

CITY OF FARMINGTON, MISSOURI

FINANCIAL STATEMENTS

September 30, 2014

CITY OF FARMINGTON, MISSOURI

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Farmington, Missouri

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

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, each major fund of the City of Farmington, Missouri as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 7-25, 58-64, and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

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 schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2015, on our consideration of the City of Farmington, Missouri's internal control over financial reporting and 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, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Farmington, Missouri's internal control over financial reporting and compliance.



Thurman, Shinn & Company
Certified Public Accountants

Farmington, Missouri
March 4, 2015

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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, Missouri

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise City of Farmington, Missouri's basic financial statements and have issued our report thereon dated March 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Farmington, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Farmington, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Farmington, Missouri's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined in the paragraph above. However, we consider the deficiency described in the accompany schedule of findings and questioned costs to be significant deficiency, 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Farmington, Missouri's financial statements are free from 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*.

City of Farmington, Missouri's Response to Findings

The City of Farmington, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Farmington, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Thurman, Shinn & Company
Certified Public Accountants

Farmington, Missouri
March 4, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor and City Council
City of Farmington, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of Farmington, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Farmington, Missouri's major federal programs for the year ended September 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Farmington, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. 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, Missouri'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Farmington, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Farmington, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Farmington, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Farmington, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Thurman, Shinn & Company
Certified Public Accountants

Farmington, Missouri
March 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Farmington, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2014. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The City of Farmington had a positive net position at the close of the fiscal year in the amount of \$81,740,977 (*net position = assets + deferred outflows - liabilities - deferred inflows*).
- The government's total change in net position due to activities during the fiscal year is an increase of \$3,430,750. This increase is representative of a \$2,961,716 increase in governmental activities and a \$469,034 increase in position in business-type activities.
- As of the close of the fiscal year, the City of Farmington's governmental funds reported combined ending fund balances of \$13,283,484 with a net increase of \$8,444,965 in fund balance. A large portion of this increase is due to capital projects lease proceeds which have not yet been spent on capital projects. With the lease proceeds removed, the net change in governmental fund balances is an increase of \$267,711.
- Of the governmental fund balances, \$2,641,271 is available for spending at the government's discretion (*unassigned, assigned, and committed fund balances*). This is up from \$2,277,750 the prior year. Of the \$2,641,271, only \$2,478,614 is considered unassigned. The remaining \$162,657 is committed or assigned by City Council and management.
- At the end of the fiscal year, the governmental funds full unreserved balance of \$2,478,614 was held in the General Fund. This amounts to approximately 36% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- The City of Farmington's total debt increased by \$6,602,261 (45%) during the fiscal year. This increase was the effect of a reduction in principal in current amounts due and two new borrowings completed during the year. The first new borrowing was a capital lease in the amount of \$815,761 for the purchase of a fire pumper truck. The second borrowing consisted of certificates of participation in the amount of \$8,650,000 for the construction of a new municipal library, renovations to the current police station, and improvements and expansion of the water park.
- The payment in lieu of taxes from the electric, water, and sewer departments was set at 5% resulting in a total payment amount of \$1,342,382. It is important to note that this 5% is imposed pursuant to the guidance provided by the Missouri State Auditor in an audit report delivered in 2006 referencing payments in lieu of taxes and payments for administrative services provided to the electric utility by the general fund assets and resources and was upheld by an opinion of the Missouri Supreme Court issued May 2011.
- Financial grants and contributions saw a substantial increase over the prior fiscal year resulting in total grants and contributions of \$2,043,235 in comparison to \$875,068. The increase is due to an increase in the amount of transportation funds received for land acquisition and aviation easements at the airport.

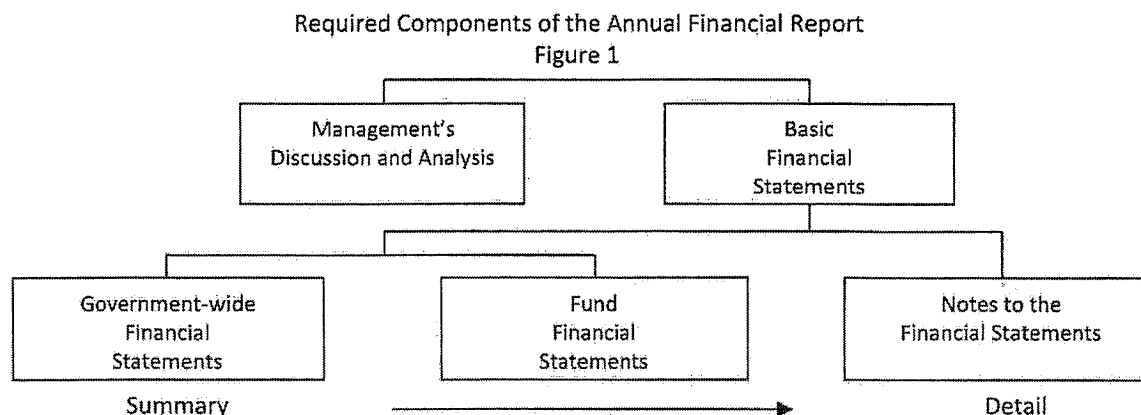
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Farmington's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will

Management Discussion and Analysis

City of Farmington

enhance the reader's understanding of the financial condition of the City of Farmington.



Basic Financial Statements

The first statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status. The government wide financial statements can be found on pages 26 to 27.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. The Fund Financial Statements include the governmental activities financial statements and the proprietary activities statements. The fund financial statements can be found on pages 28 to 33.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the budget to actual comparisons for the governmental funds, along with pension and other information. The Notes can be found on pages 34 to 57 with the Required Supplemental Information on pages 58 to 65.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements are presented on a full accrual basis and provide short and long-term information about the City's financial status as a whole.

There are two government-wide statements included in the basic financial statements: *the Statement of Net Position* and *the Statement of Activities*. The Statement of Net Position presents all the assets, deferred outflows, liabilities, and deferred inflows of the City, the net of which is the City's net position. An evaluation of the measure of net position is one way to gauge the City's financial position and determine if it is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year.

Each of the government-wide statements is divided into two categories: Governmental Activities and Business-Type Activities. The Governmental Activities include most of the City's basic services such as public safety, library, parks and recreation, and general administration. These activities are financed primarily through taxes and the general revenue of the City. The Business-Type Activities are those activities that the City intends to recover all, or a significant portion, of their costs through user fees and charges to customers. These include the airport; civic center, water park and senior center; water and electric services; and sewer services offered by the City of Farmington.

Fund Financial Statements

Management Discussion and Analysis

City of Farmington

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Farmington, like all other governmental entities in Missouri, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State of Missouri Revised Statutes or the City's budget ordinance. All of the funds of the City of Farmington can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental fund financial statements are reported using an accounting method called *modified accrual accounting* which provides a near-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. Capital assets and other long-term assets and liabilities are not included in the governmental fund financial statements. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the governmental funds' balance sheet and statement of revenues, expenditures and change in fund balances) is described in a reconciliation that is a part of the fund financial statements. Revenues are recognized when they are both measurable and available and expenses for the fiscal year are reported when incurred. Debt service payments are reported as expenditures in the year due. Therefore, some revenues will result in cash flows in future fiscal years, and some expenses will result in cash outlays in future fiscal years.
- **Proprietary Funds** – The City of Farmington utilizes *Enterprise Funds* to report the functions presented as business-type activities in the government-wide financial statements. Accounted for under proprietary funds are the airport, civic complex (civic center, water park, Centene Center, and senior center), utility (electric and water), and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The enterprise funds are reported using a full accrual basis. All revenues and expenses for the fiscal year are reported when earned and incurred regardless of when cash is received or paid. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Therefore, some revenues will result in cash flows in future fiscal years, and some expenses will result in cash outlays in future fiscal years.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information which contains budget to actual comparison schedules for all of the City's governmental funds.

The City of Farmington adopts an annual budget for its General Fund, as required by the State of Missouri Revised Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

Management Discussion and Analysis
City of Farmington

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects a condensed comparative statement of net position for September 30, 2014 and 2013.

City of Farmington's Statement of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 4,528,717	\$ 3,854,973	\$ 10,375,075	\$ 11,690,405	\$ 14,903,792	\$ 15,545,378
Other Assets	9,316,451	1,885,964	2,991,557	3,597,563	12,308,008	5,483,527
Capital assets (Net)	30,083,991	27,036,132	49,698,312	48,999,520	79,782,303	76,035,652
Total assets	43,929,159	32,777,069	63,064,944	64,287,488	106,994,103	97,064,557
Deferred Outflows	815,761	0	0	0	815,761	0
Current liabilities	2,591,041	1,834,090	3,773,055	4,705,935	6,364,096	6,540,025
Long-term liabilities	11,839,586	3,608,051	7,839,959	8,596,622	19,679,545	12,204,673
Total liabilities	14,430,627	5,442,141	11,613,014	13,302,557	26,043,641	18,744,698
Deferred Inflows	20,061	2,412	5,185	7,220	25,246	9,632
Net Position:						
Net investment in capital asset	25,305,484	22,612,048	43,143,312	40,728,604	68,448,796	63,340,652
Restricted	2,464,959	2,560,769	2,986,557	1,863,504	5,451,516	4,424,273
Unrestricted	2,523,789	2,159,699	5,316,876	8,385,603	7,840,665	10,545,302
Total net position	\$ 30,294,232	\$ 27,332,516	\$ 51,446,745	\$ 50,977,711	\$ 81,740,977	\$ 78,310,227

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. A review of the government-wide statement of net position reveals the following:

- At September 30, 2014, the assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$81,740,977. This equates to a 4%, or \$3,430,750, increase in net position as compared to September 30, 2013. This increase consisted of \$2,961,716 (86%) from governmental activities and \$469,034 (14%) from business-type activities. The increase in the governmental activities is driven primarily by an increase in the net investment in capital assets.
- Comparatively, the City's net investment in capital assets is approximately 84% of the total net position. The City of Farmington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Farmington's investment in its capital assets is reported net of the outstanding related debt less project funds unspent as of September 30, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.
- Investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding increased by \$5,108,144. The City's governmental activities increase in net investment in capital assets of \$2,693,436 is primarily driven by the completion of an extensive amount of infrastructure work in the form of streets, curbs, gutters, sidewalks and storm water systems totaling \$1,546,697, as well as the purchase of new vehicles, improvements to existing facilities, and work completed toward the construction of the new library and police station renovations. The proprietary funds realized an increase of \$2,414,708. This increase is primarily due to land acquisition and avigation easements adjacent to the airport, placement of underground utilities on West Liberty Street, rehabilitation of a water storage tank, construction of a new well, and improvements to the waste water system.
- An additional portion of the City's net position \$5,451,516, or 6.7%, represents resources that are subject to

Management Discussion and Analysis
City of Farmington

external restrictions on how they may be used.

- The remaining balance of \$7,840,665 is unrestricted. The amount of unrestricted net position in relation to total net position is 9.6% compared to 13.5% in the prior year. Of the unrestricted net position, approximately 32% is attributable to governmental type activities and 68% is attributable to business type activities.

Figure 3 shown below reflects the revenues and expenses for the City's activities for the years ended September 30, 2014 and September 30, 2013.

City of Farmington's Statement of Activities
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for goods and services	\$ 216,850	\$ 183,789	\$ 0	\$ 0	\$ 216,850	\$ 183,789
Electric Charges	0	0	21,667,212	19,016,989	21,667,212	19,016,989
Water Charges	0	0	3,108,559	4,393,816	3,108,559	4,393,816
Sewer Charges	0	0	2,325,690	2,032,085	2,325,690	2,032,085
Airport Charges	0	0	406,996	336,905	406,996	336,905
Civic Complex	0	0	1,448,002	1,356,759	1,448,002	1,356,759
Operating grants and contributions	213,095	183,470	227,550	238,192	440,645	421,662
Capital grants and contributions	403,737	36,842	1,198,853	416,564	1,602,590	453,406
General revenues:						
Sales taxes	6,911,600	6,508,385	0	0	6,911,600	6,508,385
Property taxes	829,008	830,591	0	0	829,008	830,591
Motor Fuel & Vehicle Tax	609,567	588,398	0	0	609,567	588,398
Gross Receipts Tax	570,932	517,242	0	0	570,932	517,242
Transient Guest Tax	233,046	203,047	0	0	233,046	203,047
Other taxes	173,115	165,919	0	0	173,115	165,919
Tax Increment Finance Proceeds	544,003	539,110	0	0	544,003	539,110
Municipal Court Fines & Fees	424,132	511,863	0	0	424,132	511,863
Interest Income	75,154	74,409	129,518	106,116	204,672	180,525
Administrative Pilot Payment	1,342,382	1,270,171	0	0	1,342,382	1,270,171
Insurance Proceeds	58,453	0	13,097	75,069	71,550	75,069
Other Income	41,623	0	0	0	41,623	0
Gain/(Loss) on Disposal of Assets	7,000	18,243	0	0	7,000	18,243
Special or Extraordinary Items	304,000	0	0	0	304,000	0
Total revenues	12,957,697	11,631,479	30,525,477	27,972,495	43,483,174	39,603,974
Expenses:						
General government	1,849,714	1,847,731	0	0	1,849,714	1,847,731
Public safety	3,650,799	3,562,420	0	0	3,650,799	3,562,420
Streets and Public Works	2,536,760	2,299,111	0	0	2,536,760	2,299,111
Cultural and recreation	1,128,451	1,029,140	0	0	1,128,451	1,029,140
Electric	0	0	21,892,881	20,375,779	21,892,881	20,375,779
Water	0	0	3,414,936	2,787,972	3,414,936	2,787,972
Sewer	0	0	2,511,483	2,559,200	2,511,483	2,559,200
Airport	0	0	706,066	677,158	706,066	677,158
Civic Complex	0	0	2,361,334	2,159,894	2,361,334	2,159,894
Total expenses	9,165,724	8,738,402	30,886,700	28,560,003	40,052,424	37,298,405
Change in net position before transfers	3,791,973	2,893,077	(361,223)	(587,508)	3,430,750	2,305,569
Transfers	(830,257)	(1,403,392)	830,257	1,403,392	0	0
Change in net position	2,961,716	1,489,685	469,034	815,884	3,430,750	2,305,569
Net Position, September 30	27,332,516	25,842,831	50,977,711	50,161,827	78,310,227	76,004,658
Restated Net Position, October 1	27,332,516	25,842,831	50,977,711	50,161,827	78,310,227	76,004,658

Management Discussion and Analysis

City of Farmington

A review of the statement of activities reflects the following government-wide changes. These changes will be discussed in more detail in each respective section of the activity types.

- Total revenues increased 9.8%, or \$3,879,200. This increase is largely due to an increase in business-type activities revenue.
- Program revenues net of grants and contributions increased \$1,852,966 for 2014. This increase is split between both the governmental activities and business-type activities, with the majority of the increase found in business-type activities.
- General revenues net of gain or loss on assets, insurance proceeds, and special items realized an overall increase of \$568,829, or 5.0%, which is due to an increase in governmental activities, largely related to sales tax revenue increases.
- Overall expenses increased a total of \$2,754,019 or 7.4%. Governmental activities accounted for a \$427,322 increase in expenses while business-type activities had a \$2,326,697 increase.

Governmental Activities

Governmental activities increased the City's net position by \$3,791,973 before transfers. Key elements of this change are as follows:

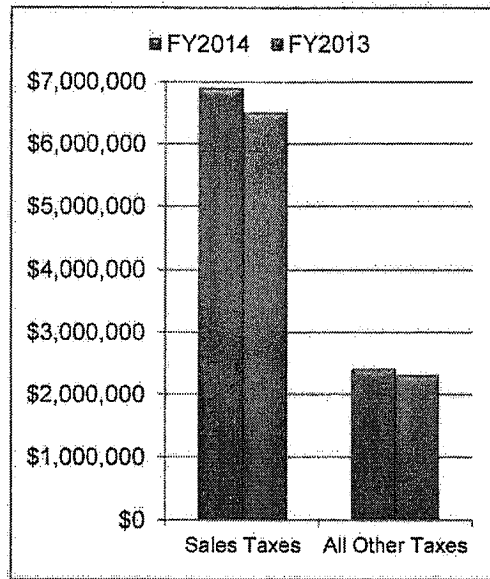
Revenue

- Sales tax revenues increased by \$403,215. This represents a 6.2% increase over the prior year. The City's general sales tax had remained stable during the last couple of years, but the City anticipates slight increases to continue as the economy grows.
- Other tax revenue changes for the City included:
 - A 0.2% decrease in property taxes, \$(1,583)
 - A 3.6% increase in motor fuel and vehicle taxes, \$21,169
 - A 10.4% increase in gross receipts taxes, \$53,690
 - A 14.8% increase in transient guest tax receipts, \$29,999
 - A 4.3% increase in other taxes combined, \$7,196
- Administrative pilot payments increased by \$72,211 or 5.7% over the prior year. The pilot payments represent monies paid by the Utility and Sewer Funds to the General Fund in lieu of a gross receipts tax. The payments made represent 5% of defined revenue of the Utility and Sewer Funds. Both electric and sewer rates were increased during the fiscal year resulting in an increase in revenue and therefore an increase in the payments to the General Fund.
- Operating contributions and grants increased by \$29,625 or 16.1% over the prior year. Operating grants were received in the public safety area in the amount of \$132,534 for the Mineral Area Drug Task Force, \$5,113 for driving while intoxicated and hazardous moving vehicle enforcement efforts, and \$56,563 from the Farmington R-7 School District as a cost-sharing contribution in support of the school resource officer program. Culture and recreation programs received contributions in the amount of \$18,885 for operation of the library and bike hostel from a combination of state aide and donations by individuals. This resulted in operating grants and contributions in the governmental activities totaling \$213,095.
- The streets and public works received capital grants in the amount of \$186,242 from Missouri Department of Transportation to be used toward a sidewalk project.
- A \$217,495 capital cost-sharing contribution was received in the culture and recreation program area from the Farmington R-7 School District for the construction of new tennis courts located adjacent to Engler Park.

