	(326,384)	748,286
<u>FUND BALANCE - BEGINNING</u>	3,089,519	2,650,054
<u>FUND BALANCE - ENDING</u>	2,763,135	3,398,340

*Change in Fund Balance from ending Fiscal Year 2007 to beginning Fiscal Year 2008 represents a reclassification of the Civic Complex to a separate enterprise fund.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>DEBT SERVICE FUND ACTUAL</u>	<u>FY2008</u>	<u>FY2007</u>
<u>REVENUES</u>		
Real and Personal Property Tax	91,756	185,355
Interest Income	<u>28,917</u>	<u>50,550</u>
Total Operating Revenues	120,673	235,905
<u>EXPENSES</u>		
Public Safety		
Police	15,683	15,795
Streets and Public Works		
Streets	95,695	-
Culture and Recreation		
Civic Center and Water Park	-	252,012
Debt Service-Principal	<u>420,760</u>	<u>805,000</u>
Total Expenses	532,138	1,072,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSE	(411,465)	(836,902)
<u>OTHER FINANCING SOURCES</u>		
Transfer In	399,760	1,037,024
Transfer Out	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>399,760</u>	<u>1,037,024</u>
<u>NET CHANGE IN FUND BALANCE</u>	(11,705)	200,122
FUND BALANCE - BEGINNING	<u>479,813</u>	<u>730,595</u>
FUND BALANCE - ENDING	<u>468,108</u>	<u>930,717</u>

The difference in the beginning fund balance is due to assets being transferred to the Civic Complex Fund.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>CAPITAL PROJECTS FUND ACTUAL</u>	<u>FY2008</u>	<u>FY2007</u>
<u>REVENUES</u>		
Sales Tax	3,192,097	1,594,407
Grants and Contributions	-	132,212
Interest Income	22,537	63,675
Total Operating Revenues	3,214,634	1,790,294
<u>EXPENSES</u>		
Public Safety		
Fire	1,297	-
Streets and Public Works		
Public Works	59,116	240,009
Capital Outlay	414,690	234,750
Total Expenses	475,103	474,759
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</u>	2,739,531	1,315,535
<u>OTHER FINANCING SOURCES</u>		
Transfer In	1,297	-
Transfer Out	(1,626,911)	(1,117,893)
Total Other Financing Sources	(1,625,614)	(1,117,893)
<u>NET CHANGE IN FUND BALANCE</u>	1,113,917	197,642
FUND BALANCE - BEGINNING	1,196,575	998,933
FUND BALANCE - ENDING	2,310,492	1,196,575

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>SPECIAL ALLOCATION FUND (TIF)</u>	<u>FY2008</u>	<u>FY2007</u>
<u>REVENUES</u>		
TIF Funds	401,097	720,941
Interest Income	5,203	156
Other	867	4,171
Total Operating Revenues	407,167	725,268
<u>EXPENSES</u>		
General Government		
Administration	162,972	-
Streets and Public Works		
Public Works	44,096	207,626
Capital Outlay	67,553	-
Total Expenses	274,621	207,626
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSE</u>	132,546	517,642
<u>OTHER FINANCING SOURCES</u>		
Transfer In	362,469	-
Transfer Out	(1,297)	-
Total Other Financing Sources	361,172	-
<u>NET CHANGE IN FUND BALANCE</u>	493,718	517,642
FUND BALANCE - BEGINNING	(514,645)	(1,032,287)
FUND BALANCE - ENDING	(20,927)	(514,645)
<u>CAPITAL ASSETS</u>		

The City of Farmington capital assets net of depreciation at the end of the reporting period ending September 30, 2008 totaled \$61,221,943, an increase of \$286,222 during the fiscal year. Total government-wide depreciation of capital assets was \$2,507,444 for the FY2008 resulting in a total accumulated depreciation of 18,593,775.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>CAPITAL ASSETS (NET OF DEPRECIATION)</u>	<u>FY 2008</u>	<u>FY 2007</u>
GOVERNMENTAL ACTIVITIES		
Capital Assets, Not Depreciated		
Land	1,262,757	1,262,757
Construction in Progress	-	-
Total Capital Assets, not depreciated	1,262,757	1,262,757
Capital Assets, Depreciated	-	-
Buildings	3,213,326	3,190,296
Land Improvements	408,404	408,404
Infrastructure	21,106,236	20,621,677
Furniture, Machinery, & Equipment	1,324,157	1,324,157
Vehicles	3,223,307	2,667,920
	29,275,430	28,212,454
Less Accumulated Depreciation	9,750,204	8,843,571
Total Capital Assets, Depreciated	19,525,226	19,368,883
Capital Assets, Net	20,787,983	20,631,640
PROPRIETARY ACTIVITIES		
Capital Assets, Not Depreciated		
Land	650,686	650,686
Construction in Progress	658,685	1,940,106
Total Capital Assets, not depreciated	1,309,371	2,590,792
Capital Assets, Depreciated	-	-
Buildings	15,588,428	15,274,231
Infrastructure	38,625,462	36,438,245
Furniture, Machinery, & Equipment	1,413,613	926,950
Vehicles	1,301,967	1,277,933
	56,929,470	53,917,359
Less Accumulated Depreciation	17,804,881	16,204,070
Total Capital Assets, Depreciated	39,124,589	37,713,289
Capital Assets, Net	40,433,960	40,304,081

OUTSTANDING DEBT

The City utilizes short-term loans, general obligation bonds, revenue bonds, capital leases, and certificates of participation to fund capital improvements and equipment acquisitions to support operational needs. During the reporting period the City retired \$1,996,451 of total debt, an approximate 13% reduction. Governmental activities debt was reduced by approximately 44% due to the reclassification of \$3,258,316 of capital lease to business-type activities under the newly established Civic Complex fund.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Capital Lease (Capital Improvements)	2,601,684	6,605,000	3,258,316	-	5,860,000	6,605,000
Capital Lease (Generators)	-	-	2,706,000	3,035,000	2,706,000	3,035,000
Capital Lease (Wastewater)	-	-	235,000	305,000	235,000	305,000
Capital Lease (Firetruck)	-	492,451	-	-	-	492,451
GO Bonds (Police Department)	160,000	250,000	-	-	160,000	250,000
2000 Revenue Bonds (Sewer System)	-	-	4,090,000	4,360,000	4,090,000	4,360,000
Total	2,761,684	7,347,451	10,289,316	7,700,000	13,051,000	15,047,451

ECONOMIC FACTORS AND NEXT FISCAL YEAR BUDGETS AND RATES

The Fiscal Year 2009 budget forecasts general fund revenues slightly below the level required to support municipal services at a level consistent with past activity. National economic forecasts indicate that the current recession will continue into calendar year 2010 and is expected to lead to further economic decline throughout the fiscal year. The budget consequently projects very conservative revenue projections. The City has accumulated sufficient reserves during the past three budget cycles to fully fund operations without compromising sound financial reserve policies. The projected ending fund balance in each of the major operating funds are: (1) 27% of operating expenses for the general fund, (2) 53% of operating expenses in the utility fund (excluding power purchased), and (3) 13 % of operating expenses in the Civic Complex Fund. Operating reserves for the sewer department have been substantially depleted due to increased operating costs and an obsolete rate structure. The Airport Fund has not developed sufficient revenue to build an independent operating fund. The Civic Complex operating fund will be partially depleted during the ensuing fiscal year due to assumption of the senior center operations and its associated capital debt.

Sales tax revenue has historically grown at a rate between 2.5% and 3.5%. Sales tax revenue during Fiscal Year 2008 grew at a rate of 2.7%. The property tax levy for the City has remained stable at \$0.4337 per \$100 assessed valuation to fund the General Fund and was reduced \$0.0400 for the Debt Service Fund.