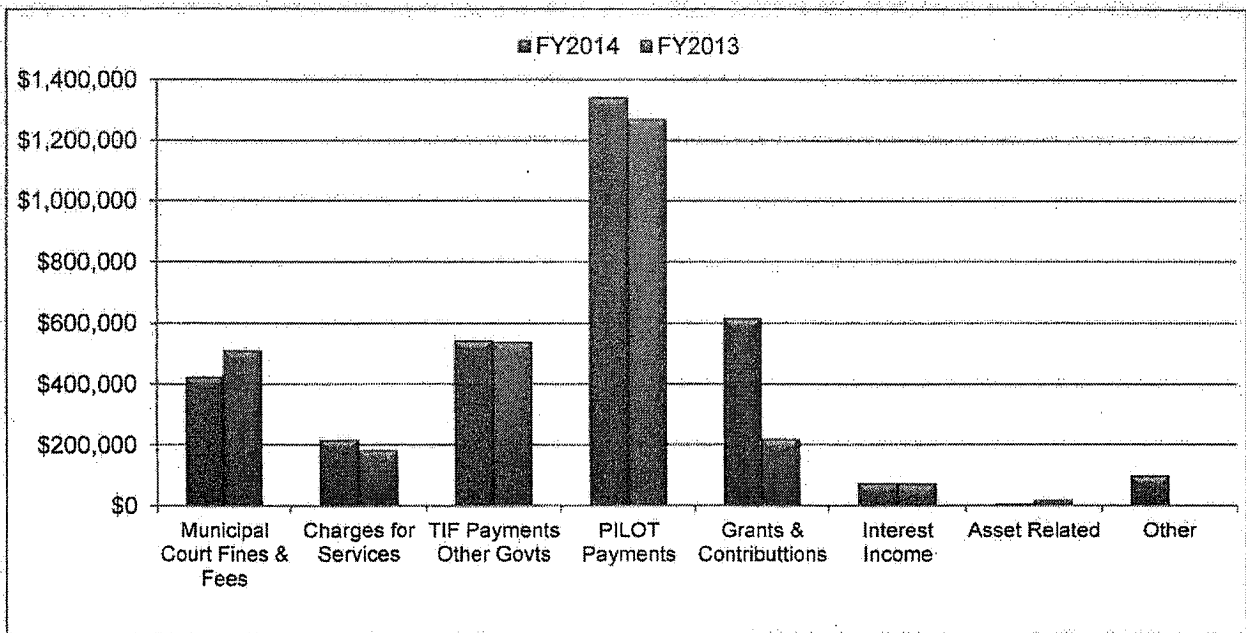
Management Discussion and Analysis
City of Farmington

Figures 4 and 5 provide a prior year comparison of the revenues by category for the City of Farmington governmental activities.

Tax Revenues
Figure 4



General Revenues by Source
Figure 5



Management Discussion and Analysis

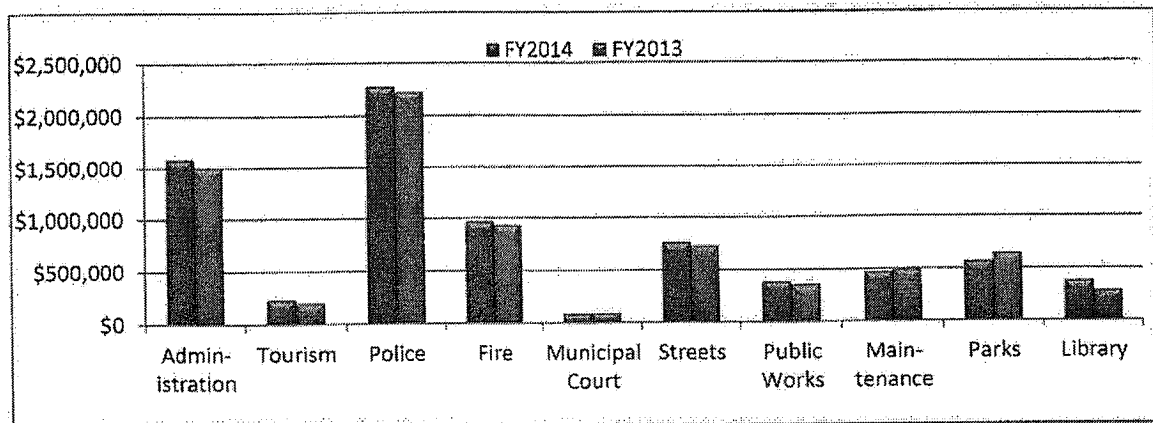
City of Farmington

Expenses

- Overall, there was an increase of \$249,441 or 3.3% in governmental activities operating expenses (debt service principal and or capital outlay not included). Changes consisted of:
 - A 7.0%, or \$118,685, increase was seen in general government expenses. An increase in contract payments to the Farmington Tourism Bureau of \$30,034 correlates to an increase in the Transient Guest tax revenue. The balance of the increase is split between General Fund administrative expenses which included the addition of a new contract with the Farmington Industrial Development Authority for economic development services and the Special Allocation Fund which included a one-time disbursement to outside taxing entities of monies declared surplus in the Highway 67 Tax Increment Finance District.
 - A 2.8%, or \$80,450, increase in public safety expenses primarily due to increases in personnel related costs in the Police and Fire Departments.
 - A 5.3%, or \$38,951, increase in streets and public works primarily due to a significant increase in snow and ice control materials due to the harsh winter and an increase in traffic control material costs.
 - A 1.2%, or \$11,355, increase in culture and recreation expenses primarily due to a generalized increase in personnel and operating costs.
- Personnel related expenses as a whole for the governmental activities saw an increase of \$93,481, or 1.9%. This increase was largely driven by the adoption of a new pay plan for the City. The City periodically reviews the pay plan in place in comparison to market rates and adjusts the plan accordingly to ensure that the City's pay rates are staying competitive with the market.
- Governmental activities as a whole experienced a 7.5% or \$15,728 decrease in gas and oil expenses. The prior year, governmental activities had experienced a 14.6% increase in costs in this area. This increase had been a combination of an increase in the usage of equipment related to the substantial infrastructure projects completed and an increase in gas costs. The decrease for the year ended September 30, 2014, was the result of a decrease in both the number of gallons used and the cost per gallon for the year.
- Substantial increases were seen in capital outlay in the governmental activities for the second year in a row. (FY2014 \$4,109,628; FY2013 \$2,569,053; FY2012 \$1,156,581). An overview of the projects will be discussed in more detail in the capital assets portion of this discussion and analysis.

Figure 6 provides a prior year comparison of the functional expenses for the City of Farmington governmental activities exclusive of debt service and capital outlays.

Expenses by Function
Figure 6



Management Discussion and Analysis

City of Farmington

Business-Type Activities

Business-type activities decreased the City of Farmington's net position by \$361,223 before transfers. Key elements of this change are as follows:

- A net loss in the Civic Complex Fund of \$685,426, of which, \$423,953 is related to depreciation. The balance of the loss is related to increased personnel costs and increased costs of maintenance to the facilities.
- A net gain in the Airport Fund of \$912,949, before transfers primarily due to support from the Missouri Department of Transportation in the form of grant funds for capital outlay related land and aviation easement acquisitions.
- A net loss in the Utility Fund of \$517,365 before transfers which is primarily related to the depreciation of capital assets. Depreciation not included, the Electric Department had a net gain of \$226,819 and the Water Department had a net gain of \$200,123.
- A net loss in the Sewer Fund of \$71,381 before transfers is primarily due to depreciation expense.

FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

As noted earlier, the City of Farmington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Farmington's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements, specifically unassigned fund balance, which can be a useful measure of a government's net resources available for spending at the end of the fiscal year:

General Fund

The General Fund is the chief operating fund of the City. As of September 30, 2014, the General Fund had a balance of \$3,490,785, of which \$2,478,614 is unassigned. As a financial management indicator, it is important to compare unassigned fund balance to total fund expenditures as a general measure of fund liquidity and for adherence to minimum reserve levels as set in the financial policy approved by the City Council. The unassigned fund balance represents approximately 31% of total General Fund expenditures (capital and debt included) which is well above the minimum balance of 13% set in the financial policy and the 17% target operating reserve established in the FY2014 budget.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The balance of the Debt Service Fund at September 30, 2014 is \$32,500, of which the full balance is in prepaids. No minimum balance policy exists for this fund.

Capital Projects Fund

The Capital Projects Fund is used to account for resources designated to and expenses related to the acquisition of major capital assets or facilities. The balance of the Capital Projects Fund at September 30, 2014 is \$8,537,017. This balance is significantly increased from the prior year because of issuance of certificates of participation for the construction of a new municipal library, improvements to the police station, and expansion of and improvements to the water park. The fund balance consists of: \$103,341 restricted for debt service and \$8,433,676 restricted for capital projects. No minimum balance policy exists for this fund.

Special Allocation Fund

The Special Allocation Fund is used by the City to account for tax revenues received from tax increment financing districts. The City currently has two distinct districts accounted for in this fund. The fund balance at September 30,

Management Discussion and Analysis

City of Farmington

2014 is \$825,771, of this balance \$741,999 is restricted for the Karsch-Downtown TIF District and \$83,772 is restricted for the Highway 67 TIF District. No minimum balance policy exists for this fund.

Transient Guest Tax Fund

The Transient Guest Tax Fund is used by the city to account for those tax revenues received from the transient tax charged on hotel/motel guests. The City contracts with the Farmington Tourism Bureau to provide marketing and promotion of the City with the funds generated by the transient guest tax. At September 30, 2014, the balance of the Transient Guest Tax Fund is \$0. No minimum balance policy exists for this fund.

Proprietary Funds

The City of Farmington's proprietary fund financial statements provide the same type of information found in the government-wide statements, but in more detail. The total net position of the proprietary funds at September 30, 2014 is \$51,446,745. The unrestricted portion of the total net position equaled \$6,785,940, a 19% decrease from September 30, 2013.

Airport Fund

The Airport Fund accounts for the activities of the Farmington Regional Airport. These activities include fuel sales, property and hangar rentals, personnel and operating expenses, and capital expansion. The airport offers a self-service fueling station, fuel truck service, pilot's lounge with showers, and complimentary vehicles for in-town use. The fund net position at September 30, 2014 is \$8,050,895. The amount that is unrestricted is \$121,411. This equates to 17% of operating expenses compared to 20% at September 30, 2013.

Utility Fund

The Utility Fund accounts for the activities of the electric utility and water utility. The Utility Fund total net position at September 30, 2014 is \$18,615,629. Of this amount, \$6,231,979 is unrestricted, a \$1,490,030 or 19% decrease over the prior year. The unrestricted amount equals 24.5% of operating expenditures (capital outlay and debt principal payments not included) compared to 33.5% at September 30, 2013.

Sewer Fund

The Sewer Fund accounts for the activities of the sewer utility. Sewer rates are set to cover the cost of operations, debt, and capital improvements. Sewer Fund total net position at September 30, 2014 is \$14,179,787. There is no unrestricted net position in the Sewer Fund. All revenues generated are restricted for sewer use. Of the total net position, \$1,050,851 is held in restricted net position in comparison to \$950,922 the prior year.

Civic Complex Fund

The Civic Complex Fund, which consists of the Civic Center, Centene Center, Water Park, and Senior Center, has a total net position of \$10,600,434 at September 30, 2014, of which \$432,550 is unrestricted. This equates to 18% of operating expenses in comparison to 25% at September 30, 2013.

BUDGETARY HIGHLIGHTS

During the fiscal year, the City revised the budget on four occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The budget amendments major components and respective purposes included:

- General Fund addition in the culture and recreation area of \$230,000 in capital contributions from Farmington R7 School District for cost-sharing on the construction of new tennis courts adjacent to Engler Park,

Management Discussion and Analysis
City of Farmington

- Addition of \$460,000 in culture and recreation related capital outlay in the General Fund for the construction of the above mentioned tennis courts,
- Increase in administration capital outlay in the General Fund of \$125,000 for additional monies needed to complete the City Hall basement remodel, as well as a corresponding transfer from the Special Allocation Fund to the General Fund to cover the increased costs,
- Decrease in the General Fund public safety program area revenues and expenses of \$40,000 to adjust to the Mineral Area Drug Task Force grant amounts,
- An addition of public safety program revenue in the General Fund in the amount of \$815,800 for lease proceeds related to a capital lease for the purchase of a new Pumper Fire Truck, along with an additional \$24,000 in lease discounts,
- Addition to the General Fund of \$840,000 in public safety programs capital expenses for the purchase of the above mentioned Fire Truck.
- Reduction in the General Fund public safety programs revenue (\$190,000) and expenses (\$200,000) to remove a Fire Act Grant that the City had applied for, but was not awarded,
- Removal of General Fund streets and public works program capital in the amount of \$30,000 due to the decision to not purchase a front-end loader,
- Addition in the General Fund streets and public works program area of \$24,000 for overtime costs related to snow removal due to a harsh winter,
- Increase in General Fund streets and public works program area revenue of \$45,000 and the culture and recreation area of \$15,000 to account for increases in permit fees, street cut fees, storm water detention impact fees, and green space fees due to additional development,
- Increase in General Fund streets and public works program area revenue of \$20,000 in motor vehicle taxes to adjust to the revenue being realized at the time of the amendment,
- Addition of \$30,000 in General Fund culture and recreation capital costs for the construction of dock with walk at Giessing Lake,
- Removal of General Fund streets and public works program area grant revenue (\$10,500) and capital expenses (\$14,000) which had been slated for an upgrade to the recycling center,
- Transfer adjustments between the General Fund, Capital Projects Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund and Special Allocation Fund to account for tax increment transfers of accrued taxes to the Special Allocation Fund and any necessary return transfers to the originating fund for capital projects contained within the TIF Districts,
- Adjustments to the General Fund administrative pilots due from the Utility Fund and Sewer Fund based on adjustments to the revenue in the respective funds,
- An increase in the Special Allocation Fund PILOTs revenue and expenses to adjust to actual property tax PILOTs received,
- Increase in Storm Water and Parks capital expenses of \$98,000 to adjust to anticipated project costs at the time of the amendments,
- Increase in Transportation Fund capital expenses of \$84,200 to adjust to anticipated project costs at the time of the amendments,
- Increase in Transportation Fund grant revenue of \$11,500 to adjust to anticipated grant eligible reimbursements for work to be completed by September 30,
- Increase in capital sales tax revenue of \$1,085,000 in the Capital Projects Fund to account for the extension of the capital sales tax passed by voters,
- Addition of Capital Projects Fund lease proceeds in the amount of \$8,650,000 to account for the issuance of

Management Discussion and Analysis
City of Farmington

certificates of participation in relation to the sales tax extension and related capital projects,

- Addition of Capital Projects Fund costs related to the issuance of debt in the amount of \$75,000,
- Addition of \$9,157,500 in capital projects in the Capital Projects Fund to be completed with money from the sales tax extension and certificates of participation proceeds,
- Addition of \$103,500 in Debt Service Fund interest expense related to the aforementioned certificates of participation, as well as a corresponding transfer from the Capital Projects Fund tax revenue to the Debt Service Fund to make the payment,
- Addition of \$32,500 street and drainage improvement capital expenses in the Capital Projects Fund for a cost carry-over from the prior year,
- Civic Complex Fund increase in building repair costs of \$57,500 to cover additional costs due to HVAC system repairs, ceiling and soffit repairs at the Centene Center, and the purchase of a forty foot container for storage,
- An additional \$85,000 transfer to the Civic Complex Fund from the General Fund as a subsidy of the operations to help fund the reserves at policy levels,
- Addition to the Airport Fund of \$75,000 in fuel sales revenue and \$45,000 in fuel costs related to an increase in the number of gallons being sold,
- An increase in the Airport Fund revenue (\$23,000) and expenses (\$31,000) related to the closing of the underground fuel tanks at the airport in prior,
- Additional \$17,500 in Airport Fund building repair and maintenance costs for installation of a gate and purchase of a forty foot container for storage,
- An increase in the Utility Fund electric revenues of \$900,000 to account for rate increase and the adoption of a power rate adjustment clause to offset additional purchase power costs in excess of the budgeted all-in costs,
- An increase in the Utility Fund purchase power costs of \$1,200,000 to account for additional purchase power costs in excess of the anticipated all-in costs at the time of the initial budget,
- A reduction of the capital costs in the Utility Fund electric capital expenses due to delaying the installation of street lights at Westmount and Maple Valley,
- A decrease in the Utility Fund water revenues of \$54,000 due to a mild summer and decreased usage,
- An increase in the Utility Fund water expenses of \$36,000 for the power costs to run the water system,
- An increase in the Utility Fund water expenses of \$15,000 for the repair of pumps for the water system,
- An increase in the Utility Fund intergovernmental revenue of \$38,000 to adjust for operating costs based on actual usage,
- An increase in the Utility Fund intergovernmental expenses of \$211,000 for a carry-over from the prior year of equipment costs related to the Farmington Correctional Center agreement,
- An increase in the Sewer Fund revenues of \$48,000 based on the actuals being realized with the rate increase instituted in October 2013,
- An increase in the Sewer Fund personnel costs of \$27,000 to adjust for retirement accrued compensation payouts,
- An increase in the Sewer Fund expenses of \$40,000 for the power costs to run the water system,
- An increase in the Sewer Fund expenses related to the testing of sludge for metals of \$25,000,
- A \$17,500 increase in the Sewer Fund expenses for additional costs related to system maintenance,
- An increase to the Sewer Fund contract expenses of \$38,000 for costs related to hauling sludge that could not be land applied to a landfill,

Management Discussion and Analysis

City of Farmington

- A Sewer Fund decrease in capital system costs of \$22,000 due to adjustments in the costs and projects planned,

and other adjustments to various accounts in response to actual realized revenue and expense trends as of the time of the budget amendment.

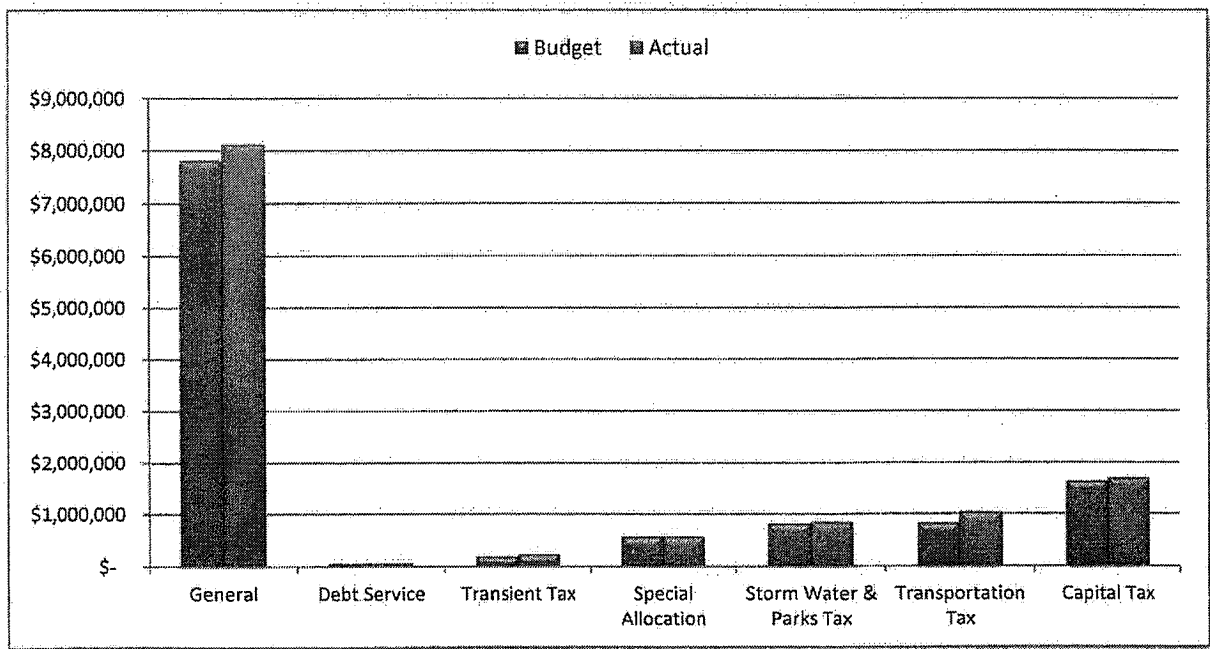
PERFORMANCE TO BUDGET – GOVERNMENTAL FUNDS

Revenues

Actual revenues in the Governmental Funds as a whole were \$605,444 or approximately 5% above budget.

- The General Fund revenues were \$303,505 or 3.9% above budget. While spread among various revenue streams, the majority of this increase was due to late year increases in the general sales tax revenue.
- The Transient Tax Fund revenue was \$33,097 or 16.5% above budget. This is due to increase in the transient tax receipts.
- The Storm Water and Parks Tax Fund tax revenues were \$24,327 or 2.9% above the budgeted amount. This money is generated strictly from sales tax and increased due to late year increases in sales tax revenues.
- The Transportation Tax Fund revenues were \$199,106 or 23.8% above budget. The variance is a combination of additional tax revenues over estimated revenues due to late year increases and additional revenues from a capital grant reimbursement accrual for work completed prior to September 30.
- The Special Allocation Fund revenue was \$7,183 or 1.3% below budget. This is a combination of additional revenues for administrative costs reimbursement over what was anticipated and less tax increment revenue from outside entities than had been estimated.
- The Capital Projects Fund revenues were \$52,278 or 3.2% above budgeted revenues. This increase is due to late year increases in sales tax revenues.

Governmental Fund Revenues - Budget to Actual
Figure 7



Management Discussion and Analysis

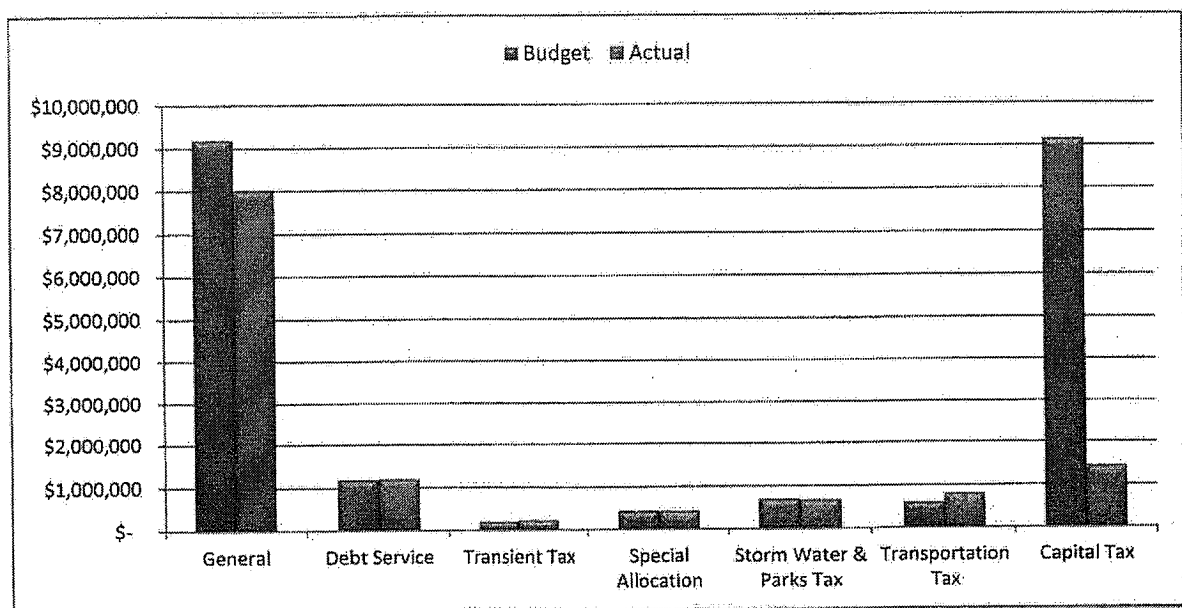
City of Farmington

Expenditures

Actual expenditures in the Governmental Funds as a whole were \$8,721,330 or approximately 40.6% below budget. This is primarily due to capital projects in progress. Following is a description by fund of the variances.

- The General Fund expenditures were \$1,188,581 or 12.9% below budget. A large portion of this balance, \$840,000, was due to the capital purchase of the pumper fire truck which has a long lead time and still in production as of September 30. The balance of the amount was made up of a combination of cost savings and deferred costs. The following variances by function were realized: general government \$39,257 below budget, public safety \$144,875 below budget, streets and public works \$75,439 below budget, culture and recreation \$25,260 below budget, and an additional \$63,750 in deferred capital outlay.
- The Transient Tax Fund expenses were \$33,097 or 16.5% over budget. The expenditures of this fund are directly related to the revenues generated by transient tax. During the fiscal year close, revenues which were earned prior to September 30, but not received, are accrued to revenue. An offsetting expense must be accrued for the payment to the Farmington Tourism Bureau. The final actual numbers were higher than estimated and therefore not included at the time of adoption of the final budget amendment.
- The Storm Water and Parks Tax Fund expenditures were \$22,330 or 3.2% below the budgeted amount. This was due to capital projects still being in process at the end of the year.
- The Transportation Tax Fund expenditures were \$195,284 or 32.1% above budget. The variance is representative of the monies spent on a capital project related to the aforementioned capital grant revenue. Any work performed but not invoiced prior to September 30 is accrued as an expense of the fiscal year. The related grant revenue is also accrued.
- The Special Allocation Fund expenditures were \$8,499 or 2.0% below budget.
- The Capital Projects Fund expenditures were \$7,729,676 or 84.4% below budget. This variance is due to large capital projects that are budgeted as a whole, but not completed prior to September 30. The remaining capital project cost is budgeted in the subsequent fiscal year.

Governmental Fund Expenses - Budget to Actual
Figure 8



Management Discussion and Analysis
City of Farmington

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$68,448,796 (net of accumulated depreciation and related debt). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. This is a \$5,108,144 or 8% increase over the prior year primarily due to a combination of the addition of significant capital.

Figure 9 depicts the capital assets held by the City net of depreciation (related debt not considered).

City of Farmington's Capital Assets
 Figure 9

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Land Improvements	\$ 2,716,845	\$ 2,412,845	\$ 745,816	\$ 745,816	\$ 3,462,661	\$ 3,158,661
Buildings and system	7,720,016	7,348,569	18,460,458	18,407,363	26,180,474	25,755,932
Equipment, Furniture, and						
Vehicles	5,745,615	5,419,515	3,070,037	2,797,036	8,815,652	8,216,551
Infrastructure	27,455,203	25,908,506	55,001,581	52,783,303	82,456,784	78,691,809
Construction in progress	1,835,805	0	682,909	266,973	2,518,714	266,973
Total	45,473,484	41,089,435	77,960,801	75,000,491	123,434,285	116,089,926
Less Accumulated Depreciation	15,389,493	14,053,304	28,262,489	26,000,971	43,651,982	40,054,275
Total	\$ 30,083,991	\$ 27,036,131	\$ 49,698,312	\$ 48,999,520	\$ 79,782,303	\$ 76,035,651

Major capital asset transactions during the year include the following:

Governmental Funds

A total of \$2,577,823 in assets was placed in service in the governmental funds during the year ended September 30, 2014; an additional \$1,835,805 was booked to construction in progress. These assets consist of:

- General government related asset additions of \$295,038 for a basement and courtroom remodel at City Hall,
- Public safety asset additions of \$6,959 for interview equipment,
- Public safety asset additions of \$93,265 for 2 new police patrol vehicles and a new police vehicle for the Police Chief,
- Street and public works asset addition of \$76,408 for street and maintenance facilities improvements,
- Street and public works asset addition of \$60,248 for new bobcat (a fully depreciated 1998 bobcat skid steer was traded-in with a trade-in value of \$4,000, book value of \$0),
- Street and public works asset addition of \$22,515 for a mini bobcat excavator,
- Street and public works asset addition of \$41,670 for new beds and plows for previously owned dump trucks,
- Street and public works asset addition of \$131,023 for a new plow truck and spreader,
- Street and public works asset addition of \$1,518,001 for streets, sidewalks, curbs and guttering infrastructure projects,
- Cultural and recreation asset additions of \$28,696 for improvements at the sports complex,
- Cultural and recreation asset additions of \$304,000 for land for the new library site,

Management Discussion and Analysis
City of Farmington

- Cultural and recreation asset additions of \$711,241 construction in progress on the new library,
- Cultural and recreation asset additions of \$5,239 construction in progress for a dock at Giessing Lake,
- Cultural and recreation asset additions of \$434,989 construction in progress for new tennis courts adjacent to Engler Park,
- Cultural and recreation asset additions of \$518,226 construction in progress for grandstands and concessions at Ragsdale Field ballpark,
- Cultural and recreation asset additions of \$79,503 construction in progress on the water park, and
- Public safety asset additions of \$86,607 construction in progress for police facility renovations.

Proprietary Funds

A total of \$3,142,166 in assets was placed in service in the proprietary funds during the year ended September 30, 2014; an additional \$597,792 was booked to construction in progress. These assets consist of:

- The completion of \$53,095 in facility improvements at the Civic Center and Centene Center was added to the Civic Complex Fund.
- Land acquisition and related engineering costs at the Airport in the amount of \$729,491 was added to the Airport Fund. This consisted of the purchase of four properties on South Jefferson Street.
- The amount of \$6,679 for the purchase of an avigation easement was added to the Airport Fund. Additionally, an amount of \$1,000 was placed in progress for a deposit paid toward the purchase of an additional avigation easement.
- The amount of \$596,792 for the burying of an electric transmission line at the airport to alleviate air space obstruction was placed into construction in progress in the Airport Fund.
- In the Utility Fund, a previous construction in progress in the amount of \$18,538 to bury utility lines along Liberty Street was placed in service with an additional amount of \$288,216 to complete the project.
- In the Utility Fund, the amount of \$273,001 was added for vehicles and equipment in the Electric Department.
- An amount of \$163,318 construction in progress costs for the rehabilitation of an above ground water storage tank and the construction of a new well were placed in service with additional amounts of \$257,977 and \$537,358 respectively to complete the projects in the Utility Fund.
- Water system improvements in the amount of \$68,479 were added to the Utility Fund.
- Lift station generators with a combined cost of \$39,595 were added to the Sewer Fund.
- The amount of \$75,051 was added to the Sewer Fund for a GPS/GIS sewer line mapping project.
- An addition of \$33,576 in project costs was made to the Sewer Fund infrastructure for the lining of sewer mains.

Additional information on the City's capital assets can be found in Note 5 to the Basic Financial Statements.

Management Discussion and Analysis

City of Farmington

LONG-TERM DEBT

The City of Farmington's total debt increased by \$3,115,751 (21%) during the fiscal year. An overview of the debt held by the City is shown below.

Revenue Bonds, Certificates of Participation and Capital Leases

Figure 10

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ 0	\$ 0	\$ 2,355,000	\$ 2,660,000	\$ 2,355,000	\$ 2,660,000
Due to State of Missouri	0	0	1,657,569	1,871,069	1,657,569	1,871,069
Certificates of Participation	8,650,000	759,084	4,200,000	5,610,916	12,850,000	6,370,000
Capital Leases	819,251	3,665,000	0	0	819,251	3,665,000
Total	\$ 9,469,251	\$ 4,424,084	\$ 8,212,569	\$ 10,141,985	\$ 17,681,820	\$ 14,566,069

The debt currently held by the City includes:

- Revenue Bonds for sewer system construction in the amount of \$2,355,000 are to be repaid solely through sewer system revenues with the final payment due July 2021.
- At the time the sewer revenue bonds were issued, the State of Missouri put 70% of each construction payment into a reserve account for use if the City was unable to make a payment. Each year the City pays back to the state 70% of that year's principal payment. The remaining amount to be repaid to the State of Missouri is \$1,657,569.
- A balance of \$4,200,000 remains on Certificates of Participation (Series 2011) which were issued in the original amount of \$5,555,000, \$4,535,000 of which was allocated to the water fund to pay for construction of a radionuclide treatment system and \$1,020,000 was allocated to the sewer fund to pay for the installation of equipment to address antidegradation regulations. The final payment on the certificates of participation is to be made May 2021. Balances at September 30, 2014 include \$3,425,000 for the water system and \$775,000 for the sewer system.
- The City has a capital lease for the construction of the fire station with a balance of \$3,490,000 with final payment due August 2029.
- A new Lease-Purchase agreement with US Bancorp in the amount of \$815,761 was entered into on February 24, 2014. The funds were used to purchase a 2014 Pierce Quantum PUC Rescue Pumper Fire. The balance at September 30, 2014 is \$815,761. This agreement is to be paid with funds from available general revenue budgeted and appropriated during each fiscal year. The debt payment schedule anticipates final payment and retirement of the debt February 24, 2017.
- A new issue of \$8,650,000 in Capital Improvement Certificates of Participation was completed March 25, 2014. Payments on these certificates are payable from sales tax revenue budgeted and appropriated during the fiscal year. The debt payment schedule anticipates final payment and retirement of the debt April 1, 2024. At September 30, 2014, the balance is \$8,650,000.

State of Missouri Revised Statutes limit the amount of general obligation debt that a unit of government can issue to twenty percent (20%) of the total assessed value of taxable property located within that government's boundaries. The total assessed valuation as of October 2014 was \$192,550,488, resulting in a legal general obligation debt margin for

Management Discussion and Analysis

City of Farmington

the City of Farmington of \$38,510,098 which is well above the City's current total debt obligations. The City holds no general obligation debt related to payment from property taxes.

* Section 95.115 of the 1978 Missouri Revised Statutes permits any county or city, by vote of two-thirds of qualified electors voting thereon, to incur additional indebtedness for city purposes not to exceed 5 percent of the taxable tangible property therein, as shown by the last assessment.

* Section 95.120 of the 1978 Missouri Revised Statutes permits any county or city, by a vote of two-thirds of qualified electors voting thereon, to incur additional indebtedness for city purposes not to exceed 5 percent of the taxable tangible property therein, as shown by the last assessment.