During the fiscal year ending in 2008, the total assessed valuation of real property was \$135,984,670 and was 4.1% greater than the assessed valuation for the previous year. Current trends in local housing construction indicate an increase in the demand for rental property and homes ranging from \$130,000 to \$160,000 in value. There is also a growing market for duplex condominiums and villa-type housing development.

Electric utility rates remained unchanged in the Fiscal Year 2009 Budget. Wholesale electric costs have been stable since 2006 and are expected to decline in 2009 as the first of the power generation assets is completed and begins operation. Wholesale electric costs are based on an annualized average energy cost of \$62.50/MWh plus transmission and direct facility charges of approximately \$4.00/MWh. The City purchases its wholesale electric energy through the Missouri Public Energy Pool #1 (MoPEP), which includes 33 member municipal utilities. MoPEP has acquired an equity position coal generation facilities currently under construction. Nebraska City Unit 2, the first unit, is scheduled to begin operation in May 2009 and will result in a significant reduction in costs for a share of the energy portfolio. The City's allocated share of the generation unit scheduled to begin operation in 2009 is 5.4 MW.

Water rates were increased by 7% in October 2008 to ensure sufficient revenues for operation. Additional rate increases will be required to fund the operation of the radionuclide treatment systems currently in design and review phase. Sewer rates were increased by 5% in October 2008. The sewer use rates have not been increased since October 2003 and consequently, the operating reserves have been depleted below the recommended levels. Sewer rates are expected to increase nominally over the next several years to fully fund operating reserves and to pay additional operation and maintenance costs resulting from the east waste water treatment plant expansion.

CITY OF FARMINGTON, MISSOURI
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Sewer rates, by bond covenants, must be maintained at a level to produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the system; (b) pay the principal of and interest on the bonds when due; (c) enable the City to have in each fiscal year net revenues available for debt service of not less than 110% of the amount required to be paid for principal and interest on the bonds; and (d) provide reasonable and adequate reserves for bond payments.

The City anticipates receiving in excess of \$1,997,850 in grant revenues for capital improvements for the Farmington Regional Airport. The grant funds are sourced from Federal Aviation Administration and Missouri Department of Transportation for the airport terminal building, property acquisition, and parallel taxiway construction.

The total expenditure on capital improvements in the current budget is \$5,767,400, which represents approximately 15.5% of the total combined budget. The City is planning significant capital improvements at the Farmington Regional Airport including completion of the airport terminal building, acquisition of additional property for a future runway extension, and construction of a parallel taxiway. The City will award contract for expansion of the east waste water treatment plant during the fiscal year and the project is expected to be completed during Fiscal Year 2010. In addition, the City will continue to invest in street, sidewalk, and storm water drainage improvements.

The City has outstanding debt that includes a general obligation bond for the construction of the police department, sewer revenue bonds for an expansion to the west waste water treatment plant, certificates of participation for the construction of the civic center expansion and the west utility expansion. The City Council approved an inter-fund loan agreement from the General Fund to the Special Allocation Fund for the outstanding balance on the line-of-credit for the court house annex project. Total debt (including capital lease obligations) is \$13,051,000. The total debt represents 9.6% of total assessed valuation of real property in the City.

The City Council should approach present and future financial planning conservatively. Current economic stresses will undoubtedly result in lower than expected sales tax revenues and further restrict new private investment. National housing foreclosure rates have resulted in steadily declining property values, however, the local region has not yet experienced a significant decline in property values or a reduction in total assessed valuation.

FINANCIAL CONTACT

The City's financial statements are designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding this report or request for additional information should be directed to:

City of Farmington, 110 West Columbia, Farmington, Missouri 63640, (573) 756-1701

www.ci.farmington.mo.us.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET ASSETS**

September 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash & Cash Equivalents	\$ 356,986	\$ 3,597,585	\$ 3,954,571
Investments	12,000	0	12,000
Accounts Receivable	1,910,830	2,408,547	4,319,377
Prepaid Expenses	43,346	52,966	96,312
Inventory	0	1,262,455	1,262,455
Total	<u>2,323,162</u>	<u>7,321,553</u>	<u>9,644,715</u>
<u>NONCURRENT ASSETS</u>			
Restricted Assets:			
Cash & Cash Equivalents	3,342,035	578,896	3,920,931
Investments	400,434	3,539,828	3,940,262
Unamortized Bond Issue Costs	0	40,308	40,308
Due from Other Funds	268,436	0	268,436
Capital Assets (Net)	<u>20,787,982</u>	<u>40,433,961</u>	<u>61,221,943</u>
Total	<u>24,798,887</u>	<u>44,592,993</u>	<u>69,391,880</u>
TOTAL ASSETS	27,122,049	51,914,546	79,036,595
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	499,565	1,156,597	1,656,162
Accrued Salaries	178,189	97,754	275,943
Accrued Interest	46,153	58,741	104,894
Taxes Payable	0	38,153	38,153
Builder's Deposits	0	81,193	81,193
Other Payable	89,352	92,649	182,001
Current Portion of Long-Term Debt	<u>439,077</u>	<u>1,220,423</u>	<u>1,659,500</u>
Total	<u>1,252,336</u>	<u>2,745,510</u>	<u>3,997,846</u>
<u>LONG-TERM LIABILITIES</u>			
Due to Other Funds	0	268,436	268,436
Customer Deposits Payable	0	422,017	422,017
Due to State of Missouri - State Revolving Fund	0	2,872,069	2,872,069
Bonds Payable	160,000	4,090,000	4,250,000
Capital Leases Payable	2,601,684	6,199,316	8,801,000
Less Current Maturities	<u>(439,077)</u>	<u>(1,220,423)</u>	<u>(1,659,500)</u>
Total	<u>2,322,607</u>	<u>12,631,415</u>	<u>14,954,022</u>
TOTAL LIABILITIES	<u>3,574,943</u>	<u>15,376,925</u>	<u>18,951,868</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	18,026,298	30,144,645	48,170,943
Restricted	2,253,490	1,104,392	3,357,882
Unrestricted	<u>3,267,318</u>	<u>5,288,584</u>	<u>8,555,902</u>
TOTAL NET ASSETS	<u>\$ 23,547,106</u>	<u>\$ 36,537,621</u>	<u>\$ 60,084,727</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF ACTIVITIES**

Year Ended September 30, 2008

	Net (Expense) Revenue and Changes in Net Assets - Primary Government				
	Expenses	Charges for Services	Capital Grants	Contributions & Operating Grants	Totals
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
Public Safety	\$ 1,279,539	\$ 0	\$ 0	\$ 9,310	\$ (1,270,229)
Streets and Public Works	2,891,370	0	0	41,873	(2,849,497)
Culture and Recreation	1,973,984	0	0	0	(1,973,984)
Total Governmental Activities	862,743	48,689	0	12,504	(801,550)
	7,007,636	48,689	0	63,687	(6,895,260)
Business-Type Activities:					
Airport	333,463	203,248	707,304	0	577,089
Electric	18,310,169	19,103,198	0	0	793,029
Water	1,028,960	1,263,854	0	0	234,894
Sewer	2,043,264	1,636,738	0	0	(406,526)
Civic Complex	1,769,285	1,255,219	0	45,295	(468,771)
Total Business-Type Activities	23,485,141	23,462,257	707,304	45,295	729,715
Total Primary Government	\$ 30,492,777	\$ 23,510,946	\$ 707,304	\$ 108,982	(6,165,545)
General Revenues:					
Taxes					
Sales Taxes					6,564,869
Real and Personal Property Taxes					825,803
Motor Fuel and Vehicle Taxes					538,221
Gross Receipts Tax					805,826
TIF Proceeds					401,097
Fines and Forfeitures					0
Administrative Pilot Payment					0
Licenses & Permits					319,659
Interest Income					152,371
Other					178,749
Transfers					88,954
Total General Revenues and Transfers					10,499,301
Change in Net Assets for the Year					4,333,756
Net Assets - October 1, 2007					55,750,971
Net Assets - September 30, 2008					\$ 60,084,727

The accompanying notes are an integral part of these financial statements.