* Sections 95.125 and 95.130 of the 1978 Missouri Revised Statutes provide that any city may become indebted not exceeding in the aggregate an additional 10 percent for the purpose of acquiring right-of-ways, constructing, extending, and improving streets and avenues and/or sanitary or storm sewer system, and an additional 10 percent for purchasing or construction of waterworks, electric, or other light plants, provided the total general obligation indebtedness of the city does not exceed 20 percent of the assessed valuation.

Additional information regarding the City of Farmington's debt can be found in Notes 7, 8 and 9 in the Notes to the Financial Statements.

ECONOMIC FACTORS

The following key economic indicators reflect the economic environment of the City.

Sales Tax. The City of Farmington, prior to Fiscal Year 2007, experienced an average 4% annual growth in sales tax receipts. Beginning in Fiscal Year 2008, the average began to decline. Beginning with Fiscal Year 2012, the City has realized a slight increase in sales tax receipts. The year ended September 30, 2014 showed a 6.4% increase in sales tax. However, the City is optimistic about the growth, but remains guarded in its budgeted growth and expenditures for the ensuing fiscal year.

Property Tax. Property tax assessment is unchanged for the upcoming fiscal year at \$0.4471 per \$100 of assessed valuation.

Transient Guest Tax. In April 2009, the residents of the City passed a 5% transient guest tax. Collections of this tax began October 2009; revenues are to be used for marketing and tourism for the City. The tax will expire August 1, 2106.

Unemployment. Unemployment in the area around the City on a three month rolling average consistently exceeded 10% from January of 2009 until August 2011 when this average fell below the 10% mark. As of September 2014, the Farmington Micropolitan Area is currently experiencing an unemployment rate at 6.4% and is on a downward trend.

Funding. The City continues to receive funding for capital projects through its traditional grant sources. It is anticipated that funding levels will not be affected by the economy.

Power Rates. The City purchases power from the Missouri Public Utility Alliance - Public Energy Pool. The Pool expects wholesale electric rates to experience gradual increases. During Fiscal Year 2014, the City experienced a 3.8% increase in wholesale power rates. Early in the fiscal year, the City was experiencing increases between six and fourteen percent over the prior year. The City Council amended the electric rate code to include a purchase power adjustment factor. The adjustment is applied to the billing when a three-month rolling average of the power cost is either in excess of 104% of the base power cost estimated for the fiscal year or is 93% of the base power cost estimated. The purchase power adjustment was applied to three bills during the fiscal year. The Environmental Protection Agency continues to propose legislation and regulations that may negatively impact future forecasts. Continued monitoring of the situation and power costs will be necessary.

Management Discussion and Analysis

City of Farmington

Business Environment. During Fiscal Year 2014, the City continued to see new retail stores and restaurants locate in Farmington. Both a nationally known restaurant and a regional leader in the grocery market opened new facilities in the City during the year. Menard's Inc., a regional leader in its industry, is slated to open a new store in Farmington in 2015. Farmington continues to see interest from regional and national leaders. CVS Pharmacy, a national leader in its industry, is in the process of constructing a new pharmacy in Farmington.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2015

Governmental Activities

Budgeted revenues in the governmental funds (net of transfers and lease proceeds) are expected to increase by 3.5% to approximately \$12.174 million. This increase is due to a combined increase in anticipated sales tax revenue and an increase in the amount of PILOTs (based on increased revenue in the proprietary funds). A 5% percent payment in lieu of taxes from the Utility and Sewer Fund to the General Fund is budgeted.

Personnel expenses are budgeted to increase 5.3% due to a combination of increases in employee pay and addition of planned retirement payouts. General Fund operating and personnel expenditures combined (debt and capital not included) are expected to rise a total of 5.5%. Governmental funds capital investment is budgeted at approximately \$9.9 million compared to approximately \$4.1 million in the preceding fiscal year. The large increase is due to the completion of the library construction project, Water Park expansion project, and Police Station renovation project. These projects combined represent approximately \$7.8 million of the planned \$9.9 million.

Business-Type Activities

Budgeted revenues (grants and contributions not included) in the proprietary funds are expected to increase to approximately \$29.8 million, a 1.6% increase over the prior year actual. The Civic Complex Fund is expected to see a 0.5% decrease in revenues to \$1.67 million due largely to slightly lower water park revenue projections due to a strong summer in the preceding fiscal year. The Airport Fund is expected to increase 1.3% primarily due to increase in anticipated fuel sales. The Utility Fund revenue is expected to increase to \$25.2 million, an increase of 1.8%. This increase is largely driven by an increase in estimated electric usage by citizens based on community growth. The Sewer Fund is budgeted to have revenues of approximately \$2.5 million, a 0.8% increase due to the second of a three-phase rate increase.

Budgeted expenditures (debt and capital not included) in the Civic Complex Fund are expected to increase approximately 2.8% over prior year actual. This increase is the net result of an 8% increase in personnel costs and a 1% decrease in standard operating costs. The personnel costs increase is driven by an increase in pay for full time employees due to advancement through the pay plan and an adjust to the part-time pay scales necessary due to the increase in minimum wage set to go into effect in January 2015. Budgeted expenditures in the Utility Fund are expected to increase approximately 1.2% over the prior year actual. The increase is driven by a combination of a 1% increase in operating costs and a 2% increase in personnel costs. Purchased power costs are forecasted to decrease 0.4% during Fiscal Year 2015 due to Fiscal Year 2014 costs being higher than would normal. The higher than normal costs were a result of unplanned outages at the plants from which the power is purchased. These outages resulted in the power being purchased on the market which drove the cost up. Sewer Fund expenditures (debt service not included) are budgeted to increase approximately 4% over the prior year actual. This increase is the result of a 9% increase in personnel costs due to the addition of a position dedicated to the Farmington Correctional Center contract operations and a 0.9% increase in operating costs.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Farmington, 110 West Columbia Street, Farmington, Missouri 63640.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
September 30, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash & Cash Equivalents	\$ 967,569	\$ 4,617,466	\$ 5,585,035
Investments	0	0	0
Receivables (Net)	2,380,600	4,275,060	6,655,660
Prepaid Expenses	33,753	75,233	108,986
Prepaid Interest	32,500	0	32,500
Due From Other Funds	1,114,295	0	1,114,295
Inventory	0	1,407,316	1,407,316
Total	4,528,717	10,375,075	14,903,792
Noncurrent Assets			
Restricted Assets:			
Cash & Cash Equivalents	9,304,451	581,778	9,886,229
Investments	12,000	2,409,779	2,421,779
Capital Assets (Net)			
Non Depreciable	4,102,747	1,461,731	5,564,478
Depreciable	25,981,244	48,236,581	74,217,825
Total	39,400,442	52,689,869	92,090,311
TOTAL ASSETS	43,929,159	63,064,944	106,994,103
<u>DEFERRED OUTFLOW OF RESOURCES</u>	815,761	0	815,761
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	658,525	1,481,761	2,140,286
Accrued Salaries	270,230	162,709	432,939
Accrued Interest	103,341	58,118	161,459
Taxes Payable	11,871	93,051	104,922
Protested Taxes	72,752	0	72,752
Due to Other Funds	145,184	969,111	1,114,295
Builder's Deposits	0	22,207	22,207
Other Payable	95,481	196,098	291,579
Current Portion of Long-Term Debt	1,233,657	790,000	2,023,657
Total	2,591,041	3,773,055	6,364,096
Long-Term Liabilities			
Customer Deposits Payable	0	417,390	417,390
Net Pension Obligation	117,482	0	117,482
Due to State of Missouri - State Revolving Fund	0	1,657,569	1,657,569
Bonds Payable	0	2,355,000	2,355,000
Capital Leases Payable	12,955,761	4,200,000	17,155,761
Less Current Maturities	(1,233,657)	(790,000)	(2,023,657)
Total	11,839,586	7,839,959	19,679,545
TOTAL LIABILITIES	14,430,627	11,613,014	26,043,641
<u>DEFERRED INFLOW OF RESOURCES</u>			
Administrative Expense Deposits	20,061	0	20,061
Civic Center Facility Use Deposits	0	5,185	5,185
TOTAL DEFERRED INFLOW OF RESOURCES	20,061	5,185	25,246
<u>NET POSITION</u>			
Net Investment in Capital Assets	25,305,484	43,143,312	68,448,796
Restricted for:			
Debt Service	103,341	2,404,779	2,508,120
Capital Equipment	815,761	0	815,761
Capital Projects	653,833	0	653,833
Nonspendable	66,253	0	66,253
Sewer	0	581,778	581,778
Tax Increment Finance District Projects	825,771	0	825,771
Unrestricted	2,523,789	5,316,876	7,840,665
TOTAL NET POSITION	\$ 30,294,232	\$ 51,446,745	\$ 81,740,977

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

CITY OF FARMINGTON, MISSOURI
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in				
	Net Position - Primary Government				Totals
	Expenses	Charges for Services	Program Revenues	Contributions & Operating Grants	
			Capital Grants		
Governmental Activities:					
General Government	\$ 1,849,714	\$ 14,733	\$ 0	\$ 0	\$ (1,834,981)
Public Safety	3,650,799	1,086	0	194,210	(3,455,503)
Streets and Public Works	2,536,760	542,543	186,242	0	(1,807,975)
Culture and Recreation	1,128,451	82,620	217,495	18,885	(809,451)
Total Governmental Activities	9,165,724	640,982	403,737	213,095	(7,907,910)
Business-Type Activities:					
Airport	706,066	406,996	1,198,853	0	899,783
Electric	21,892,881	21,667,212	0	0	(225,669)
Water	3,414,936	3,108,559	0	0	(306,377)
Sewer	2,511,483	2,325,690	0	0	(185,793)
Civic Complex	2,361,334	1,448,002	0	227,550	(685,782)
Total Business-Type Activities	30,886,700	28,956,459	1,198,853	227,550	(503,838)
Total City Functions/Programs	\$ 40,052,424	\$ 29,597,441	\$ 1,602,590	\$ 440,645	(8,411,748)
General Revenues:					
Taxes:					
Sales Taxes					6,911,600
Real and Personal Property Taxes					829,008
Motor Fuel and Vehicle Taxes					609,567
Gross Receipts Taxes					570,932
Transient Guest Tax (Hotel/Motel)					233,046
Utility and Other Taxes					173,115
TIF Proceeds					544,003
Administrative Pilot Payment					1,342,382
Interest Income					75,154
Insurance Proceeds					58,453
Gain/Loss on Disposal of Asset					7,000
Other					41,623
Special Items: Land Donation					304,000
Transfers					(830,257)
Total General Revenues, Special Items and Transfers					972,872
Change in Net Position for the Year					469,034
Net Position - October 1, 2013					50,977,711
Net Position - September 30, 2014					\$ 51,446,745
The accompanying notes are an integral part of these financial statements.					\$ 81,740,977

CITY OF FARMINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	Major Funds							Total
	General	Debt	Capital	Special	Transient	Storm Water	Transportation	Governmental
	Fund	Service	Projects	Allocation	Tax	& Parks	Tax	Funds
		Fund	Fund	Fund	Fund	Tax Fund	Fund	
ASSETS								
Cash & Cash Equivalents	\$ 967,569	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 967,569
Investments	0	0	0	0	0	0	0	0
Accounts Receivable (net)	1,326,308	0	282,982	281,000	32,565	141,469	316,276	2,380,600
Prepaid Expenses	33,753	0	0	0	0	0	0	33,753
Prepaid Interest	0	32,500	0	0	0	0	0	32,500
Due From Other Funds	1,000,148	0	0	114,147	0	0	0	1,114,295
Restricted Assets:								
Cash & Investments	12,000	103,341	8,536,160	451,370	38,277	122,507	52,796	9,316,451
Total Assets	3,339,778	135,841	8,819,142	846,517	70,842	263,976	369,072	13,845,168
DEFERRED OUTFLOWS OF RESOURCES								
Equipment Deposits	815,761	0	0	0	0	0	0	815,761
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 4,155,539	\$ 135,841	\$ 8,819,142	\$ 846,517	\$ 70,842	\$ 263,976	\$ 369,072	\$ 14,660,929
LIABILITIES								
Accounts Payable	\$ 157,347	\$ 0	\$ 253,576	\$ 685	\$ 70,842	\$ 500	\$ 175,575	\$ 658,525
Accrued Salaries	270,230	0	0	0	0	0	0	270,230
Accrued Interest Payable	0	103,341	0	0	0	0	0	103,341
Taxes Payable	11,871	0	0	0	0	0	0	11,871
Protested Taxes	72,752	0	0	0	0	0	0	72,752
Due to Other Funds	57,073	0	28,549	0	0	27,200	32,362	145,184
Other Liabilities	95,481	0	0	0	0	0	0	95,481
Total Liabilities	664,754	103,341	282,125	685	70,842	27,700	207,937	1,357,384
DEFERRED INFLOWS OF RESOURCES								
Administrative Expense Deposits	0	0	0	20,061	0	0	0	20,061
Total Deferred Inflows of Resources	0	0	0	20,061	0	0	0	20,061
FUND BALANCE								
Nonspendable								
Prepays	33,753	32,500	0	0	0	0	0	66,253
Equipment Deposits	815,761	0	0	0	0	0	0	815,761
Restricted								
Debt Service	0	0	103,341	0	0	0	0	103,341
Capital Projects	0	0	8,433,676	0	0	236,276	161,135	8,831,087
Karsch-Downtown TIF District	0	0	0	741,999	0	0	0	741,999
Highway 67 TIF District	0	0	0	83,772	0	0	0	83,772
Committed								
Acquisition/Improvement of Public Spaces	53,022	0	0	0	0	0	0	53,022
Assigned								
Other Purposes	29,217	0	0	0	0	0	0	29,217
Storm Water Improvements	36,101	0	0	0	0	0	0	36,101
Wilson Rozier Ballpark	44,317	0	0	0	0	0	0	44,317
Unassigned	2,478,614	0	0	0	0	0	0	2,478,614
Total Fund Balances	3,490,785	32,500	8,537,017	825,771	0	236,276	161,135	13,283,484
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 4,155,539	\$ 135,841	\$ 8,819,142	\$ 846,517	\$ 70,842	\$ 263,976	\$ 369,072	\$ 14,660,929
Amounts reported for governmental activities in the statement of net position are different because:								
Total Fund Balance - Governmental Funds								\$ 13,283,484
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.								
Governmental capital assets				45,473,482				
Less accumulated depreciation				(15,389,491)				30,083,991
Long-term liabilities, including leases payable, loans payable, and net pension obligation are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.								
Net Pension Obligation				(117,482)				
Leases Payable				(12,955,761)				(13,073,243)
Net Position of Governmental Activities								\$ 30,294,232

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, 2014

	Major Funds							Total
	General	Debt	Capital	Special	Transient	Storm Water	Transportation	Governmental
	Fund	Service	Projects	Allocation	Tax	& Parks	Tax	Funds
	Fund	Fund	Fund	Fund	Fund	Tax Fund	Fund	Funds
REVENUES								
Sales Tax	\$ 3,512,128	\$ 0	\$ 1,701,035	\$ 0	\$ 0	\$ 849,218	\$ 849,219	\$ 6,911,600
Real and Personal Property Tax	829,008	0	0	0	0	0	0	829,008
Grants and Donations	430,590	0	(1)	0	0	0	186,243	616,832
Motor Fuel and Vehicle Tax	609,567	0	0	0	0	0	0	609,567
Utility, Gross Receipts & Other Taxes	744,047	0	0	0	0	0	0	744,047
Charges for Services	216,850	0	0	0	0	0	0	216,850
Municipal Court Fines & Fees	424,132	0	0	0	0	0	0	424,132
Transient Guest (Hotel/Motel) Tax	0	0	0	0	233,046	0	0	233,046
Interest Income	2,628	70,314	1,244	664	51	109	144	75,154
TIF Proceeds From Other Governments	0	0	0	544,003	0	0	0	544,003
Administrative Pilot Payment	1,342,382	0	0	0	0	0	0	1,342,382
Other	19,173	0	0	22,450	0	0	0	41,623
Total Operating Revenues	8,130,505	70,314	1,702,278	567,117	233,097	849,327	1,035,606	12,588,244
EXPENSES								
General Government								
Administration	1,184,343	0	0	402,226	0	0	0	1,586,569
Tourism	0	0	0	0	233,097	0	0	233,097
Public Safety								
Police	2,261,304	13,434	0	0	0	0	0	2,274,738
Municipal Court	86,902	0	0	0	0	0	0	86,902
Fire	836,019	136,941	0	0	0	0	0	972,960
Streets and Public Works								
Street	751,503	14,509	0	0	0	0	0	766,012
Public Works	362,920	0	0	22,675	0	0	0	385,595
Maintenance	467,638	0	0	0	0	0	0	467,638
Culture and Recreation								
Park	567,696	0	0	0	0	0	0	567,696
Library	290,144	89,907	0	0	0	0	0	380,051
Capital Outlay	1,196,050	0	1,427,824	0	0	682,670	803,084	4,109,628
Debt Service-Principal	0	934,084	0	0	0	0	0	934,084
Total Expenses	8,004,519	1,188,875	1,427,824	424,901	233,097	682,670	803,084	12,764,970
EXCESS (DEFICIENCY) OF REVENUES								
OVER EXPENSES	125,986	(1,118,561)	274,454	142,216	0	166,657	232,522	(176,726)
OTHER FINANCING SOURCES (USES)								
Transfer In	578,544	758,577	32,200	515,867	0	5,161	75,000	1,965,349
Transfer Out	(416,400)	0	(1,159,158)	(723,739)	0	(292,510)	(203,799)	(2,795,606)
Gain/Loss on Asset	7,000	0	0	0	0	0	0	7,000
Insurance Proceeds	58,453	0	0	0	0	0	0	58,453
Lease Proceeds - Net of Issuance Costs	815,761	0	8,570,734	0	0	0	0	9,386,495
Total Other Financing Sources And Uses	1,043,358	758,577	7,443,776	(207,872)	0	(287,349)	(128,799)	8,621,691
NET CHANGE IN FUND BALANCES	1,169,344	(359,984)	7,718,230	(65,656)	0	(120,692)	103,723	8,444,965
FUND BALANCES - OCTOBER 1, 2013	2,321,441	392,484	818,787	891,427	0	356,968	57,412	4,838,519
FUND BALANCES - SEPTEMBER 30, 2014	\$ 3,490,785	\$ 32,500	\$ 8,537,017	\$ 825,771	\$ 0	\$ 236,276	\$ 161,135	\$ 13,283,484

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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

\$ 8,444,965

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	4,109,628
Depreciation	(1,365,769)

Governmental funds report all proceeds from the sale of assets as revenue while on the Government-Wide
Statement of Activities this amount is netted against accumulated depreciation.