**CITY OF FARMINGTON, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund	Special Allocation Fund	
<u>ASSETS</u>					
Cash & Cash Equivalents	\$ 356,986	\$ 0	\$ 0	\$ 0	\$ 356,986
Investments	12,000	0	0	0	12,000
Accounts Receivable	836,371	0	447,095	627,364	1,910,830
Prepaid Expenses	43,346	0	0	0	43,346
Due From Other Funds	2,019,678	0	0	0	2,019,678
Restricted Assets:					
Cash & Investments	0	546,219	3,061,049	135,201	3,742,469
TOTAL ASSETS	\$ 3,268,381	\$ 546,219	\$ 3,508,144	\$ 762,565	\$ 8,085,309
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 246,838	\$ 3,712	\$ 240,214	\$ 8,801	\$ 499,565
Accrued Salaries	178,189	0	0	0	178,189
Accrued Interest Payable	0	46,153	0	0	46,153
Due to Other Funds	0	28,246	957,438	765,558	1,751,242
Other Liabilities	80,219	0	0	9,133	89,352
TOTAL LIABILITIES	505,246	78,111	1,197,652	783,492	2,564,501
<u>FUND BALANCES</u>					
Unrestricted	2,763,135	0	0	0	2,763,135
Restricted	0	468,108	2,310,492	(20,927)	2,757,673
TOTAL FUND BALANCES	2,763,135	468,108	2,310,492	(20,927)	5,520,808
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,268,381	\$ 546,219	\$ 3,508,144	\$ 762,565	\$ 8,085,309

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

Total Fund Balance - Total Governmental Funds		\$ 5,520,808
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 30,538,186	
Less accumulated depreciation	(9,750,204)	
		20,787,982
Long-term liabilities, including leases payable and loans payable are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		
Leases Payable	(2,601,684)	
Bonds Payable	(160,000)	
		(2,761,684)
Net Assets of Governmental Activities		\$ 23,547,106

The accompanying notes are an integral part of these financial statements.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS

Year Ended September 30, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Special Allocation Fund	Total Governmental Funds
<u>REVENUES</u>					
Sales Tax	\$ 3,372,772	\$ 0	\$ 3,192,097	\$ 0	\$ 6,564,869
Real and Personal Property Tax	734,047	91,756	0	0	825,803
Grants and Donations	63,687	0	0	0	63,687
Charges for Services	48,689	0	0	0	48,689
Motor Fuel and Vehicle Tax	538,221	0	0	0	538,221
Fines and Forfeitures	518,406	0	0	0	518,406
Utility & Gross Receipts Tax	805,826	0	0	0	805,826
Licenses and Permits	152,371	0	0	0	152,371
Interest Income	48,689	28,917	22,537	5,203	105,346
TIF Proceeds From Other Governments	0	0	0	401,097	401,097
Administrative Pilot Payment	319,659	0	0	0	319,659
Other	88,087	0	0	867	88,954
Total Operating Revenues	6,690,454	120,673	3,214,634	407,167	10,432,928
<u>EXPENSES</u>					
General Government					
Administration	983,244	0	0	162,972	1,146,216
Buildings and Maintenance	108,654	0	0	0	108,654
Public Safety					
Police	1,860,778	15,683	0	0	1,876,461
Municipal Court	94,237	0	0	0	94,237
Fire	734,613	0	1,297	0	735,910
Streets and Public Works					
Street	626,248	95,695	0	0	721,943
Public Works	233,776	0	59,116	44,096	336,988
Maintenance	299,814	0	0	0	299,814
Culture and Recreation					
Park	540,571	0	0	0	540,571
Library	240,207	0	0	0	240,207
Capital Outlay	580,732	0	414,690	67,553	1,062,975
Debt Service-Principal	492,451	420,760	0	0	913,211
Total Expenses	6,795,325	532,138	475,103	274,621	8,077,187
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(104,871)	(411,465)	2,739,531	132,546	2,355,741
OTHER FINANCING SOURCES (USES)					
Transfer In	0	399,760	1,297	362,469	763,526
Transfer Out	(221,513)	0	(1,626,911)	(1,297)	(1,849,721)
Total Other Financing Sources And Uses	(221,513)	399,760	(1,625,614)	361,172	(1,086,195)
NET CHANGE IN FUND BALANCES	(326,384)	(11,705)	1,113,917	493,718	1,269,546
FUND BALANCES - OCTOBER 1, 2007	3,089,519	479,813	1,196,575	(514,645)	4,251,262
FUND BALANCES - SEPTEMBER 30, 2008	\$ 2,763,135	\$ 468,108	\$ 2,310,492	\$ (20,927)	\$ 5,520,808

The accompanying notes are an integral part of these financial statements.

City of Farmington, Missouri
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Year Ended September 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,269,546
Amounts Reported for Governmental Activities in the Statement of Activities and Changes in Net Assets were different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets were allocated over their estimated useful lives as depreciation expense:	
Capital outlay	1,062,975
Depreciation	(906,633)
Principal payments on long-term liabilities of governmental funds are expensed. However on the Government-Wide Statement of Activities they are shown as a reduction of debt.	913,211
Change in Net Assets of Governmental Activities as Reported on the Statement of Activities	<u>\$ 2,339,099</u>

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2008

	Airport Fund	Utility Fund	Sewer Fund	Civic Complex Fund	Totals
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash & Cash Equivalents	\$ 259	\$ 3,244,024	\$ 0	\$ 353,302	\$ 3,597,585
Accounts Receivable	15,671	2,183,853	181,019	28,004	2,408,547
Prepays	755	47,692	4,519	0	52,966
Inventory	64,032	1,175,255	23,168	0	1,262,455
Total	80,717	6,650,824	208,706	381,306	7,321,553
<u>NONCURRENT ASSETS</u>					
Restricted Assets:					
Cash & Cash Equivalents	0	0	578,896	0	578,896
Investments	0	0	3,030,183	509,645	3,539,828
Unamortized Bond Issue Costs	0	40,308	0	0	40,308
Due From Other Funds	0	0	0	0	0
Capital Assets (Net of Accumulated Depreciation)	4,413,700	12,440,480	11,857,728	11,722,053	40,433,961
Total	4,413,700	12,480,788	15,466,807	12,231,698	44,592,993
TOTAL ASSETS	4,494,417	19,131,612	15,675,513	12,613,004	51,914,546
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts Payable	1,310	1,082,500	50,713	22,074	1,156,597
Accrued Salaries	1,510	53,861	21,524	20,859	97,754
Accrued Interest	0	0	0	58,741	58,741
Taxes Payable	0	38,153	0	0	38,153
Builder's Deposits	0	81,193	0	0	81,193
Other Liabilities	303	23,845	58,681	9,820	92,649
Current Portion of Long-Term Debt	0	322,000	20,000	430,923	772,923
Total	3,123	1,601,552	150,918	542,417	2,298,010
<u>LONG-TERM LIABILITIES</u>					
Customer Deposits Payable	0	422,017	0	0	422,017
Due to Other Funds	48,385	0	220,051	0	268,436
Due to State of Missouri - State Revolving Fund	0	0	2,872,069	0	2,872,069
Revenue Bonds Payable	0	0	4,090,000	0	4,090,000
Capital Leases Payable	0	2,706,000	235,000	3,258,316	6,199,316
Less Current Maturities	0	(322,000)	(20,000)	(430,923)	(772,923)
Total	48,385	2,806,017	7,397,120	2,827,393	13,078,915
TOTAL LIABILITIES	51,508	4,407,569	7,548,038	3,369,810	15,376,925
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	4,413,700	9,734,480	7,532,728	8,463,737	30,144,645
Restricted	0	0	594,747	509,645	1,104,392
Unrestricted	29,209	4,989,563	0	269,812	5,288,584
TOTAL NET ASSETS	<u>\$ 4,442,909</u>	<u>\$ 14,724,043</u>	<u>\$ 8,127,475</u>	<u>\$ 9,243,194</u>	<u>\$ 36,537,621</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

Year Ended September 30, 2008

	Enterprise Funds				
	Airport Fund	Utility Fund	Sewer Fund	Civic Complex Fund	Totals
<u>OPERATING REVENUES</u>					
Charges for Services:					
Airport Charges	\$ 203,248	\$ 0	\$ 0	\$ 0	\$ 203,248
Electric Charges	0	19,103,198	0	0	19,103,198
Water Charges	0	1,263,854	0	0	1,263,854
Sewer Charges	0	0	1,636,738	0	1,636,738
Civic Complex Charges	0	0	0	1,255,219	1,255,219
Total Operating Revenues	203,248	20,367,052	1,636,738	1,255,219	23,462,257
<u>OPERATING EXPENSES</u>					
Airport Expenses	229,029	0	0	0	229,029
Electric Expenses	0	17,581,087	0	0	17,581,087
Water Expenses	0	868,715	0	0	868,715
Sewer Expenses	0	0	1,319,459	0	1,319,459
Civic Complex Expenses	0	0	0	1,261,830	1,261,830
Depreciation	104,434	658,653	459,892	377,832	1,600,811
Total Operating Expenses	333,463	19,108,455	1,779,351	1,639,662	22,860,931
OPERATING INCOME (LOSS)	(130,215)	1,258,597	(142,613)	(384,443)	601,326
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Grant Income	657,304	0	0	0	657,304
Contributions	50,000	0	0	45,295	95,295
Interest Income	0	0	178,749	0	178,749
Cost of Issuance and Bond Fees	0	(99,280)	(23,280)	0	(122,560)
Interest Expense	0	(131,394)	(240,633)	(129,623)	(501,650)
Total Nonoperating Revenues (Expenses)	707,304	(230,674)	(85,164)	(84,328)	307,138
NET INCOME (LOSS) BEFORE TRANSFERS	577,089	1,027,923	(227,777)	(468,771)	908,464
Transfer In	61,100	12,650	468,582	543,863	1,086,195
Transfer Out	0	0	0	0	0
Total Transfers	61,100	12,650	468,582	543,863	1,086,195
CHANGE IN NET ASSETS	638,189	1,040,573	240,805	75,092	1,994,659
NET ASSETS - OCTOBER 1, 2007	3,804,720	13,683,470	7,886,670	8,717,198	34,092,058
NET ASSETS - SEPTEMBER 30, 2008	<u>\$ 4,442,909</u>	<u>\$ 14,724,043</u>	<u>\$ 8,127,475</u>	<u>\$ 8,792,290</u>	<u>\$ 36,086,717</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended September 30, 2008

	<u>Airport Fund</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Civic Complex Fund</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 187,577	\$ 20,451,979	\$ 1,633,145	\$ 1,255,093	\$ 23,527,794
Payments to Suppliers	(746,143)	(20,080,255)	(1,610,475)	(1,800,912)	(24,237,785)
Payments to Employees	29,570	909,474	372,601	571,976	1,883,621
Net Cash Provided (Used) By Operating Activities	(528,996)	1,281,198	395,271	26,157	1,173,630
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u>					
Transfers In	61,100	12,650	468,582	543,863	1,086,195
Contributions	50,000	0	0	45,295	95,295
Loans To/From Other Funds	(375,769)	40,000	220,051	0	(115,718)
Nonoperating Grant Receipts	1,467,280	0	0	0	1,467,280
Net Cash Provided (Used) By Nonoperating Activities	1,202,611	52,650	688,633	589,158	2,533,052
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Principal Payments on Long-Term Debt	0	(3,293,000)	(582,152)	(414,240)	(4,289,392)
Interest Paid on Debt	0	(131,394)	(240,633)	(129,623)	(501,650)
Investment Earnings	0	0	178,749	0	178,749
Bond Fees	0	(25,563)	(23,280)	0	(48,843)
Cost of Issuance	0	(44,838)	0	0	(44,838)
Refinancing of Capital Lease	0	2,964,000	0	0	2,964,000
Acquisition of Capital Assets	(673,356)	(406,072)	(632,312)	(18,950)	(1,730,690)
Net Cash Used By Capital And Related Financing Activities	(673,356)	(936,867)	(1,299,628)	(562,813)	(3,472,664)
Net Change in Cash and Cash Equivalents	259	396,981	(215,724)	52,502	234,018
Balances at October 1, 2007	0	2,847,043	794,620	300,800	3,942,463
Balances at September 30, 2008	\$ 259	\$ 3,244,024	\$ 578,896	\$ 353,302	\$ 4,176,481
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (130,215)	\$ 1,258,597	\$ (142,613)	\$ (384,443)	\$ 601,326
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation & Amortization Expenses	104,434	658,653	459,892	377,832	1,600,811
Changes in Assets and Liabilities					
Accounts Receivable	(15,671)	152,858	(3,593)	(126)	133,468
Prepays	(755)	13,538	8,485	0	21,268
Inventory	(64,032)	(160,171)	(7,872)	0	(232,075)
Accounts Payable & Other Payables	(422,757)	(585,682)	75,430	28,492	(904,517)
Customer and Builder Deposits Payable		(67,931)	0	0	(67,931)
Accrued Salaries and Compensated Absences		11,336	5,542	4,402	21,280
Net Cash Provided (Used) by Operating Activities	\$ (528,996)	\$ 1,281,198	\$ 395,271	\$ 26,157	\$ 1,173,630

The accompanying notes are an integral part of these financial statements.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Farmington, Missouri currently operates as a third class city of the State of Missouri. The City operates as a Mayor, Council-City Administrator form of government and provides municipal services to its residents.

The more significant of the City's accounting policies are described as follows:

The Reporting Entity

Under generally accepted accounting principals, the reporting entity consists of the City and other organizations for which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based upon this criterion, the City has no component units and the accompanying financial statements represent only the City of Farmington.

The Industrial Development Authority of the City of Farmington (IDA) is considered to be a related organization. The IDA is excluded from the reporting entity because the City's accountability does not extend beyond appointing a voting majority of the IDA's board members.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statements of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statements of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and other charges to users of the City's services; (2) contributions, operating and capital grants which finance annual operating activities and fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund Types and Major Funds

Governmental Fund Types:

The City reports the following major governmental funds:

General Fund - The General Fund is the primary fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Fund Types and Major Funds-continued

Governmental Fund Types-continued:

Capital Project Fund - Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary and trust funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including capital lease obligations principal, interest and related costs.

Special Allocation Fund - The Special Allocation Fund is used to account for the financial resources derived from the TIF districts.

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following enterprise funds: Airport Fund, Utility Fund (Electric and Water), Sewer Fund and Civic Complex Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities. The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both available and measurable. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligations bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, sales and use taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The City has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services. Principal operating expenses are the costs of providing goods or

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation-continued

services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

It is the City's policy to eliminate all inter-fund activity on the entity wide financial statements.

Cash and Investments

For the purpose of reporting, "cash" and "restricted cash" includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

Inventories

The enterprise funds have parts and supplies on hand for use in maintaining the utility systems; and also aviation fuel for resale at the airport. These items are recorded at cost and expensed as they are used.