Cost of Disposed Assets	(29,580)
Accumulated Depreciation	29,580

Governmental funds do not expense the Net Pension Obligation at the time it is realized. However, in the
Government-Wide Statement of Activities, the full amount of the net pension obligation is accounted for as a
General Government expense.

Change in Net Pension Obligation	569
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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.

934,084

Proceeds from the issuance of long-term debt are reported as providing current financial resources
in governmental funds, but are reported as long-term debt in the government-wide financial
statements.

(9,465,761)

Special Items - Donation of land by private company for future library site

304,000

Change in Net Position of Governmental Activities as Reported on the Statement of Activities

\$ 2,961,716

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2014

	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund	Totals
ASSETS					
Current Assets:					
Cash & Cash Equivalents	\$ 476,242	\$ 25,085	\$ 4,116,139	\$ 0	\$ 4,617,466
Accounts Receivable	32,469	1,048,672	2,921,527	272,392	4,275,060
Prepays	5,145	846	64,085	5,157	75,233
Due From Other Funds	0	0	0	0	0
Inventory	0	22,937	1,335,090	49,289	1,407,316
Total Current	513,856	1,097,540	8,436,841	326,838	10,375,075
NonCurrent Assets:					
Restricted Assets:					
Cash & Cash Equivalents	0	0	0	581,778	581,778
Investments	0	0	466,642	1,943,137	2,409,779
Capital Assets (Net of Accumulated Depreciation)	10,167,884	7,929,484	15,342,008	16,258,936	49,698,312
Total NonCurrent	10,167,884	7,929,484	15,808,650	18,783,851	52,689,869
Total Assets	10,681,740	9,027,024	24,245,491	19,110,689	63,064,944
DEFERRED OUTFLOW OF RESOURCES	0	0	0	0	0
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	10,681,740	9,027,024	24,245,491	19,110,689	63,064,944
LIABILITIES					
Current Liabilities:					
Accounts Payable	23,915	3,813	1,433,153	20,880	1,481,761
Accrued Salaries	38,313	2,137	73,960	48,299	162,709
Accrued Interest	0	0	47,377	10,741	58,118
Taxes Payable	1,975	102	88,333	2,641	93,051
Due to Other Funds	0	969,111	0	0	969,111
Builder's Deposits	0	0	22,207	0	22,207
Other Liabilities	11,918	966	122,442	60,772	196,098
Current Portion of Long-Term Debt	0	0	390,000	400,000	790,000
Total	76,121	976,129	2,177,472	543,333	3,773,055
Long-Term Liabilities:					
Customer Deposits Payable	0	0	417,390	0	417,390
Due to State of Missouri - State Revolving Fund	0	0	0	1,657,569	1,657,569
Revenue Bonds Payable	0	0	0	2,355,000	2,355,000
Capital Leases Payable	0	0	3,425,000	775,000	4,200,000
Less Current Maturities	0	0	(390,000)	(400,000)	(790,000)
Total	0	0	3,452,390	4,387,569	7,839,959
Total Liabilities	76,121	976,129	5,629,862	4,930,902	11,613,014
DEFERRED INFLOW OF RESOURCES					
Civic Center Facility Use Deposits	5,185	0	0	0	5,185
Total Deferred Inflow of Resources	5,185	0	0	0	5,185
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	81,306	976,129	5,629,862	4,930,902	11,613,199
NET POSITION					
Net Investment in Capital Assets	10,167,884	7,929,484	11,917,008	13,128,936	43,143,312
Restricted	0	0	466,642	1,050,851	1,517,493
Unrestricted	432,550	121,411	6,231,979	0	6,785,940
TOTAL NET POSITION	<u>\$ 10,600,434</u>	<u>\$ 8,050,895</u>	<u>\$ 18,615,629</u>	<u>\$ 14,179,787</u>	<u>\$ 51,446,745</u>

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2014

	Enterprise Funds				
	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund	Totals
<u>OPERATING REVENUES</u>					
Charges for Services:					
Civic Complex Charges	\$ 1,448,002	\$ 0	\$ 0	\$ 0	\$ 1,448,002
Airport Charges	0	406,996	0	0	406,996
Electric Charges	0	0	21,667,212	0	21,667,212
Water Charges	0	0	3,108,559	0	3,108,559
Sewer Charges	0	0	0	2,325,690	2,325,690
Total Operating Revenues	1,448,002	406,996	24,775,771	2,325,690	28,956,459
<u>OPERATING EXPENSES</u>					
Civic Complex Expenses	1,919,213	0	0	0	1,919,213
Airport Expenses	0	418,529	0	0	418,529
Electric Expenses	0	0	21,440,393	0	21,440,393
Water Expenses	0	0	2,908,436	0	2,908,436
Sewer Expenses	0	0	0	1,617,051	1,617,051
Depreciation	423,953	287,537	840,498	709,530	2,261,518
Total Operating Expenses	2,343,166	706,066	25,189,327	2,326,581	30,565,140
OPERATING INCOME (LOSS)	(895,164)	(299,070)	(413,556)	(891)	(1,608,681)
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Grant Income	141,930	1,198,853	0	0	1,340,783
Contributions	85,620	0	0	0	85,620
Interest and Investment Income	356	69	14,681	114,412	129,518
Bond Fees	(1,149)	0	(410)	(14,605)	(16,164)
Interest Expense	(17,019)	0	(118,080)	(170,297)	(305,396)
Insurance Proceeds and Settlements	0	13,097	0	0	13,097
Gain or Loss on Disposal of Assets	0	0	0	0	0
Total Nonoperating Revenues (Expenses)	209,738	1,212,019	(103,809)	(70,490)	1,247,458
NET INCOME (LOSS) BEFORE TRANSFERS	(685,426)	912,949	(517,365)	(71,381)	(361,223)
<u>TRANSFERS</u>					
Transfers In	710,863	119,394	0	0	830,257
Transfers Out	0	0	0	0	0
Total Transfers	710,863	119,394	0	0	830,257
CHANGE IN NET POSITION	25,437	1,032,343	(517,365)	(71,381)	469,034
NET POSITION - OCTOBER 1, 2013	10,574,997	7,018,552	19,132,994	14,251,168	50,977,711
NET POSITION - SEPTEMBER 30, 2014	\$ 10,600,434	\$ 8,050,895	\$ 18,615,629	\$ 14,179,787	\$ 51,446,745

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, 2014

	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 1,451,244	\$ 432,239	\$ 24,498,321	\$ 2,306,872	\$ 28,688,676
Payments to Suppliers	(977,953)	(354,943)	(23,493,266)	(957,142)	(25,783,304)
Payments to Employees	(946,498)	(42,195)	(1,330,768)	(687,585)	(3,007,046)
Net Cash Provided (Used) By Operating Activities	(473,207)	35,101	(325,713)	662,145	(101,674)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers In	710,863	119,394	0	0	830,257
Transfers Out	0	0	0	0	0
Contributions and Operating Grants	85,620	0	0	0	85,620
Insurance Proceeds, Settlements and Other	0	13,096	0	0	13,096
Deferred Inflow of Revenue - FCC Contract	0	0	0	0	-
Loans To/From Other Funds	0	618,398	0	0	618,398
Net Cash Provided (Used) For Noncapital Financing Activities	796,483	750,888	0	0	1,547,371
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Grant Receipts	141,930	547,089	0	0	689,019
Principal Payments on Long-Term Debt Net of Applied Reserves	(491,844)	0	(375,000)	(603,500)	(1,470,344)
Interest Paid	(17,019)	0	(118,080)	(170,297)	(305,396)
Bond Fees	(1,149)	0	(410)	(14,605)	(16,164)
Sale of Capital Assets	0	0	0	0	0
Acquisition of Capital Assets	(53,095)	(1,333,962)	(1,425,031)	(148,221)	(2,960,309)
Net Cash Used For Capital & Related Financing Activities	(421,177)	(786,873)	(1,918,521)	(936,623)	(4,063,194)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Redemption of Investments	0	0	(8,132)	212,287	204,155
Investment Earnings	355	69	14,681	114,412	129,517
Net Cash Provided by Investing Activities	355	69	6,549	326,699	333,672
Net Change in Cash and Cash Equivalents	(97,546)	(815)	(2,237,685)	52,221	(2,283,825)
Cash and Cash Equivalent Balances at October 1, 2013	573,788	25,900	6,358,824	529,557	7,488,069
Cash and Cash Equivalent Balances at September 30, 2014	\$ 476,242	\$ 25,085	\$ 4,121,139	\$ 581,778	\$ 5,204,244
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (895,164)	\$ (299,070)	\$ (413,556)	\$ (891)	\$ (1,608,681)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation Expenses	423,953	287,537	840,498	709,530	\$ 2,261,518
Changes in Assets and Liabilities					
Accounts Receivable	3,241	25,243	(326,223)	(18,818)	\$ (316,557)
Prepays	(246)	(60)	(1,034)	261	\$ (1,079)
Inventory	0	21,550	(46,426)	(31,442)	\$ (56,318)
Accounts Payable & Other Payables	(11,181)	(448)	(440,684)	(11,073)	\$ (463,386)
Customer and Builder Deposits Payable	0	0	48,772	0	\$ 48,772
Accrued Salaries and Compensated Absences	6,190	349	12,940	14,578	\$ 34,057
Net Cash Provided (Used) by Operating Activities	\$ (473,207)	\$ 35,101	\$ (325,713)	\$ 662,145	\$ (101,674)

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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies utilized by the City in the preparation of the accompanying basic financial statements.

A. The Reporting Entity

The City of Farmington, Missouri currently operates as a third class city of the State of Missouri under the Mayor, Council-City Administrator form of government and provides municipal services to its residents. The accompanying financial statements include the accounting information for all City operations.

Under generally accepted accounting principles, 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.

The Farmington Tourism and Convention Bureau is considered to be a related organization. The Bureau is excluded from the reporting entity because the City's accountability does not extend beyond appointing the Bureau's board members. The duly elected Mayor of the City and the duly appointed City Administrator for the City shall serve as two of the seven Members of the Board of Directors. The City appointed the original Board Members. However, any subsequent Board Members are appointed by the Board in place at the time.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statements of net position 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. It is the City's policy to eliminate the effect of all inter-fund activity on the entity wide financial statements.

The statement 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 reports fees, fines, and other charges to users of the City's services; (2) contributions and operating grants which finance annual operating activities; and (3) capital grants which fund the acquisition, construction, or rehabilitation of capital assets of a particular function. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. The program expenses include those expenses that can clearly be identified with a specific function or segment.

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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

The City utilizes the following funds:

Governmental Fund Types:

While the City could report the Debt Service Fund and Transient Tax Fund in aggregate under non-major funds, City officials believe it is important that the financial information for the Transient Tax Fund be presented separately. Therefore, 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 not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for, and the payment of, general long-term debt including capital lease obligations principal, interest and related costs.

Capital Projects Fund – The Capital Projects Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities which are not financed by proprietary and trust funds.

Special Allocation Fund – The Special Allocation Fund is used to account for the financial resources derived from the Tax Increment Finance (TIF) districts. TIF district funds are to be used for those purposes outlined in the respective district plans.

Transient Tax Fund – The Transient Tax Fund is used to account for the financial resources derived from the Transient Tax. Transient taxes are to be used solely for the purpose of promoting Farmington as a visitor and tourist center.

Storm Water and Parks Tax Fund – The Storm Water and Parks Tax Fund is used to account for the financial resources derived from the Storm Water and Parks Tax. Storm Water and Parks taxes are to be used solely for the purpose of storm water control and the operation of local parks.

Transportation Tax Fund – The Transportation Tax Fund is used to account for the financial resources derived from the Transportation Tax. Transportation taxes are to be used solely for the purpose of the construction, reconstruction, repair and maintenance of streets within the City and construction, reconstructions, repair and maintenance of the municipal airport.

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: Civic Complex Fund, Airport Fund, Utility Fund (Electric and Water), and Sewer Fund.

C. 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 are reported 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. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Property tax revenues are recognized when billed.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. 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. Primary revenue sources susceptible to accrual include: property taxes, sales taxes, franchise taxes, grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred, except for debt service payments which are reported as expenditures in the year due.

Proprietary funds distinguish operating revenue and expenses from non-operating revenue and expenses. Operating revenue and expenses generally result from providing goods or services as a part of 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 services and include administrative expenses (i.e. salaries, benefits, supplies, etc.) 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, the City customarily utilizes restricted funds prior to unrestricted funds. It is the City's policy to utilize the method defined at the time the expenditure was budgeted.

The effect of all inter-fund activity has been eliminated from the government-wide financial statements except for an administrative payment in lieu of taxes from the proprietary funds to the governmental funds.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balance/Net Position

Deposits and Investments

For the purpose of reporting, "cash" and "cash equivalents" includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three months or less. Restricted cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and investments whose maturity is greater than three months or whose use is subject to constraints by creditors, grantors, contributors, or laws or regulations.

Cash resources of certain individual funds are combined to form a pool of cash. Interest income earned is distributed to the appropriate funds based on the ending monthly balance of cash for each fund. In the event a fund overdraws its share of the pooled cash, the overdraft is reported as an interfund payable in that fund and an interfund receivable in the General Fund. However, in certain cases, the Utility Fund unassigned cash may be used to loan money to the other proprietary funds which would otherwise experience a temporary overdraft. In this situation, the interfund receivable is recorded in the Utility Fund.

The excess amount of demand deposits and certificates of deposit not covered by FDIC insurance are required to be 100% collateralized. Obligations that may be pledged as collateral include the same type as those authorized for investment by the City. All legal requirements were met during the year ended September 30, 2014.

Accounts Receivable - Unbilled Revenue

The City records as accounts receivable in the enterprise fund financial statements the amount of accrued, but unbilled revenue for the Utility (Electric and Water) and Sewer Funds determined by prorating actual subsequent billings.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Inventories

The enterprise funds have parts and supplies on hand for use in maintaining the utility systems and aviation fuel for resale at the airport. Inventories are physically counted both periodically and annually. These items are recorded at cost and expensed as used based off of the annual count. The cost basis is applied for valuation using a first in-first out methodology.

Deferred Outflow of Resources

The consumption of net assets in one period that are applicable to a future reporting period is recorded as a deferred outflow of resources. The City has deferred outflows of resources as of September 30, 2014, representative of an equipment deposit for a Fire Truck purchased but still in production.

Restricted Assets

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

Capital Assets and Depreciation

Capital assets, which include 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 using a price deflator related to the assets' year of acquisition. Donated capital assets are recorded at estimated fair value at the date of donation. To meet the definition of a capital asset for the City, an item must have a useful life of more than one year and a minimum initial cost as follows:

Buildings	\$ 25,000
Equipment – Office	\$ 5,000
Equipment – Non-office	\$ 15,000
Vehicles	\$ 15,000
Infrastructure/Improvements	\$ 25,000

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, sidewalks, curbs and gutters) have been capitalized retroactively to 1980 at historical cost. Additionally, the costs of normal maintenance and repairs that do not add to the value of an asset or significantly extend asset lives are expensed rather than capitalized.

Land assets and construction in progress projects are not depreciated; however all other capital assets are depreciated using the straight-line method over the useful life of the assets. Estimated useful lives, in years, for depreciable assets are as follows:

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

Compensated Absences

City employees earn sick leave benefits and varying amounts of paid vacation 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. Under certain circumstances, accumulated sick leave is payable at fifty percent. Compensated absences are reported in accrued salaries in the government-wide and fund financial statements.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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.

Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

Deferred Inflows of Resources

The acquisition of assets which are applicable to a future reporting period are referred to as Deferred Inflows of Resources. Certain receipts of the City are applicable to services provided in future accounting periods and only become revenue upon the use of the service or commencement of contract. The deferred inflows realized by the City include prepayment of administrative and legal costs related to tax increment financing districts and prepayment of facility deposits at the Civic Center for future.

Fund Balance

There are five classifications of fund balance in the governmental fund financial statements. These classifications are based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the City governmental funds, which include the General Fund, Debt Service Fund, Transient Tax Fund, Special Allocation Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund and Capital Projects Fund.

- *Non-spendable fund balances* include amounts that cannot be spent because they are either a) not in spendable form (inventory and prepaid items) or b) legally or contractually required to be maintained intact.
- *Restricted fund balances* are amounts that are restricted to specific purposes either by a) constraints placed on the use of the resources by external resource providers such as creditors, grantors, contributors, or laws or regulation of other governments or b) imposed by law through the constitutional provisions or enabling legislation.
- *Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution.
- *Assigned fund balances* are any amounts for which it is the City's intent that the funds be used for specific purposes but there exists no legal or binding restrictions or commitments. Assignments are made based on the recommendation of City management and approval by the City Administrator.
- *Unassigned fund balance* is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned balances represent the amount available for budgeting future operations.

When committed, assigned, and unassigned funds are available for use, it is the City's policy to spend the funds in this respective order. However, in the event that the unassigned funds exceed the City's fund balance policy threshold of 22% of expenditures for the adopted budget, unassigned funds may be utilized prior to committed and assigned funds.

The City's policy is to maintain a minimum unassigned General Fund balance equal to 13% of expenditures for the adopted budget. These funds will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing and assist in maintaining financial ratings.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

The fund balance classifications for the governmental funds at September 30, 2014 are:

FUND BALANCES	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	SPECIAL ALLOCATION FUND	TRANSIENT GUEST TAX FUND	STORMWATER & PARKS TAX FUND	TRANSPOR- TATION TAX FUND	TOTAL GOVERNMENTAL FUNDS
Non-spendable								
Prepays	\$ 33,753	\$ 32,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,253
Equipment Deposits	815,761	0	0	0	0	0	0	815,761
Restricted								
Debt Service	0	103,341	0	0	0	0	0	103,341
Capital Projects	0	0	8,433,676	0	0	236,276	161,135	8,831,087
Karsch-Downtown TIF District	0	0	0	741,999	0	0	0	741,999
Highway 67 TIF District	0	0	0	83,772	0	0	0	83,772
	0	103,341	8,433,676	825,771	0	236,276	161,135	9,760,199
Committed								
Improvement of Public Spaces	53,022	0	0	0	0	0	0	53,022
Assigned								
Other Purposes	29,217	0	0	0	0	0	0	29,217
Stormwater Improvements	36,101	0	0	0	0	0	0	36,101
Wilson Rozier Ball park	44,317	0	0	0	0	0	0	44,317
	109,635	0	0	0	0	0	0	109,635
Unassigned	2,478,614	0	0	0	0	0	0	2,478,614
Total Fund Balances	\$ 3,490,785	\$ 135,841	\$ 8,433,676	\$ 825,771	\$ 0	\$ 236,276	\$ 161,135	\$ 13,283,484

Net Position

There are three segments that make up the City's net position in the government-wide and proprietary fund financial statements; these are Net Investment in Capital Assets, Restricted, and Unrestricted.

- The amounts listed as **Net Investment in Capital Assets** represent capital assets, net of accumulated depreciation, less the outstanding balances for any notes, lease or other borrowings that are attributable to the acquisition, construction or improvements of the assets. As of September 30, 2014, the City had a total of \$52,094,288 net investment in capital assets.
- **Restricted net position** is legally restricted or identified for specific purposes by outside parties or by law through constitutional provisions or enabling legislation. At September 30, 2014, the City's restricted net position of \$12,813,009 is comprised of debt service, capital projects, sewer and tax increment financing. Governmental activities restricted net position at September 30, 2014, is \$9,826,452. Restricted net position of the business-type activities totals \$2,986,557.
- **Unrestricted net position** is the residual and represents amounts available for future operations or distribution. Government wide unrestricted net position at September 30, 2014 is \$16,833,680.

E. 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, 2014 was prepared and adopted using the modified accrual basis of accounting for governmental funds and accrual accounting for proprietary funds.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Per state statute, at the fund level, actual expenditures are not to 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.

- Actual expenditures of the Transient Guest Tax Fund exceeded budgeted expenditures by \$33,097, or approximately 16.5% over budget. This excess expenditure is driven by an equivalent positive variance in revenue. Revenues received (net of administrative costs) are required by contract agreement to be paid to the Farmington Tourism Board. Thus, in overage in revenue will drive a corresponding overage in expenditures.
- Actual expenditures and transfers of the Transportation Tax Fund exceeded budget by \$231,083 or approximately 38%. This excess expenditure is due to accrual of capital project costs for work that was completed before September 30. The expenditure is covered by the combination of an excess over budgeted revenues of \$174,743 in grant proceeds and \$24,219 in tax revenues.

F. Use of Estimates

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

G. Intra-governmental Revenue

The proprietary funds remit to the General Fund a budgeted percent of revenue as payment for management and accounting services rendered by the General Fund and use of easements. The percent remitted for the year ending September 30, 2014 is 5%.

H. Future Accounting Pronouncements

This report does not incorporate GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The City will adopt and implement these statements at the required time.

I. Adoption of New Accounting Pronouncements

This report incorporates GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

J. Prior Period Adjustments

No prior period adjustments were made in connection with the financial statements contained herein.

NOTE 2 – CASH 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 not greater than three months. For cash flows purposes these are considered cash equivalents. Deposits and investments are stated at either cost or fair value based on

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 2 – CASH AND INVESTMENTS - continued

which best approximates market. Restricted investments include amounts held in trust as required by certain bond covenants and certificates of deposit with maturities of greater than three months.

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, 2014, the bank balances of the City's deposits were covered by federal depository insurance or by collateral held by the City's agent in the City's name. At September 30, 2014, the bank balances in the City's checking accounts were \$8,413,084. Pledged securities held by the bank in the City's name had a market value of \$10,256,572.

Total cash and investments, as of September 30, 2014, consist of the following:

Type	Amount	Reconciliation to the Statement of Net Position	
Cash on Hand	\$ 1,184	Current Assets	
Deposits	6,642,904	Cash and Cash Equivalents	\$ 5,585,035
Money Market Accounts	677,291	Investments	0
Certificates of Deposit	17,000		5,585,035
Money Market Mutual Funds	93,428	Noncurrent Assets:	
United States Treasury Bills	8,177,000	Cash and Cash Equivalents - Restricted	9,886,229
State & Local Government Bonds	395	Investments	2,421,779
Guaranteed Investment Contracts	1,759,100		12,308,008
United States Treasury Notes	524,741		
Total Deposits and Investments	\$ 17,893,043		\$ 17,893,043

Interest Rate Risks and Credit Risks

Interest rate risk is the risk that the fair value of investments will fall due to changes in general interest rates. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. The maturities of investments and credit quality ratings held by the City at September 30, 2014 are as follows:

Type	Fair Value	Investment Maturities			Credit Quality Rating
		Less Than One Year	1-5 Years	6-10 years	
Certificates of Deposit	\$ 17,000	\$ 17,000	\$ 0	\$ 0	N/A
United States Treasury Bills	8,177,000	8,177,000	0	0	N/A
Money Market Mutual Funds	93,428	93,428	0	0	AAAm
State & Local Government Bonds*	395	0	0	395	AAA
Guaranteed Investment Contracts**	1,759,100	0	0	1,759,100	AA+
United States Treasury Notes***	524,741	0	0	524,741	AAA

* The State & Local Government Bonds are guaranteed by the United States Treasury.

** While the Guaranteed Investment Contracts mature in 6-10 years, it should be noted that this investment type is not subject to interest rate risk.

*** United States Treasury securities are guaranteed by the United States Government.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 2 – CASH AND INVESTMENTS - continued

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 and statement of net position because they are maintained in separate bank accounts and their use is limited by debt covenants or other statutory provisions. At September 30, 2014, the balance of the restricted assets is \$12,308,008.

NOTE 3 – PROPERTY TAXES

Property assessed values are determined by the St. Francois County Assessor. The City levied a property tax at the rate of \$0.4448 per \$100 of assessed valuation to be used for general revenue purposes. The City's property taxes are billed and collected by the St. Francois County Collector and subsequently remitted to the City. Taxes are levied on October 1 and mailed to residents in November, and are payable on or before January 1 of the following year. Property tax revenues are recognized when billed. All unpaid taxes become delinquent after January 1 at which time the property taxes attach as an enforceable lien on the property if unpaid.

NOTE 4 – ACCOUNTS RECEIVABLE AND PAYABLE

Accounts Receivable

In the governmental funds, the majority of the accounts receivable balance consists of sales and fuel tax revenues due from the state, municipal court receivables, economic activity taxes due to the Tax Increment Finance Districts from outside entities, grant reimbursements, and cost-sharing payments due from Farmington R-7 School District. Other receivables due include a telecom license tax, property taxes, hotel taxes, and prefunded flexible spending account monies due from employees. These receivables are recorded when they are both measurable and available.

In the proprietary funds, the accounts receivable balance consists primarily of amounts due from customers for utility services provided and Missouri Department of Transportation grant reimbursements. Utility receivables are recorded when the earning process is complete and services have been provided. Other receivables due include Civic Center memberships, payments for airport fuel purchases, and airport rentals/leases.

The City considers these accounts receivable fully collectible, except for the municipal court and property tax receivables. Therefore, only an allowance of \$380,392 is recorded for uncollectible balances (municipal court receivables uncollectible allowance of \$366,231; property tax receivables uncollectible allowance balance of \$14,161).

Accounts receivable balances at September 30, 2014 are as follows:

	<u>Accounts</u>	<u>Grants</u>	<u>Taxes</u>	<u>Total</u>	<u>Bad Debt</u>	
	<u>Receivable</u>	<u>Receivable</u>	<u>Receivable</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Governmental Activities:						
General	\$ 880,234	\$ 29,071	\$ 797,395	\$ 1,706,700	\$ 380,392	\$ 1,326,308
Capital Projects	0	0	282,982	282,982	0	282,982
TIF Districts	281,000	0	0	281,000	0	281,000
Transient Tax	0	0	32,565	32,565	0	32,565
Stormwater and Parks Tax	0	0	141,469	141,469	0	141,469
Transportation Tax	0	174,808	141,468	316,276	0	316,276
Total Governmental Activities	\$ 1,161,234	\$ 203,879	\$ 1,395,879	\$ 2,760,992	\$ 380,392	\$ 2,380,600

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 4 – ACCOUNTS RECEIVABLE AND PAYABLE - continued

	Accounts <u>Receivable</u>	Grants <u>Receivable</u>	Taxes <u>Receivable</u>	Total <u>Receivable</u>	Bad Debt <u>Allowance</u>	<u>Net Receivable</u>
Business-Type Activities:						
Civic Complex	\$ 32,469	\$ 0	\$ 0	\$ 32,469	\$ 0	\$ 32,469
Airport	29,700	1,018,972	0	1,048,672	0	1,048,672
Water and Electric Utility	2,921,527	0	0	2,921,527	0	2,921,527
Sewer Utility	272,392	0	0	272,392	0	272,392
Total Business-Type Activities	<u>\$ 3,256,088</u>	<u>\$ 1,018,972</u>	<u>\$ 0</u>	<u>\$ 4,275,060</u>	<u>\$ 0</u>	<u>\$ 4,275,060</u>

Accounts Payable

Accounts payable balances consist of amounts due to and expected to be paid within one year. The payable balances include payments to vendors, employees, and interest. Items for which service or product has been received, but a vendor invoice had not yet been received at September 30, 2014 have been accrued. Governmental activities reported accounts payable in the amount of \$1,043,967. Business-type activities reported accounts payable in the amount of \$1,800,639, of which \$1,269,203 was due to a single vendor for the electric utility's purchase of power for the month of September.

Payable balances at September 30, 2014 are as follows:

	Payments to <u>Vendors</u>	Payments to <u>Employees</u>	Interest <u>Payable</u>	Taxes <u>Payable</u>	Total <u>Payables</u>
Governmental Activities:					
General	\$ 157,347	\$ 270,230	\$ 0	\$ 11,871	\$ 439,448
Debt Service	0	0	103,341	0	103,341
Capital Projects	253,576	0	0	0	253,576
TIF Districts	685	0	0	0	685
Transient Tax	70,842	0	0	0	70,842
Stormwater & Parks Tax	500	0	0	0	500
Transportation Tax	175,575	0	0	0	175,575
Total Governmental Activities	<u>\$ 658,525</u>	<u>\$ 270,230</u>	<u>\$ 103,341</u>	<u>\$ 11,871</u>	<u>\$ 1,043,967</u>

	Payments to <u>Vendors</u>	Payments to <u>Employees</u>	Interest <u>Payable</u>	Taxes <u>Payable</u>	Total <u>Payables</u>
Business-Type Activities:					
Civic Complex	\$ 28,915	\$ 38,313	\$ 0	\$ 1,975	\$ 69,203
Airport	3,813	2,137	0	102	6,052
Water and Electric Utility	1,433,153	73,960	47,377	88,333	1,642,823
Sewer Utility	20,880	48,299	10,741	2,641	82,561
Total Business-Type Activities	<u>\$ 1,486,761</u>	<u>\$ 162,709</u>	<u>\$ 58,118</u>	<u>\$ 93,051</u>	<u>\$ 1,800,639</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital assets are depreciated over the useful life of the asset as outlined in Note 1. Total depreciation expense for the year was \$3,627,287. Depreciation is charged to the following functions in the statement of activities as follows:

Function/Program	Current Depreciation	
	Governmental Activities	Business-Type Activities
General Government	\$ 30,617	\$ 0
Public Safety	316,199	0
Streets and Public Works	917,515	0
Culture and Recreation	101,438	0
Civic Complex	0	423,953
Airport	0	287,537
Electric	0	452,488
Water	0	388,010
Sewer	0	709,530
Total	<u>\$ 1,365,769</u>	<u>\$ 2,261,518</u>

Changes in fixed assets for the governmental activities are as follows for the year ended September 30, 2014:

	Balance, September 30, 2013 - Restated*	Additions	Deletions	Balance, September 30, 2014
<u>Governmental Activities:</u>				
Capital Assets, not depreciated				
Land	\$ 1,962,942	\$ 304,000	\$ 0	\$ 2,266,942
Construction in Progress	0	1,835,805	0	1,835,805
Total Capital Assets, not depreciated	1,962,942	2,139,805	0	4,102,747
Capital Assets, depreciated				
Buildings	7,348,568	371,447	0	7,720,015
Land Improvements	449,904	0	0	449,904
Infrastructure	25,908,507	1,546,697	0	27,455,204
Furniture, Machinery & Equip	1,795,113	89,723	29,580	1,855,256
Vehicles	3,624,400	265,957	0	3,890,357
	39,126,492	2,273,824	29,580	41,370,736
Less Accumulated Depreciation	14,053,303	1,365,769	29,580	15,389,492
Total Capital Assets, depreciated	25,073,189	908,055	0	25,981,244
Capital Assets, Net	<u>\$ 27,036,131</u>	<u>\$ 3,047,860</u>	<u>\$ 0</u>	<u>\$ 30,083,991</u>

*An audit was performed of the asset classifications and September 30, 2013 balances are restated. Total assets and depreciation did not change; however some assets were reclassified to a more appropriate class.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 5 – CAPITAL ASSETS - continued

Changes in fixed assets for the proprietary activities are as follows for the year ended September 30, 2014:

	Balance, September 30, 2013	Additions	Deletions	Balance, September 30, 2014
Proprietary Activities:				
Capital Assets, not depreciated				
Land	\$ 745,816	\$ 0	\$ 0	\$ 745,816
Construction in Progress	266,973	597,792	181,856	682,909
Total Capital Assets, not depreciated	1,012,789	597,792	181,856	1,428,725
Capital Assets, depreciated				
Buildings	18,407,363	53,095	0	18,460,458
Infrastructure	52,783,303	2,218,278	0	55,001,581
Furniture, Machinery & Equip	1,685,769	21,874	0	1,707,643
Vehicles	1,111,267	251,127	0	1,362,394
	73,987,702	2,544,374	0	76,532,076
Less Accumulated Depreciation	26,000,971	2,261,518	0	28,262,489
Total Capital Assets, depreciated	47,986,731	282,856	0	48,269,587
Capital Assets, Net	\$ 48,999,520	\$ 880,648	\$ 181,856	\$ 49,698,312

NOTE 6 – OPERATING LEASES

The City has an operating lease on the land at the Senior Center. The lease term is from October, 2009 through September, 2029. Annual rent is \$1,200. The future minimum rental payments for the future years are as follows:

Year Ended September 30	Total
2015	\$ 1,200
2016	1,200
2017	1,200
2018	1,200
2019	1,200
2020-2024	6,000
2025-2029	6,000
Total Minimum Rental Payments	\$ 18,000

NOTE 7 – CAPITAL LEASES

Governmental Activities:

The City has entered into capital leases for the financing of various equipment and facility construction and improvements. 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.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 7 – CAPITAL LEASES - continued

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 which began in April 2006 and continue through April 2014. Interest is payable each October 1st and April 1st at 3.58%. There is no balance due as of September 30, 2014.

On March 25, 2014 the City entered into a capital lease with US Bank National Association to finance the construction of a new municipal library, renovations to the current police station, and additions to the Water Park. Under the arrangement the bank issued certificates of participation in the amount of \$8,650,000. 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 \$785,000 to \$960,000. Interest is payable each October 1st and April 1st at 2.0% to 3.1%. The debt payment schedule anticipates final payment and retirement of the debt April 1, 2024. At September 30, 2014, there remains an unpaid balance of \$8,650,000.