Capital Assets and Depreciation

The City's property, plant and equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. If historical cost was not available, the cost was estimated. Capital assets are depreciated using the straight-line method.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20 - 50
Improvements/Infrastructure	5 - 50
Water and Wastewater Infrastructure	15 - 40
Furniture, Vehicles and Equipment	5 - 15

Long-Term Debt and Bond Discounts/Premiums and Issuance Costs

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds.

Budgets and Budgetary Accounting

In accordance with Chapter 67, RSMo, The City adopts an annual operating budget, which can be amended by the Council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City. The budget for the year ended September 30, 2008 was prepared and adopted using the modified accrual basis of accounting for governmental funds and accrual accounting for proprietary funds.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the City Council, budgetary transfers between departments can be made. The budgeted financial statements represented in the report reflect final budget authorization, including all amendments.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Compensated Absences

City employees earn varying amounts of paid vacation and sick leave benefits based on their length of service with the City. Vacation days may not be carried over or accrued past one year. Accumulated unpaid vacation is payable to employees upon termination. Accumulated sick leave is payable only under certain circumstances. Compensated absences are reported in accrued salaries in the government-wide and fund financial statements.

Post-Employment Benefits

The City does not provide any type of post employment benefits to its employees except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and mailed to residents in November, and are payable on or before January 1 of the following year. All unpaid taxes then become delinquent. Property tax revenues are recognized when billed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources are set aside for debt service, capital projects and other special purposes, and are classified as restricted on the balance sheet, and on the statement of net assets, because they are maintained in separate bank accounts and their use is limited by debt covenants or other statutory provisions.

Fund Equity

The unrestricted fund balances for governmental funds represent the amount available for budgeting future operations. The restricted fund balance for governmental funds represents the amount that has been legally identified for specific purposes. Unrestricted net assets for proprietary funds represent the assets available for future operations or distribution. Restricted net assets retained earnings for proprietary funds represent the assets that have been legally identified for specific purposes. The special allocation fund has a negative fund balance of \$20,927.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits include all funds held in checking accounts, money market accounts, and cash on hand. Unrestricted investments include certificates of deposit with original maturities of greater than three months. For cash flows purposes these are considered cash equivalents. Deposits and investments are stated at cost, which approximates market. Restricted investments include amounts held in trust as required by certain bond covenants.

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS – continued

The City complies with Missouri state statutes and allows investments in obligations of the United States, the state of Missouri, certain bonds of political subdivisions within Missouri, and out-of-state municipal bonds, provided they are rated in the highest nationally ranked category.

Missouri statutes require that the depository institution must collateralize all funds on deposit in financial institutions with appropriate securities to the extent not provided by FDIC insurance. At September 30, 2008 the deposits and investments of the City were fully insured or collateralized by securities held in the City's name.

Governmental Accounting Standards Board Statement No. 40 requires that deposits and investments be classified by credit risk.

Classification of deposits and investments by credit risk are as follows:

Deposits

Category 1- Insured or collateralized, with securities held by the entity or by its agent in the entity's name.

Category 2- Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3- Deposits which are uninsured or uncollateralized.

Investments

Category 1- Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2- Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.

Category 3- Uninsured and unregistered, with securities held by the counter part, or by its trust department or agent, but not in the entity's name.

	Category 1	Category 3	Uncategorized	Total
Cash Deposits	\$ 7,701,144	\$ 0	\$ 0	\$ 7,701,144
Bank Money Market Accounts	168,197	0	0	168,197
Certificates of Deposit	17,000	0	0	17,000
Stock Mutual Funds	0	910,079	0	910,079
Guaranteed Investment Contracts	0	2,975,577	0	2,975,577
Bond Mutual Funds	0	54,606	0	54,606
Cash on Hand	0	0	1,161	1,161
Totals	\$ 7,886,341	\$ 3,940,262	\$ 1,161	\$ 11,827,764

Category 3 investments are held in trust for the City by UMB Bank. These investments are in a large investment pool. The pool has United States securities that collateralize the entire pool balance, including the amount shown above. These funds are all rated AAA or AAAM.

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 3 - ACCOUNTS RECEIVABLE

In the governmental funds, accounts receivable consists primarily of sales tax revenue and gas tax due from the state, gross receipts tax due from utility companies, and municipal court receivables. These receivables are recorded when they are both measurable and available.

In the proprietary funds accounts receivable consists of amounts due from customers for utility services provided and civic center user fees. These receivables are recorded when the earning process is complete and services have been provided.

The City considers these accounts receivable fully collectible, except the municipal court receivables. Therefore, only an allowance for municipal court receivables is recorded herein in the amount of \$135,814.

NOTE 4 – CAPITAL ASSETS

Changes in fixed assets are as follows for the year ended September 30, 2008:

	Balance, September 30, 2007		Additions		Deletions		Balance, September 30, 2008
Governmental Activities:							
Capital Assets, not depreciated							
Land	\$ 1,262,757	\$	0	\$	0	\$	1,262,757
Capital Assets, depreciated							
Buildings	3,190,296		23,030		0		3,213,326
Land Improvements	408,404		0		0		408,404
Infrastructure	20,621,677		484,559		0		21,106,236
Furniture, Machinery & Equip	1,324,157		0		0		1,324,157
Vehicles	2,667,920		555,387		0		3,223,307
	<u>28,212,454</u>		<u>1,062,976</u>		<u>0</u>		<u>29,275,430</u>
Less Accumulated Depreciation	8,843,571		906,634		0		9,750,205
Total Capital Assets, depreciated	<u>19,368,883</u>		<u>156,342</u>		<u>0</u>		<u>19,525,225</u>
Capital Assets, Net	\$ <u>20,631,640</u>	\$	<u>156,342</u>	\$	<u>0</u>	\$	<u>20,787,982</u>

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

	Balance, September 30, 2007	Additions	Deletions	Balance, September 30, 2008
Proprietary Activities:				
Capital Assets, not depreciated				
Land	\$ 650,686	\$ 0	\$ 0	\$ 650,686
Construction in Progress	1,940,106	658,685	1,940,106	658,685
Total Capital Assets, not depreciated	2,590,792	658,685	1,940,106	1,309,371
Capital Assets, depreciated				
Buildings	15,274,231	314,197	0	15,588,428
Infrastructure	36,438,245	2,187,217	0	38,625,462
Furniture, Machinery & Equip	926,950	486,663	0	1,413,613
Vehicles	1,277,933	24,034	0	1,301,967
	53,917,359	3,012,111	0	56,929,470
Less Accumulated Depreciation	16,204,070	1,600,810	0	17,804,880
Total Capital Assets, depreciated	37,713,289	1,411,301	0	39,124,590
Capital Assets, Net	\$ 40,304,081	\$ 2,069,986	\$ 1,940,106	\$ 40,433,961

Total depreciation expense for the year was \$2,507,444. Depreciation is charged to the following functions in the statement of activities: general government \$24,668, public safety \$184,762, streets and public works \$615,238, culture and recreation \$81,965, airport, \$104,434, electric \$498,408, water 160,245, sewer \$459,892 and civic complex \$377,832.

NOTE 5 – LONG-TERM DEBT

General Obligation Bonds

Series 1998 is a \$900,000 original issue dated May 30, 1998. It is due in installments ranging from \$45,000 to \$95,000 through May 1, 2010. Interest is payable each November 1st and May 1st at 3.8% to 4.7%. The bond was used to build the police station. The balance at September 30, 2008 is \$160,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2009	\$ 95,000	\$ 7,425
2010	65,000	3,055
	\$ 160,000	\$ 10,480

Revenue Bonds

Series 2000 Sewer System Refunding Revenue Bonds with an original issue of \$4,950,000 dated April 1, 2000 is due in annual installments ranging from \$45,000 to \$360,000 through July 1, 2021. Interest is payable each January 1st and July 1st at 4.6% to 5.7%. The balance at September 30, 2008 was \$4,090,000.