Capital Lease Obligations

The fire station project lease was entered into on September 10, 2009 with Missouri Association of Municipal Utilities for the amount of \$4,305,000. Lease payments are due in monthly installments including interest ranging from \$12,000 to \$25,000 beginning October 20, 2009 until final payment on August 20, 2029. The balance at September 30, 2014 is \$3,490,000.

The City entered into a capital lease with US Bancorp on February 24, 2014 for the purchase of a 2014 Pierce Quantum PUC Rescue Pumper Fire Apparatus. Lease payments are due in three annual installments of \$278,527, which include interest at an interest rate of 1.21%. The debt payment schedule anticipates an initial payment due February 24, 2015 with final payment and retirement of the debt February 24, 2017. At September 30, 2014 there is a principal balance of \$815,761.

Business-Type Activities:

The City entered into capital leases to finance improvements for the wastewater treatment infrastructure and water system improvements. 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.

Certificates of Participation

The City entered into a capital lease to finance water system and wastewater treatment system capital improvements through a financing arrangement with The Bank of New York Mellon Trust Company. Under the arrangement, the bank issued certificates of participation in the amount of \$5,555,000 on May 3, 2011 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 \$445,000 to \$1,135,000, which began in May 2012 and continue through May 2021. Interest is payable each November 1st and May 1st at 2.0% to 3.8%. The balance at September 30, 2014 is \$4,200,000, of which \$3,425,000 is allocated to the utility fund for the water system and \$775,000 is allocated to the sewer fund.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 7 – CAPITAL LEASES - continued

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 are as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2015	1,577,517	1,062,233	2,639,750
2016	1,580,186	1,047,245	2,627,431
2017	1,576,104	1,040,095	2,616,199
2018	1,300,367	1,026,780	2,327,147
2019	1,300,472	1,021,540	2,322,012
2020-2024	6,495,778	2,567,507	9,063,285
2025-2029	1,534,067	0	1,534,067
Total Minimum Lease Payments	15,364,491	7,765,400	23,129,891
Less Amount Representing Interest & Fees	2,408,730	1,210,400	3,619,130
Present Value of Minimum Lease Payments	\$ 12,955,761	\$ 6,555,000	\$ 19,510,761

Assets under capital leases at September 30, 2014 include:

<u>Asset Type</u>	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and Buildings	\$ 5,347,548	\$ 274,471	\$ 5,073,077
Machinery and Equipment	79,503	-	79,503
Infrastructure	5,475,305	477,396	4,997,909
Total Assets Under Capital Lease	\$ 10,902,356	\$ 751,867	\$ 10,150,489

NOTE 8 – LONG-TERM DEBT

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, 2014 was \$2,355,000. The bonds are to be repaid solely through sewer system revenues. The bond covenants require 110% coverage of the debt service for each fiscal year.

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

<u>Year Ended September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	315,000	132,750
2016	320,000	114,638
2017	330,000	97,037
2018	335,000	78,723
2019	345,000	59,963
2020-2021	710,000	60,990
Total	\$ 2,355,000	\$ 544,100

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 8 – LONG-TERM DEBT - continued

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 2014, the City paid back \$213,500. As of September 30, 2014, the balance due to the State is \$1,657,569. If the City makes all of the related principal payments, the amount owed to the State will be paid back as follows:

<u>Year Ended September 30</u>	<u>Payment to State</u>
2015	220,500
2016	224,000
2017	231,000
2018	234,500
2019	241,500
2020-2021	506,069
Total	<u>\$ 1,657,569</u>

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2014</u>	<u>Current Portion</u>
Governmental Activities:					
Capital Leases					
Firestation Lease	\$ 3,665,000	\$ 0	\$ (175,000)	\$ 3,490,000	\$ 160,000
Fire Pumper Lease	0	815,761	0	815,761	278,527
Certificates of Participation					
Series 2005 - Public Works Improvements	759,084	0	(759,084)	0	0
Series 2014 - Library, Police Station & Water Park Improvements	0	8,650,000	0	8,650,000	785,000
Total Governmental Activities	<u>\$ 4,424,084</u>	<u>\$ 9,465,761</u>	<u>\$ (934,084)</u>	<u>\$ 12,955,761</u>	<u>\$ 1,223,527</u>

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2014</u>	<u>Current Portion</u>
Business-Type Activities:					
Certificates of Participation					
Series 2005 - Centene Center	950,916	0	(950,916)	0	0
Series 2011 - Radionuclide Project	3,800,000	0	(375,000)	3,425,000	390,000
Series 2011 - Treatment Plant UV Project	860,000	0	(85,000)	775,000	85,000
Revenue Bonds					
Series 2000A - West Treatment Plant	2,660,000	0	(305,000)	2,355,000	315,000
Due to State of Missouri	1,871,069	0	(213,500)	1,657,569	220,500
Customer Deposits	384,053	33,337	0	417,390	0
Total Business-Type Activities	<u>\$ 10,526,038</u>	<u>\$ 33,337</u>	<u>\$ (1,929,416)</u>	<u>\$ 8,629,959</u>	<u>\$ 1,010,500</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 10 – DEFERRED AMOUNTS RELATED TO NET POSITION

Governmental activities report deferred outflows of resources in the amount of \$815,761 representative of money held on deposit by Pierce Manufacturing Inc. pending completion of the manufacture of a Pierce Quantum Pumper which was ordered by the City in March 2014.

Governmental activities report deferred inflows of resources in the amount of \$20,061 for money placed on deposit by developers to cover administrative costs related tax increment financing projects. The amount will be recognized as revenue at such time as reimbursable expenses are generated.

Business-type activities report a deferred inflow of resources in the amount of \$5,185 for prepayment of facility deposits at the Civic Center for future use. These amounts will be realized as revenue in the future upon use of the facility.

NOTE 11 – INTEREST EXPENSE

During the year ended September 30, 2014, \$497,360 of interest has been directly charged to the various City functions. No interest has been capitalized or indirectly charged. The interest charged is as follows:

<u>Function</u>	<u>Amount</u>
Culture & Recreation	\$ 89,907
Streets and Public Works	13,590
Public Safety	88,467
Civic Complex	17,019
Water Utility	118,080
Sewer Utility	<u>170,297</u>
	\$ 497,360

NOTE 12 – INTER-FUND TRANSACTIONS

Inter-Fund Receivables and Payables

Inter-fund receivables and payables are current amounts owed between funds within the City. The following details the amounts and purpose of the inter-fund receivables and payables at September 30, 2014.

- A temporary loan in the amount of \$12,937 is owed to the General Fund from the Storm Water Fund for payment of capital projects work completed prior to the receipt of tax revenue. The loan is to be repaid once additional tax revenues are received.
- A temporary loan in the amount of \$69,824 is owed to the General Fund from the Transportation Fund for payment of capital projects work completed prior to the receipt of tax revenue. Loan is to be repaid once additional tax revenues are received.
- A temporary loan in the amount of \$969,111 is owed to the General Fund from the Airport Fund which is payable upon receipt of a grant reimbursement from Missouri Department of Transportation for expansion work at the airport.
- The Special Allocation Fund is owed a total of \$114,147 for those monies required to be transferred as incremental economic activity taxes under the tax increment financing development plan. This balance includes amounts for taxes accrued as of September 30, 2014. The amount owed by fund is: General Fund \$57,074, Storm Water & Parks Fund \$14,262, Transportation Fund \$14,262 and Capital Projects Fund \$28,549.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 12 – INTER-FUND TRANSACTIONS - continued

Inter-fund Transfers

During the year ended September 30, 2014, the following inter-fund transfers took place between the various City funds:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General	Special Allocation	\$ 75,400	Funds declared as surplus and returned to taxing entities
General	Special Allocation	295,038	TIF Funds utilized for improvements to City Hall
General	Storm Water & Parks	208,105	Parks operating costs
Debt Service	Special Allocation	240,940	Firestation Debt Payment
Debt Service	Capital Projects	517,638	Certificates of Participation payments
Special Allocation	General	206,922	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	General	24,478	Highway 67 TIF Incremental EATs tax
Special Allocation	Storm Water & Parks	78,310	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	Storm Water & Parks	6,094	Highway 67 TIF Incremental EATs tax
Special Allocation	Transportation	78,311	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	Transportation	6,094	Highway 67 TIF Incremental EATs tax
Special Allocation	Capital Projects	103,419	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	Capital Projects	12,239	Highway 67 TIF Incremental EATs tax
Storm Water & Parks	Special Allocation	17,150	Projects completed within TIF districts
Transportation	Special Allocation	75,000	Projects completed within TIF districts
Capital Projects	Special Allocation	32,200	Projects completed within TIF districts
Civic Complex	Capital Projects	525,863	Certificates of Participation payments
Civic Complex	General	185,000	Operating subsidy and reserves replenishment
Airport	Transportation	119,394	Fund capital grant match for airport expansion project

NOTE 13 – CONCENTRATION OF REVENUE

Approximately 23% of the sales tax revenue of the City is generated by one customer.

Missouri Revised Statute 302.341.2 requires that any funds generated from fines and court costs for traffic violations, including amended charges, which are in excess of 30% of the annual general operating revenue of a City, be sent to the director of the department of revenue for distribution to the schools within the county. As evident on the Government Wide Statement of Activities, the City's general revenues for the year ending September 30, 2014 are \$11,962,630, of which \$424,132, or 3.5%, are revenues generated from fines and court costs.

NOTE 14 – SPECIAL ITEMS

A special item is an item that is either unusual in nature or infrequent in occurrence and subject to management control. In October 2013, Christian Health Services Development Corporation donated approximately 1.5 acres of land as the future site of the new municipal library. The value reported to the City for the land was \$304,000. The City deemed this a fair market value based on other commercial lots and recorded the property on the books at said value.

NOTE 15 – 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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 15 – RISK MANAGEMENT - continued

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 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 16 – 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 401(a), and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

The City's full time employees do not contribute to the pension plan. The June 30th statutorily required contribution rates are 12.4% (General), 12.2% (Police) and 12.4% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost and Net Pension Obligation

For 2014, the City's annual pension cost (APC) and net pension obligation (NPO) for the year were as follows:

Annual required contribution	\$ 610,672
Interest on net pension obligation	8,559
Adjustment to annual required contribution	<u>(9,128)</u>
Annual pension cost	610,103
Actual contributions	<u>610,672</u>
Increase (decrease) in net pension obligation	(569)
Net pension obligation beginning of year	<u>118,051</u>
Net pension obligation end of year	<u><u>\$ 117,482</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 16 – RETIREMENT PLAN - continued

set back 0 years for men and 0 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 as of February 28, 2011 was 25 years for the General division, 29 years for the Police division, and 23 years for the Fire division. The amortization period as of February 29, 2012 was 17 years for the General division, 18 years for the Police division and 6 years for the Fire division.

Year Ended	Three-Year Trend Information		
	Annual Pension	Percentage of APC	Net Pension
30-Jun	Cost (APC)	Contributed	Obligation
2012	\$ 572,629	92.2%	\$ 110,409
2013	598,512	98.7%	118,051
2014	610,103	100.1%	117,482

NOTE 17 – TAX INCREMENT FINANCING AND COMMUNITY IMPROVEMENT DISTRICTS

Karsch Boulevard-Downtown TIF District

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 state statutes.

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. On advice of counsel, and in view of case law since the plan was first adopted, the City amended its plan to clearly articulate the historic preservation grant program and to affirm that the fire station construction was included in the plan.

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 (PILOTS) that will be made to individual taxing entities.

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 were 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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 17 – TAX INCREMENT FINANCING AND COMMUNITY IMPROVEMENT DISTRICTS - continued

that amount to the individual taxing entities. This plan anticipates a total of \$14,708,580 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.

On September 11, 2014, the City Council approved a development agreement with Stetty Properties LLC to reimburse project costs related to the historic preservation of property located at 19 and 23 East Columbia Street. Reimbursement costs are to be paid from the funds on deposit from the District's economic activity tax and are limited to \$129,000.

As of September 30, 2014, no TIF bonds had been issued by the City of Farmington for the Karsch-Downtown TIF District projects.

Highway 67 TIF District

In 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 and CID obligations will not exceed \$42,000,000 to which will be added accrued and capitalized interest, debt service reserve and issuance costs. The redevelopment projects and the TIF obligations were 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 the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTS as surplus on one development project and 60% on the other on an annual basis and pass through that amount to the individual taxing entities. This plan anticipates a total of \$390,961 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 \$390,961, but will be limited to the amount of actual PILOTS collected. The redevelopment plans allocate a portion of local sales tax revenues generated by economic activities (EATS) within the redevelopment area to pay directly for project 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.

On December 3, 2010, \$3,992,507 in Tax-Exempt Tax Increment and Community Improvement Revenue Notes were issued by the City of Farmington. These were issued in conjunction with Taxable Tax Increment Revenue Notes with an aggregate principal amount not to exceed \$8,242,380. The City's liability is limited to 40% of the economic activity tax increment revenues generated by the Maple Valley Plaza Project and attributable to the project's development parcel.

In April 2011, the City terminated one of two redevelopment agreements associated with the Highway 67 TIF District for failing to initiate development pursuant to the terms of the agreement. The intent of the terminated agreement had been to declare only 60% of its related PILOTS as surplus. Thus, as of the termination of the agreement 100% of PILOTS are now declared surplus.

In February 2014, the City approved a Redevelopment Agreement between the City, Menards and Priority Property Holdings, an amendment and restatement of a Redevelopment Agreement between the City and Priority Property Holdings, and an amendment and restatement of a Cooperative Agreement between the City, Priority Property Holdings,

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 17 – TAX INCREMENT FINANCING AND COMMUNITY IMPROVEMENT DISTRICTS - continued

and the District. The agreements were in reference to the purchase of 24.96 acres by Menards to create a retail commercial development of at least 100,000 square feet with projected sales of \$25,000,000 (Menards' Project Sub-Area). The Developer and the City entered into a sales tax rebate agreement in the amount of \$4,350,000 with payments received on a pay-as-you-go basis. All previously outstanding TIF notes are cancelled. The current agreements increased the maximum annual payout of the EATs increment from 40% to 100%. Menards is a home-improvement store with over 280 stores in 14 states.

GPMVLC Community Improvement District

On February 8, 2012, the City Council approved a petition from GPMVLC to establish a Community Improvement District at the site of the property formerly the location of Value City. On February 27, 2012 the City Council approved an intergovernmental agreement with the CID to provide public incentives not to exceed \$1,000,000 for the developer to locate a national brand retailer to the site. It is expected that the primary tenant will occupy at least 50,000 square feet of the building and will engage in retail sales of at least \$8,000,000 annually. The cooperative agreement provides for the capture of 67.5% of the one cent general sales tax and one-half cent capital improvement sales tax generated by the site. The agreement further limits the return on investment of the developer to 5% of initial investment, after which the \$1,000,000 incentive is reduced proportionately to the margin above 5%.

In December 2013, the City approved an amendment to the Cooperative Agreement with GPMVLC Community Improvement District to a project maximum reimbursable amount of \$2,500,000 from the previous amount of \$1,000,000. The developer sold the building, which was being renovated as of September 30, 2014 for the opening of a Schnuck's Market. Schnuck's Markets Inc. is a regional leader in the supermarket industry operating over 100 stores in 5 states.

NOTE 18 – 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 and passed through to the Farmington Educational Foundation, Inc. for a twenty-five year period with the final payment to be made December 31, 2025. The total amount of PILOTS outstanding as of September 30, 2014 is \$1,630,000. After twenty-five 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 19 – LONG-TERM CONTRACTS

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). The City Administrator represents the City with respect to MJMEUC matters. MJMEUC manages a power pool known as Missouri Public Energy Pool #1 ("MoPEP"). The City is a member of MoPEP. All MoPEP members (including the City) have an agreement (the "MoPEP Agreement") with MJMEUC for the purchase of electric capacity and energy from MJMEUC. The MoPEP Agreement requires MJMEUC to supply the full energy requirements of the City and includes a procedure for the City to dedicate its capacity to MoPEP.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 19 – LONG-TERM CONTRACTS - continued

MoPEP operations are governed by a committee ("Pool Committee") consisting of one representative from each MoPEP member and is comprised of 35 members as of September 30, 2014. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC's costs (the "Direct Costs") incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee. The rates are established so as to charge each MoPEP member (including the City) its proportionate share of all costs associated with MJMEUC's performance under the MoPEP Agreement. Charges based on such rates are assessed and billed monthly. Rates are required to be established at least annually and adjusted to recognize variances between budgeted and actual costs at least every six months.

To meet the power and energy requirements of the City and the other MoPEP members, MJMEUC presently obtains power and energy from the following resources: (i) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; (ii) MJMEUC owned generation; (iii) member capacity; and (iv) spot market purchases. The City purchases its full energy requirements from MJMEUC pursuant to the MoPEP Agreement, but does not have any ownership interest in MJMEUC's resources.

In the event a MoPEP member would cancel the MoPEP Agreement, the member would remain responsible for its allocated share of MJMEUC's Direct Costs associated with all resource obligations entered into by MJMEUC for MoPEP prior to the notice of cancellation. MJMEUC would utilize or sell the member's allocated share of output in exchange for providing the member a credit or offset equal to the fair market value of the output up to the amount of the member's obligation. As a result, the member would have a financial obligation after cancellation in the event that the fair market value of the output is less than the member's allocated share of MJMEUC's Direct Costs with respect to the resource obligations at the time of cancellation. Since the amount of the cancelling member's obligation would depend on MJMEUC's Direct Costs after cancellation and the fair market value of the output at such times in the future, the amount of the obligation is not reasonably determinable. Currently, the City has no plans or intentions to begin cancellation proceedings.

NOTE 20 – SUBSEQUENT EVENTS

Airport Land and Easement Acquisitions

As part of an ongoing expansion project at the City's airport, the City is making continued negotiations to acquire property and avigation easements adjacent to the Farmington Regional Airport. As part of this project, the City has acquired eight properties and one avigation easement as of September 30, 2014. Current project plans include the acquisition of an additional fourteen avigation easements and one property.

Mineral Area Community Improvement District

On December 11, 2014, the City Council adopted an ordinance establishing the Mineral Area Community Improvement District (CID) for the purpose of providing public assistance to eliminate blighted conditions including the redevelopment of streets and storm water to improve safety and traffic control. The district includes approximately 18.5 acres encompassing the Mineral Area Shopping Center and adjacent outlots. At that same meeting, the City Council approved a development agreement between the CID, Jones Farmington Properties LLC and the City. The CID agreement authorizes the District to impose a maximum one percent (1%) sales tax and a maximum real property tax of \$1.00 per \$100 of assessed valuation, as well as a special assessment of twenty-five cents (\$0.25) per square foot of land in a given tax year. Proceeds from the imposed taxes and assessment will be used to reimburse eligible costs as defined by the agreement.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 20 – SUBSEQUENT EVENTS - continued

Farmington Land ABG Community Improvement District

On January 26, 2015, the City Council considered the first reading of an ordinance to establish the Farmington Land ABG Community Improvement District on property located on US Highway 67 for the purpose of providing public assistance to eliminate blighted conditions and assist in the development of the property. The major tenant for the site is a planned Rural King retail store. The proposed redevelopment agreement by and between the City of Farmington, the Farmington Land ABG Community Improvement District (CID), and Farmington ABG, LLC provides certain public assistance to the CID to assist the developer with funds necessary to eliminate the blighted conditions. The proposed agreement will permit the CID to retain 50% of the City's one cent general and one-half cent capital improvement sales tax to reimburse the developer for the actual cost plus interest for the eligible project expenses. The proposed term of the agreement is twenty years. The City Council approved the CID and the redevelopment agreement at its February 12, 2015 regular meeting.

Highway 67 Tax Increment Financing District

On January 6, 2015, the City Council convened the Tax Increment Financing Commission to schedule a public hearing for the purpose of revising the Highway 67 Tax Increment Financing District Plan to amend the boundaries of the district. The purpose of the proposed amendment is to remove all property not incorporated by the Menards' Project Sub-Area from the district boundary. The TIF Commission held a public hearing February 24, 2015 to hear comment on the amendment. The Commission voted to present the City Council with a resolution recommending the amendment.

Property Acquisition

The City utilized funds of the Karsch-Downtown Development District to purchase property located in the district. The first of the two properties purchased is a commercial building located at 1 and 3 North Jefferson Street. The second property is a residential home at 211 North A Street which sets on the block of the new library. The City intends to revitalize the property located on North Jefferson Street with available TIF funds and intends to resell all or part of business locations in the future. At the time of purchase, the City assumed the lease in place on 1 North Jefferson Street. Subsequent to the purchases, the City entered into a lease with Andiem Properties LLC to rent the 3 North Jefferson Street location and a lease with Brad Morgan to lease the residence at 211 North A Street.

Capital Lease for Acquisition of Equipment

At the February 23, 2015 council meeting, the City Council approved a capital lease with US Bancorp Government Leasing and Finance Inc. in the amount of \$327,211 for the purchase of a Sewer Vacuum Truck. The term of the lease is 60 months.

NOTE 21 – RELATED PARTY TRANSACTIONS

The Mayor of the City of Farmington holds a position on the Board of Directors at a financial institution with which the City conducts business. At September 30, 2014, the City had deposits of \$8,413,084 at this financial institution. Additionally, the Mayor rents a hangar at Farmington Regional Airport. The rental is at the standard rate of \$50 per month offered to the general public. Renters are given the option of paying rent on a monthly, quarterly, semi-annual or annual basis. At September 30, 2014, the Mayor had no balance due on account for hangar space rental.

The City leases rental property to multiple City employees. The properties were purchased for a future airport expansion and have been leased short term prior to demolition. As of September 30, 2014, City employees leasing from the City include Casey Barnhouse, Water Foreman, and Dan Duncan, Dispatch Supervisor. These employees are paying \$450 and \$500 per month respectively. Monthly lease amounts are based on market.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 22 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

The amount of net position restricted by enabling legislation at September 30, 2014 is as follows:

<u>Fund</u>	<u>Net Position at September 30, 2014</u>
Capital Projects	\$ 8,537,017
Special Allocation	891,427
Storm Water & Parks	236,276
Transportation	<u>161,135</u>
Total	<u>\$ 9,825,855</u>

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

Year Ended September 30, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
Sales Tax	\$ 3,300,000	\$ 3,300,000	\$ 3,512,128	\$ 212,128
Real and Personal Property Tax	834,000	829,600	829,008	(592)
Grants & Donations	419,500	405,000	430,590	25,590
Motor Fuel and Vehicle Tax	575,000	595,000	609,567	14,567
Utility, Gross Receipts, and Other Taxes	694,000	694,000	744,047	50,047
Municipal Court Fines and Fees	431,300	431,300	424,132	(7,168)
Charges for Services	138,300	202,400	216,850	14,450
Interest Income	1,000	1,000	2,628	1,628
Administrative Pilot Payment	1,298,500	1,345,600	1,342,382	(3,218)
Other	22,100	23,100	19,173	(3,927)
Total Revenue	7,713,700	7,827,000	8,130,505	303,505
EXPENDITURES				
General Government				
Administration	1,269,100	1,223,600	1,184,343	39,257
Public Safety				
Police	2,308,300	2,334,800	2,261,304	73,496
Municipal Court	117,400	97,400	86,902	10,498
Fire	1,086,900	896,900	836,019	60,881
Streets and Public Works				
Street	751,600	810,800	751,503	59,297
Public Works	372,600	375,100	362,920	12,180
Maintenance	472,300	471,600	467,638	3,962
Culture and Recreation				
Park	597,100	585,100	567,696	17,404
Library	298,000	298,000	290,144	7,856
Capital Outlay	744,800	2,099,800	1,196,050	903,750
Total Expenses	8,018,100	9,193,100	8,004,519	1,188,581
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(304,400)	(1,366,100)	125,986	1,492,086
OTHER FINANCING SOURCES(USES)				
Transfers In	460,400	585,400	578,544	(6,856)
Transfers Out	(285,600)	(375,100)	(416,400)	(41,300)
Gain/Loss on Asset	10,000	10,000	7,000	(3,000)
Insurance Proceeds	20,000	20,000	58,453	38,453
Lease Proceeds - Net of Issuance Costs		840,000	815,761	(24,239)
Total Other Financing Sources(Uses)	204,800	1,080,300	1,043,358	(36,942)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ (99,600)	\$ (285,800)	1,169,344	\$ 1,455,144
FUND BALANCE, OCTOBER 1, 2013			2,321,441	
FUND BALANCE, SEPTEMBER 30, 2014			\$ 3,490,785	

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, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
<u>REVENUES</u>				
Interest Income	\$ 50,000	\$ 70,000	\$ 70,314	\$ 314
Total Revenue	50,000	70,000	70,314	314
<u>EXPENDITURES</u>				
Debt Service Interest and Fees	151,900	255,400	254,791	609
Debt Service Principal	934,100	934,100	934,084	16
Total Expenditures	1,086,000	1,189,500	1,188,875	625
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,036,000)	(1,119,500)	(1,118,561)	939
<u>OTHER FINANCING SOURCES(USES)</u>				
Transfer In	683,100	766,600	758,577	(8,023)
Transfer Out	0	0	0	0
Total Other Financing Sources (Uses)	683,100	766,600	758,577	(8,023)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (352,900)</u>	<u>\$ (352,900)</u>	(359,984)	<u>\$ (7,084)</u>
FUND BALANCE, OCTOBER 1, 2013			<u>392,484</u>	
FUND BALANCE, SEPTEMBER 30, 2014			<u>\$ 32,500</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
TRANSIENT TAX FUND

Year Ended September 30, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
Transient Tax Income	\$ 200,000	\$ 200,000	\$ 233,046	\$ 33,046
Interest Income	0	0	51	51
Total Revenue	200,000	200,000	233,097	33,097
EXPENDITURES				
General Government	200,000	200,000	233,097	(33,097)
Total Expenditures	200,000	200,000	233,097	(33,097)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	0	0	0	0
OTHER FINANCING SOURCES(USES)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources(Uses)	0	0	0	0
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES				
	\$ 0	\$ 0	0	\$ 0
FUND BALANCE, OCTOBER 1, 2013				
			0	
FUND BALANCE, SEPTEMBER 30, 2014				
			\$ 0	

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
STORM WATER AND PARKS TAX FUND

Year Ended September 30, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
<u>REVENUES</u>				
Sales Tax	\$ 825,000	\$ 825,000	\$ 849,218	\$ 24,218
Interest Income	0	0	109	109
Total Revenue	825,000	825,000	849,327	24,327
<u>EXPENDITURES</u>				
Capital Expenditures	607,000	705,000	682,670	22,330
Total Expenditures	607,000	705,000	682,670	22,330
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	218,000	120,000	166,657	46,657
<u>OTHER FINANCING SOURCES(USES)</u>				
Transfers In	75,000	75,000	5,161	(69,839)
Transfers Out	(293,000)	(293,000)	(292,510)	490
Total Other Financing Sources(Uses)	(218,000)	(218,000)	(287,349)	(69,349)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	<u>\$ (98,000)</u>	(120,692)	<u>\$ (22,692)</u>
FUND BALANCE, OCTOBER 1, 2013			356,968	
FUND BALANCE, SEPTEMBER 30, 2014			<u>\$ 236,276</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
TRANSPORTATION TAX FUND**

Year Ended September 30, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
Sales Tax	\$ 825,000	\$ 825,000	\$ 849,219	\$ 24,219
Grants and Donations	0	11,500	\$ 186,243	174,743
Interest Income	0	0	144	144
Total Revenue	825,000	836,500	1,035,606	199,106
EXPENDITURES				
Capital Expenditures	692,000	607,800	803,084	(195,284)
Total Expenditures	692,000	607,800	803,084	(195,284)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	133,000	228,700	232,522	3,822
OTHER FINANCING SOURCES(USES)				
Transfers In	75,000	75,000	75,000	-
Transfers Out	(168,000)	(168,000)	(203,799)	(35,799)
Total Other Financing Sources(Uses)	(93,000)	(93,000)	(128,799)	(35,799)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ 40,000	\$ 135,700	103,723	\$ (31,977)
FUND BALANCE, OCTOBER 1, 2013			57,412	
FUND BALANCE, SEPTEMBER 30, 2014			\$ 161,135	

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
SPECIAL ALLOCATION FUND

Year Ended September 30, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
TIF Proceeds From Other Governments	\$ 582,000	\$ 570,000	\$ 544,003	\$ (25,997)
Interest Income	300	300	664	364
Other Income	4,000	4,000	22,450	18,450
Total Revenue	586,300	574,300	567,117	(7,183)
EXPENDITURES				
General Government	334,000	406,400	402,226	4,174
Capital Expenditures	20,000	27,000	22,675	4,325
Total Expenditures	354,000	433,400	424,901	8,499
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	232,300	140,900	142,216	1,316
OTHER FINANCING SOURCES(USES)				
Transfers In	366,000	366,000	515,867	149,867
Transfers Out	(694,900)	(799,900)	(723,739)	76,161
Total Other Financing Sources(Uses)	(328,900)	(433,900)	(207,872)	226,028
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ (96,600)	\$ (293,000)	(65,656)	\$ 227,344
FUND BALANCE, OCTOBER 1, 2013			891,427	
FUND BALANCE, SEPTEMBER 30, 2014			\$ 825,771	

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, 2014

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
Sales Tax	\$ 565,000	\$ 1,650,000	\$ 1,701,035	\$ 51,035
Grants and Donations	0	0	(1)	(1)
Interest Income	0	0	1,244	1,244
Total Revenue	565,000	1,650,000	1,702,278	52,278
EXPENDITURES				
Capital Expenditures	0	9,157,500	1,427,824	7,729,676
Total Expenditures	0	9,157,500	1,427,824	7,729,676
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	565,000	(7,507,500)	274,454	7,781,954
OTHER FINANCING SOURCES(USES)				
Transfers In	32,200	32,200	32,200	0
Transfers Out	(973,100)	(1,076,600)	(1,159,158)	(82,558)
Lease Proceeds - Net of Issuance Costs	0	8,650,000	8,570,734	(79,266)
Total Other Financing Sources(Uses)	(940,900)	7,605,600	7,443,776	(161,824)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ (375,900)	\$ 98,100	7,718,230	\$ 7,620,130
FUND BALANCE, OCTOBER 1, 2013			818,787	
FUND BALANCE, SEPTEMBER 30, 2014			\$ 8,537,017	

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

**CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS-AGENT RETIREMENT PLAN (LAGERS)
SEPTEMBER 30, 2014**

Actuarial Valuation Date	(a) Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/29/2012	11,253,697	12,618,423	1,364,726	89%	4,663,662	29%
2/28/2013	11,770,839	12,852,405	1,081,566	92%	4,752,232	23%
2/28/2014	13,989,846	13,876,122	(113,724)	101%	4,965,686	

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

CITY OF FARMINGTON, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2014

Summary of Audit Results

1. The auditors' report expressed an unqualified opinion on the financial statements.
2. One significant deficiency relating to the audit of the financial statements is reported in the 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.
3. No instance 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*, was disclosed during the audit.
4. No instances of noncompliance in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Farmington, Missouri expresses an unqualified opinion.
6. The program tested as a major program was the Department of Transportation-Air Entitlement Funds, CFDA #20.106
7. The threshold for distinguishing between type A and type B programs was \$300,000.
8. The City of Farmington, Missouri was not determined to be a low-risk auditee.

CITY OF FARMINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass Through Grant Numbers</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
Department of Justice			
<i>Pass Through Grant from Department of Public Safety Passed to Mineral Area Drug Task Force Edward Byrne Memorial Justice Assistance Grant</i>	2012-JAG-005 2013-JAG-005	16.738	\$ 50,376
Total Department of Justice			<u>\$ 50,376</u>
Department of Transportation			
<i>Pass Through Grant from Missouri Department of Transportation Air Entitlement Funds</i>	11-061C-1	20.106	\$ 1,198,853
<i>Pass Through Grant from Missouri Department of Transportation Highway Planning and Construction</i>	STP-2500(005)	20.205	\$ 186,242
<i>Pass Through Grant from Department of Public Safety Hazardous Moving Violations</i>	14-PT-02-032	20.600	\$ 5,114
Total Department of Transportation			<u>\$ 1,390,209</u>
Department of Health and Human Services			
<i>Pass Through Grant from Southeast Missouri Area Agency on Aging HHS Older Americans Act Programs Title III, Part C Nutrition Services Elderly Nutrition Program</i>		93.045 93.053	\$ 101,716 \$ 35,071
Total Department of Health and Human Services			<u>\$ 136,787</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,577,372</u></u>

NOTE A - BASIS OF PRESENTATION

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

NOTE B - NON-CASH ASSISTANCE

No USDA donated foods were received during the year ended September 30, 2014.

NOTE C - FEDERAL AWARDS PASSED ON TO SUBRECIPIENTS

\$50,376 of federal awards were passed on to a subrecipient.

CITY OF FARMINGTON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2014

CURRENT FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENT AUDIT

2014-01 Municipal Court Procedures

Condition: There is a lack of internal controls in the Municipal Court operation. While the City makes entries on a monthly basis based upon reports received from the court system, no reconciliation of the court fines receivable is being done on a monthly basis. No control is in place for the review and approval of adjustments.

Criteria: Procedures should be in place to reconcile court fines on a monthly basis.

Effect: Because of the lack of internal controls, the risk of fraud and theft is increased.

Recommendation: We recommend that the City implement a system to reconcile the court receivables on a monthly basis, including the review and approval of all adjustments.

Response: The City concurs with this finding. The City has attempted to implement a roll-forward schedule, but has been unable to do so at this time due to software constraints. The City has begun performing periodic spot checks, of the receipts and ticket balances, but the scope is limited. The City will continue to work on a process to obtain an accurate roll-forward schedule and address potential control shortfalls.

CITY OF FARMINGTON, MISSOURI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2014

PRIOR FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENT AUDIT

2013-01 Municipal Court Procedures

Condition: There is a lack of internal controls in the Municipal Court operation. While the City makes entries on a monthly bases based on reports received from the court system, no reconciliation of the court fines receivable is being done on a monthly basis. No control is in place for the review and approval of adjustments.

Criteria: Procedures should be in place to reconcile court fines on a monthly basis.

Effect: Because of the lack of internal controls, the risk of fraud and theft is increased.

Recommendation: We recommend that the City implement a system to reconcile the court receivables on a monthly basis, including the review and approval of all adjustments.

Status of Finding: The City has attempted to implement a roll-forward schedule, but has been unable to do so at this time due to software constraints. See current finding.