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 6 – LONG-TERM DEBT-continued

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year	Business-Type Activities	
	Principal	Interest
2009	\$ 275,000	\$ 225,529
2010	280,000	211,504
2011	285,000	197,223
2012	290,000	182,618
2013	300,000	167,538
2014-2018	1,605,000	573,435
2019-2021	1,055,000	120,951
Total	<u>\$ 4,090,000</u>	<u>\$ 1,678,798</u>

Due to the State of Missouri

When the City used the 2000 revenue bonds for construction, the State of Missouri put 70% of each construction payment into a debt reserve account at United Missouri Bank to be used if the City could not make debt service payments on the bonds. Each year, as the City makes principal payments on the bonds, it pays back the State 70% of that year's principal payment. No interest is due on this debt. In fiscal year 2008, the City paid back \$242,152. As of September 30, 2008, the balance due to the State was \$2,872,069.

If the City makes all of the related principal payments, the amount owed to the State is as follows:

Year Ended September 30,	Principal
2009	\$ 192,500
2010	196,000
2011	199,500
2012	203,000
2013	210,000
2014-2018	1,123,500
2019-2021	747,569
Total	<u>\$ 2,872,069</u>

Long-term liability activity for the year ended September 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
General Obligation Bonds	\$ 250,000	\$ 0	\$ 90,000	\$ 160,000
Business-Type Activities:				
Due to The State of MO	3,114,221	0	242,152	2,872,069
Revenue Bonds	<u>4,360,000</u>	<u>0</u>	<u>270,000</u>	<u>4,090,000</u>
Subtotal	<u>7,474,221</u>	<u>0</u>	<u>270,000</u>	<u>6,962,069</u>
Total	<u>\$ 7,724,221</u>	<u>\$ 0</u>	<u>\$ 360,000</u>	<u>\$ 7,122,069</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 7 - CAPITAL LEASES

Governmental Activities:

The City has entered into capital leases for the financing of various equipment and capital improvements for the General fund. A description of the property leased and detail of the leases are described below. Obligations under capital leases are stated at the original fair market value of the leased assets capitalized, less the payments made, discounted at the interest rate implicit in the lease.

Certificates of Participation

The City entered into a capital lease to finance capital improvements through a financing arrangement with UMB Bank. Under the arrangement, the bank issued certificates of participation in the amount of \$7,955,000 on July 1, 2005 to finance the improvements. The scheduled lease payments the City makes to the bank will be used to pay the debt service on these certificates. The lease payments are due in installments ranging from \$630,000 to \$1,710,000 will be made beginning in April 2006 and continue through April 2014. Interest is payable each October 1st and April 1st at 3.58%. The balance at September 30, 2008 is \$5,860,000. Of this amount \$2,601,684 is governmental debt and \$3,258,316 is business-type debt shown on the civic complex fund Statement of net assets.

Capital Lease Obligations

The City entered into a capital lease for the financing of the purchase of a fire truck. This lease was entered into in November 2006 for \$492,451. Lease payments are due in annual installments of \$112,958 including interest beginning November 2007 through November 2011 with an interest rate of 4.75%. The City paid the lease off early in September 2008. The balance at September 30, 2008 is \$0.

Business-Type Activities:

The City entered in to capital leases to finance the purchase of equipment, vehicles and system expansion of the wastewater treatment infrastructure. A description of the property leased and the details of the lease arrangements are described below. Obligations under capital leases are stated at the original fair market value of the leased assets capitalized, less the payments made, discounted at the interest rate implicit in the lease.

Capital Lease Obligations

The equipment lease was entered into on January 15, 2002 for \$6,165,000. Lease payments are due in monthly installments including interest ranging from \$853 to \$200,941 beginning February 22, 2002 until final payment on November 22, 2011. This lease was refinanced during the year and the balance at September 30, 2008 is \$0.

The equipment lease was entered into on December 6, 2007 for \$2,964,000. Lease payments are due in monthly installments including interest ranging from \$25,000 to \$36,000 beginning December 20, 2007 until final payment on December 18, 2015. The balance at September 30, 2008 is \$2,706,000.

The wastewater system expansion lease was entered into on July 27 2000 for \$500,000. Lease payments are due in monthly installments including interest ranging from \$42 to \$12,645 beginning November 22, 2000 until final payment on May 22, 2019. The balance at September 30, 2008 is \$235,000.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 7 - CAPITAL LEASES-continued

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 are as follows:

Year Ended September 30,	Governmental Activities	Business-Type Activities	Total
2009	\$ 437,203	\$ 1,022,814	\$ 1,460,017
2010	435,998	1,020,698	1,456,696
2011	436,601	1,018,960	1,455,561
2012	436,729	1,017,122	1,453,851
2013	434,159	1,013,778	1,447,937
2014-2018	786,368	2,124,775	2,911,143
Total Minimum Lease Payments	2,967,058	7,218,147	10,185,205
Less Amount Representing Interest	365,374	1,018,831	1,384,205
Present Value of Minimum Lease Payments	\$ 2,601,684	\$ 6,199,316	\$ 8,801,000

Assets under capital leases are as follows at September 30, 2008:

Buildings with a cost of \$3,833,313 and accumulated depreciation of \$574,997; Machinery and Equipment with a cost of \$3,754,468 and accumulated depreciation of \$813,468; and Infrastructure with a cost of \$2,890,392 and accumulated depreciation of \$288,708. Total cost is \$10,478,173 and total accumulated depreciation of \$1,677,173.

NOTE 8 – SHORT-TERM DEBT

A line of credit at New Era Bank which was originally obtained to help fund County TIF expenses was paid off during the year ended September 30, 2008 through the use of a inter-fund loan between the General Fund and the Special Allocation fund. The balance at September 30, 2007 was \$800,000 and the balance at September 30, 2008 was \$0.

NOTE 9 – INTEREST EXPENSE

During the year ended September 30, 2008, \$703,190 of interest has been directly charged to the various city functions on the statement of net assets. The charges are as follows: streets and public works \$137,596, public safety \$63,943, electric \$131,395, sewer \$240,633, and civic complex \$129,623. No interest has been capitalized or indirectly charged.

NOTE 10 - RISK MANAGEMENT

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. The City is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to Missouri Statute Chapter 537.70. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 10 - RISK MANAGEMENT-continued

pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The City has also purchased commercial insurance for other areas of risk that are not covered by the public entity risk pool that includes reasonable deductible amounts. The portion of uninsured loss is not expected to be significant with respect to the financial position of the City.

NOTE 11 - RETIREMENT PLAN

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Service Code Section 401a and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS.

Funding Policy

The City's full time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 10.1% (general), 8.5% (police), and 12.5% (fire), of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by state statute.

Annual Pension Cost

For 2007, the City's annual pension cost of \$405,412 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumption included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2007 was 15 years.

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 11 - RETIREMENT PLAN-continued

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	% of APC Contributed	Net Pension Obligation
6/30/2005	\$ 381,241	100%	\$0
6/30/2006	\$ 398,731	100%	\$0
6/30/2007	\$ 405,412	100%	\$0

Required Supplementary Information Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll
2/28/2005	\$ 7,599,644	\$ 7,790,714	\$ 191,070	98%	\$ 4,254,961
2/28/2006	\$ 8,278,455	\$ 8,383,105	\$ 104,650	99%	\$ 4,317,428
2/28/2007	\$ 9,334,585	\$ 8,885,478	\$ (449,107)	105%	\$ 4,180,330

Note: The above assets and actuarial accrued liability do not include assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2007 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City, MO.

NOTE 12 - TAX INCREMENT FINANCING

On December 15, 2003, the City adopted tax increment allocation financing (TIF) to fund infrastructure improvements in a designated redevelopment area outlined in the plan entitled "The Karsch Boulevard and Downtown Farmington Redevelopment Plan for the Tax Increment Financing District." The TIF mechanism is authorized under Sections 99.800 through 99.865 of the RSMo. The redevelopment area qualifies as a conservation area under the RSMo.

The redevelopment plan proposes public activities (projects) to alleviate the existing conditions. The projects will convert existing deteriorated areas and demolish deteriorated, dilapidated buildings and provide areas for both public and private buildings, including administrative offices, housing and commercial buildings.

The total cost of all of the redevelopment projects is estimated to be approximately \$80,800,000. This includes the costs of property acquisition, historic preservation, electrical improvements, street and sidewalks, sanitary sewers, storm sewers, water improvements, housing construction, commercial building construction, construction of a county courthouse annex, downtown revitalization, parking improvements, planning, administration, engineering, legal, interest charges and contingencies.

The redevelopment plan proposes tax increment financing obligations to be authorized and issued by the City to fund a part of the redevelopment project cost. The total TIF obligations will not exceed \$14,800,000 to which will be added accrued interest, debt service reserve and issuance cost. The \$14,800,000 does not include payments-in-lieu of taxes that will be made to individual taxing entities.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 12 - TAX INCREMENT FINANCING-continued

The redevelopment plan allocates a portion of local sales tax revenues generated by economic activities (EATS) within the redevelopment area to pay directly for projects costs or retire the TIF Obligations. In addition the EATs may be used to reimburse the City or other taxing jurisdictions for certain eligible costs incurred in constructing public improvements including, but not limited to, financing costs associated with the public improvements, legal costs, engineering fees, plan preparation costs and administration. The redevelopment projects and the TIF obligations will be authorized for a 23-year period following their adoption. This plan anticipates funding redevelopment projects on a pay as you go method. The City, however, may decide to fund several projects up front, and therefore, the plan estimates an annual interest rate of 6.25% on the maximum amount of potential bonds to be issued.

It is anticipated that the redevelopment will support the issuance of \$14,800,000 of TIF Debt. However, it is the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTs as surplus on an annual basis and pass through that amount to the individual taxing entities. This plan anticipates a total of \$20,000,000 of PILOTs. The actual PILOTs over the 23 year projected life of the TIF District will depend on the amount of actual development that occurs and may be more than the projected \$20,000,000, but will be limited to the amount of actual PILOTs collected. As of September 30, 2008 no TIF bonds had been issued by the City of Farmington.

October 2005 the City adopted an ordinance approving the redevelopment plan for the Highway 67 tax increment financing district. This is the second TIF district within the City. Subsequent amendments to the plan were made in 2006 and 2008. The amended plan consists of two redevelopment projects including retail and commercial development, as well as public infrastructure improvements. The total cost of the redevelopment project is estimated to be approximately \$124,050,000. The plan proposes to use community improvement districts as well as tax increment financing obligations to be authorized and issued by the City to fund a part of the redevelopment costs. The total TIF obligations will not exceed \$42,000,000 to which will be added accrued and capitalized interest, debt service reserve and issuance costs. As of September 30, 2008, no revenues were being generated in this TIF district.

NOTE 13 – INDUSTRIAL REVENUE BONDS

The City has issued certain limited-obligation bonds for the express purpose of providing capital financing for a specific third party that is not a part of the City's financial reporting entity. At the same time, the City entered into a lease agreement with the Borrower, which contains provisions allowing the lessee to purchase the leased property for a nominal amount at the end of the lease term, or at earlier dates upon payment of amounts sufficient to redeem the entire related bond issued by the City, which are then outstanding. Capital Outlay is earmarked to have been purchased with these bonds to keep from having to pay property taxes on the items purchased. Instead of paying property taxes on this property, Payments In Lieu of Taxes are paid to the City for a twenty-year period. After twenty-years, the revenue bonds are considered to be paid off and the borrower will have to begin paying property taxes on all assets still owned that were purchased with these bonds.

NOTE 14 – RESTRICTED CASH AND INVESTMENTS

Certain proceeds of the City's bonds, as well as certain resources, are set aside for debt service, capital projects and other special purposes and are classified as restricted on the balance sheets, or the statement of net assets, because they are maintained in separate bank accounts and their use is limited by debt covenants or other statutory provisions.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 15 – RECLASSIFICATION OF NET ASSETS

As of October 1, 2007, the City changed the way it accounted for the activities of the civic center complex. Instead of showing its activity in the general fund and debt service fund, it began treating it as a proprietary fund titled the civic complex fund. Thus the beginning net assets of all governmental activities on the entity-wide statement of net assets was reduced by \$9,168,102 and the beginning net assets for business-type activities was increased by the same amount. The beginning general fund balance decreased \$308,821 and the debt service fund balance decreased by \$450,904.

NOTE 16 – INTER-FUND RECEIVABLES AND PAYABLES

As of September 30, 2008, the following inter-fund balances were owed between the various City funds:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General	Special Allocation	\$ 765,558
General	Airport	\$ 48,385
General	Sewer	\$ 220,051
General	Capital Projects	\$ 957,438
General	Debt Service	\$ 28,246

All except \$631,406 was reimbursed to the general fund in October, 2008. The City Council approved the general fund loaning up to \$650,000 to the special allocation fund to pay off the line of credit with New Era Bank. This amount will be paid back with interest over a three-year period.

NOTE 17 – INTER-FUND TRANSFERS

During the year ended September 30, 2008, the following inter-fund transfers took place between the various City funds:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Use</u>
General	Special Allocation	\$ 147,763	TIF Projects
General	Airport	\$ 61,100	Operations
Capital Projects	Utility Fund	\$ 12,650	Capital Expenses
Capital Projects	Debt Service	\$ 399,760	COP Payment
Capital Projects	Civic Complex	\$ 543,863	COP Payment
Capital Projects	Sewer	\$ 468,582	Capital Expenses
Capital Projects	Special Allocation	\$ 214,706	TIF Projects
Special Allocation	Capital Projects	\$ 1,297	Capital Expenses

The transfers shown from the general and capital projects funds to the special allocation fund represents those monies required to be transferred as incremental economic activity taxes under the tax increment financing development plan.

NOTE 18 – JOINT VENTURE

The City of Farmington is one of 31 Missouri municipalities in the Missouri Public Energy Pool (MoPEP) that participates in joint power projects through the Missouri Joint Municipal Utility Commission (MJMEUC). In most cases the pool members do not pay any costs of a project until they are receiving energy from the project. Once they begin receiving energy, all costs will be rolled into the participant's power bills. The participants are responsible for their share of the project even if they decide to leave the pool. The revenue collected from the participants is then used to pay interest and principal of the debt used to construct the

CITY OF FARMINGTON, MISSOURI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 18 – JOINT VENTURE-continued

various power projects. Financing used for construction ranges from lines of credit to project revenue bonds. Separate financial statements are available from MoPEP.

NOTE 19-SUBSEQUENT EVENT

The City has entered into a contract for the expansion at the east treatment plant. The contract consists of approximately \$5.3 million in improvements necessary to continue growth on the east side of Farmington. In April 2007, a ½ cent capital improvement sales tax was passed by the voters to pay for the plant expansion. The sales tax expires in 2012. The City intends to fund the expansion from the tax cash flows as long as possible. When this is no longer possible, the City is going to seek financing to pay for the completion of the project.

NOTE 20-CONCENTRATION OF REVENUE

Approximately 20 to 25% of the sales tax revenue of the City comes from one customer.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND**

Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<u>REVENUES</u>				
Sales Tax	\$ 3,300,000	\$ 3,300,000	\$ 3,372,772	\$ 72,772
Real and Personal Property Tax	723,500	723,500	734,047	10,547
Grants & Donations	103,610	103,610	63,687	(39,923)
Charges for Services	48,650	45,750	48,689	2,939
Motor Fuel and Vehicle Tax	595,000	555,000	538,221	(16,779)
Fines and Forfeitures	364,450	382,600	518,406	135,806
Licenses and Permits	150,000	160,000	152,371	(7,629)
Gross Receipts Tax	200,000	620,000	805,826	185,826
Interest Income	100,000	50,000	48,689	(1,311)
Administrative Pilot Payment	315,400	315,400	319,659	4,259
Other	83,850	91,450	88,087	(3,363)
Total Revenue	5,984,460	6,347,310	6,690,454	343,144
<u>EXPENDITURES</u>				
<u>Current:</u>				
General Government				
Administration	900,750	972,410	983,244	(10,834)
Buildings and Maintenance	138,550	98,700	108,654	(9,954)
Public Safety				
Police	1,818,200	1,868,700	1,860,778	7,922
Municipal Court	88,900	93,550	94,237	(687)
Fire	739,036	741,436	734,613	6,823
Streets and Public Works				
Street	595,000	621,150	626,248	(5,098)
Public Works	283,400	258,670	233,776	24,894
Maintenance	286,800	298,350	299,814	(1,464)
Culture and Recreation				
Park	501,700	520,800	540,571	(19,771)
Library	251,000	255,700	240,207	15,493
Capital Outlay	60,000	576,000	580,732	(4,732)
Debt Service-Principal	113,000	535,000	492,451	42,549
Total Expenses	5,776,336	6,840,466	6,795,325	45,141
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	208,124	(493,156)	(104,871)	388,285
<u>OTHER FINANCING SOURCES(USES)</u>				
Transfers In	0	0	0	0
Transfers Out	(168,000)	(206,100)	(221,513)	(15,413)
Total Other Financing Sources(Uses)	(168,000)	(206,100)	(221,513)	(15,413)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ 40,124	\$ (699,256)	(326,384)	\$ 372,872
FUND BALANCE, OCTOBER 1, 2007			3,089,519	
FUND BALANCE, SEPTEMBER 30, 2008			\$ 2,763,135	

The accompanying notes are an integral part of these financial statements.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL
DEBT SERVICE FUND**

Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Real Estate and Property Taxes	\$ 88,000	\$ 90,000	\$ 91,756	\$ 1,756
Interest Income	41,500	31,500	28,917	(2,583)
Total Revenue	129,500	121,500	120,673	(827)
<u>EXPENDITURES</u>				
Debt Service Interest and Fees	241,300	241,300	111,378	129,922
Debt Service Principal	835,000	835,000	420,760	414,240
Total Expenditures	1,076,300	1,076,300	532,138	544,162
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(946,800)	(954,800)	(411,465)	543,335
OTHER FINANCING SOURCES(USES)				
Transfer In	935,000	945,000	399,760	(545,240)
Transfer Out	0	0	0	0
Total Other Financing Sources (Uses)	935,000	945,000	399,760	(545,240)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (11,800)</u>	<u>\$ (9,800)</u>	(11,705)	<u>\$ (1,905)</u>
FUND BALANCE, OCTOBER 1, 2007			479,813	
FUND BALANCE, SEPTEMBER 30, 2008			<u>\$ 468,108</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
CAPITAL PROJECTS FUND**

Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<u>REVENUES</u>				
Sales Tax	\$ 3,270,000	\$ 3,270,000	\$ 3,192,097	\$ (77,903)
Interest Income	40,000	5,500	22,537	17,037
Total Revenue	3,310,000	3,275,500	3,214,634	(60,866)
<u>EXPENDITURES</u>				
Public Works	100,000	100,000	59,116	40,884
Fire	0	0	1,297	(1,297)
Capital Expenditures	1,515,000	1,400,000	414,690	985,310
Total Expenditures	1,615,000	1,500,000	475,103	1,024,897
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,695,000	1,775,500	2,739,531	964,031
OTHER FINANCING SOURCES(USES)				
Transfers In	604,800	475,000	1,297	(473,703)
Transfers Out	(1,196,600)	(1,160,150)	(1,626,911)	(466,761)
Total Other Financing Sources(Uses)	(591,800)	(685,150)	(1,625,614)	(940,464)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	<u>\$ 1,103,200</u>	<u>\$ 1,090,350</u>	1,113,917	<u>\$ 23,567</u>
FUND BALANCE, OCTOBER 1, 2007			<u>1,196,575</u>	
FUND BALANCE, SEPTEMBER 30, 2008			<u>\$ 2,310,492</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
SPECIAL ALLOCATION FUND**

Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<u>REVENUES</u>				
TIF Proceeds From Other Governments	\$ 410,000	\$ 461,000	\$ 401,097	\$ (59,903)
Interest Income	0	0	5,203	5,203
Other Income	0	0	867	867
Total Revenue	410,000	461,000	407,167	(53,833)
<u>EXPENDITURES</u>				
General Government	135,000	162,000	162,972	(972)
Public Works	43,000	43,000	44,096	(1,096)
Capital Expenditures	40,000	80,000	67,553	12,447
Total Expenditures	218,000	285,000	274,621	10,379
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	192,000	176,000	132,546	(43,454)
OTHER FINANCING SOURCES(USES)				
Transfers In	345,000	345,000	362,469	17,469
Transfers Out	(300,000)	(225,000)	(1,297)	223,703
Total Other Financing Sources(Uses)	45,000	120,000	361,172	241,172
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	<u>\$ 237,000</u>	<u>\$ 296,000</u>	493,718	<u>\$ 197,718</u>
FUND BALANCE, OCTOBER 1, 2007			<u>(514,645)</u>	
FUND BALANCE, SEPTEMBER 30, 2008			<u>\$ (20,927)</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF FARMINGTON, MISSOURI

SCHEDULE OF FEDERAL AWARDS

For the Year Ended September 30, 2008

Summary of Audit Results

1. The auditors report expressed an unqualified opinion on the financial statements of the City of Farmington, Missouri.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters required by *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Farmington, Missouri, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No instances of noncompliance over the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major funds programs for the City of Farmington, Missouri expresses an unqualified opinion.
6. No audit findings are required to be reported in accordance with section 501 (a) of OMB Circular A-133.
7. The program tested as a major program was Department of Transportation–Air Entitlement Funds, CFDA #20.106.
8. The threshold for distinguishing between type A and type B programs was \$300,000.
9. The City of Farmington, Missouri was determined to be a low-risk auditee.

CITY OF FARMINGTON, MISSOURI

SCHEDULE OF FEDERAL AWARDS

For the Year Ended September 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation:		
Pass Through Department of Public Safety		
Safety Grant	20.600	5,185
Click It or Ticket	20.600	273
DWI Enforcement	20.607	5,140
 Pass Through Missouri Department of Transportation		
Air Entitlement Funds	20.106	664,389
Total Department of Transportation		<u>674,987</u>
 Department of Housing and Urban Development		
Pass-Through Missouri Department of Social Services		
Emergency Shelter Grant Program	14.231	9,310
		<u>9,310</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 <u><u>\$684,297</u></u>

NOTE A - BASIS OF PRESENTATION

The schedule of expenditures of federal awards of the City of Farmington, Missouri is presented on the accrual basis of accounting.

NOTE B - NON-CASH ASSISTANCE

No USDA donated foods were received during the year ended September 30, 2008.

CITY OF FARMINGTON, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

FINDINGS-FINANCIAL STATEMENT AUDIT

Significant Deficiencies

None

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR FINDINGS AND QUESTIONED COSTS

None